

Watches & Jewellery

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Hard luxury confronts a world turned upside down

Rapidly rising jewellery sales are triggering the biggest round of consolidation the sector has seen in years, writes *Rachel Sanderson*

Richemont, the conglomerate behind Cartier, Van Cleef & Arpels and Montblanc, recently provided the clearest indication of the new world order in watches and jewellery. Reporting its annual results to the end of March, the Swiss-South African group, which is the leader in the sector, posted a 9 per cent rise in sales to €10.2bn. The driver of that growth was not watches but “remarkable results” at Cartier and Van Cleef & Arpels. Sales rose 13 per cent amid “particularly strong demand” for jewellery.

The combination of a clampdown on corruption and on ostentatious buying in China that has hit watch sales, an increase in consumption by women in Asia that has boosted jewellery revenues and a trend of “branding” the

fragmented jewellery industry has upended the world of “hard luxury”, generally defined as watches and jewellery.

Where sales of watches have been the engine of growth for more than a decade, the fastest-growing area today is jewellery. That trend is triggering the biggest round of consolidation the luxury industry has seen in many years.

Claudia D'Arpizio, a Milan-based partner at Bain & Co, says the branding of the jewellery sector is the big trend. “There’s a huge potential for creativity and growing a brand in this market,” she says.

Two years ago, in a seminal report on the industry, Luca Solca, Bernstein Research’s then lead analyst, predicted that a “wave of accessible and aspirational demand” and a cultural



Gems with the upper hand: sales of emeralds are starting to outshine diamonds, Page 14

Alamy

shift from non-branded jewellery to branded would crack open the market.

The report estimated that the jewellery industry in its broadest sense was worth €136bn (\$184bn) across all price points. Compared with other sectors, jewellery was underpenetrated by brands, which accounted for just 12 per cent of the overall market, it said, against 50 per cent of the watch market. What is more, only about 5

‘Girl power’ is fuelling the growth of branded jewellery and is also boosting sales of watches’

per cent, or €7bn, was in the hands of big brands such as Cartier, Bulgari, Van Cleef and Graff.

Erwan Rambourg, HSBC analyst, also argued that, in China, jewellery sales will outpace sales of watches as Chinese women overtake men as the dominant consumers.

Their predictions have proved correct. Altgamma, the Italian luxury goods association, and Bain expect sales of jewellery to outpace those of watches over the next 12 months. In its annual consensus, Altgamma sees sales of hard luxury slowing to 7 per cent growth a year, a “sharp deceleration” of the watches industry because of destocking.

Ms D'Arpizio points out that the past two years have shown that the reality of tapping into the rapid growth in the jewellery business that

has traditionally been dominated by “mom and pop” stores, is difficult. Running a mono-brand successfully needs significant funds to be invested in distribution and working capital. Even then, for new entrants the chances of breaking in are slim. “It is not an easy game, so you don’t see many major players in that segment of the market. Although there are many talented designers, it is very difficult to establish a new brand globally. It is very expensive and it’s very difficult to become profitable.”

Thus, the question facing the world’s largest luxury goods groups is whether to acquire or build a jewellery business out of their current brands. At Richemont, Johann Rupert, the chairman, has signalled

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Watches & Jewellery

'Made in Switzerland' has its pros and cons

Provenance Business world is vexed over a label that can add a premium of up to 50 per cent, says *James Shotter*

The question sounds simple: how Swiss does a Swiss-made product have to be? Finding a widely-accepted answer, however, is fiendishly difficult. Swiss politicians and businessmen have been wrangling over the definition for years, not least because the different sectors of Switzerland's diverse economy – which ranges from cheesemakers to electronics producers, and chocolatiers to watchmakers – have very different views on where to draw the line.

Among Swiss watchmakers, nearly all of whom make frequent use of the "Swiss-made" marque, the issue is verging on a cause célèbre. "It is key," says François-Henry Bannahmias, chief executive of Audemars Piguet, the independent watchmaker based in the Vallée de Joux.

"If at some point we do not protect the notion of Swiss-made, we could end up with 70 per cent of everything done outside Switzerland and this would be a joke. We have to be extremely careful."

It is not hard to see why Switzerland's watchmakers are so keen to defend the national brand.

According to various empirical studies, the "Swiss-made" brand allows companies working in a range of sectors to demand a premium for their wares.

The mark-up is particularly attractive in watchmaking. "Swiss-made can significantly increase the price that a brand can charge for a watch," says John Guy, retail and luxury analyst at Berenberg Bank.

"At the high end of the market, we are talking of premiums of between 30 and 50 per cent."

Some watchmakers argue that failure to protect the Swiss-made marque would open the way for foreign suitors to buy up Swiss watch companies and then shift manufacturing to lower-cost jurisdictions, robbing the country of the skills and knowledge that have been built up over centuries of craftsmanship.

Under Switzerland's current rules, a watch counts as Swiss-made if at least 50 per cent of the value of its movement – a timepiece's mechanical heart – comes from Swiss components.

The problem with this, as far as upmarket watchmakers are concerned, is that it allows thrifter



competitors to import all the other parts of a watch – such as the case and dial and wrist strap – from abroad and still market it as Swiss-made.

"A watch that is effectively made in China and just assembled in Switzerland can be sold as Swiss-made. That is not what customers want," says Mr Guy.

"When they buy Swiss-made they

are after a certain degree of craftsmanship."

Switzerland's federal council is proposing to replace this rule with one requiring that all Swiss-made industrial products – including watches – should have at least 60 per cent of their production costs in the country.

The proposal failed to make its way through parliament during the March

sitting after the upper house insisted that the threshold should instead be set at 50 per cent.

It also divided opinion at Economiesuisse, the Swiss business lobby, which suggested a compromise of a 60 per cent threshold for watches, but a 50 per cent requirement for industry as a whole.

By contrast, the Swiss watchmakers' federation, FHS, has strongly backed the proposals – even announcing that it will withdraw from Economiesuisse at the end of this year because of its failure to support the federal council's plans.

Yet despite the FHS's backing, the measure does not enjoy unanimous support among watchmakers.

Whereas larger groups can swallow the higher costs associated with buying more Swiss-made components, smaller companies and those that sell to the less exclusive end of the market, may not be able to.

The pressure on smaller watchmakers is likely to be exacerbated by an impending ruling from the Swiss competition commission on whether the Swatch Group can reduce the number of movements that it supplies to third parties.

If the commission allows Swatch to cut supplies, watchmakers without their own manufacturing capabilities may be forced to buy more components from abroad, which will make it harder for them to meet Swiss-made criteria.

"For the smaller players who can't afford to invest more in production, this could be a problem. Will some of them struggle? Yes," says Mr Guy.

Following the Swiss parliament's failure in March to reach an agreement on a new set of rules, the subject will be debated again in the summer session, which starts this month.

The early signs are that an agreement could finally be reached.

"If it turns out that the parliament approves a general 60 per cent threshold, we should be able to live with that," says Pascal Gentinetta, chairman of the executive board of Economiesuisse.

Such an outcome would be good news for Switzerland's big watchmaking brands.

The country's smaller watchmakers, however, might be rather less enthused.

Inner workings: talks are under way to ensure that Swiss-branded goods are made mainly at home

Luxury world upended

Continued from Page 1

that he is leaning towards organic growth and exploiting the brand power of its stable of established elite watchmakers. "I'd rather have Piaget [owned by Richemont] expanding in jewellery than buy another jewellery company," Mr Rupert said last month.

But for rivals LVMH, Kering (the new name for PPR) and Swatch, which have lacked hard luxury brands to vie with the Richemont companies, acquisition has been the way forward.

LVMH fired the starting pistol on the biggest round of consolidation in the luxury industry in a decade with its €3.7bn acquisition of Roman jeweller-to-the-stars Bulgari in January 2011. The move added lustre to its offering alongside its smaller brands, Hublot, Chaumet and TAG Heuer.

Swatch Group bought Harry Winston in a \$1bn deal in January to compete with Richemont in the market for high-end jewellery and watches studded with precious stones. Kering last month took control of cult Milanese jeweller Pomellato for an estimated €350m. This followed its acquisition of the Chinese jewellery brand Qeelin in 2012.

Meanwhile, private equity groups are scrambling to pick up smaller brands. Clessidra, the Italian private equity group, last month bought out another Milan jeweller brand, Buccellati, days after the Pomellato deal.

The line of suitors for

Tiffany and Chopard are considered to be next in the sights of investors

HUBLOT



Strategy designed to preserve reputation

CEO interview
Henry Bannahmias
Audemars Piguet

James Shotter
considers game plan
of a luxury leader

In another life, François-Henry Bannahmias might have been a golfer. As a youth, the 48-year-old Frenchman was an avid player and at one point was ranked 25th in France.

In the event, it was the world of luxury in which Mr Bannahmias made his career.

After working with a variety of brands, ranging from Giorgio Armani to Gianfranco Ferré, he arrived at Audemars Piguet, the Swiss watchmaker, in 1994.

Twenty years on, he is chief executive of the 138-year-old family-owned company, which is still based in its ancestral home in the Vallée de Joux, a remote spot in the Jura mountains, regarded as the cradle of Swiss watchmaking.

Since taking the reins – on an interim basis in May 2012 and then on a permanent basis at the beginning of this year – Mr Bannahmias has made a number of significant decisions.

The first was to rein in the exuberance of the company's product development. "Instead of launching 30 or 40 new watches a year, we are going to slow that down," he says. "Let's make sure that everything that we do is great. Then we can focus on growing again."

In some respects, Mr Bannahmias's second call was bigger still.

In recent years, analysts have suggested that the brand, whose watches sell for about \$30,000, has over-egged its pricing strategy, raising prices faster than the updates to its range of watch designs could justify.

Mr Bannahmias put a



François-Henry Bannahmias

stop to this trend, going so far as to cut prices on some of the marque's array of gold watches. "A lot of people from the industry thought it was a bit crazy, because, normally in the luxury world, you do not reduce prices," he says.

However, nearly four months after the strategy was launched at the SIHH watch fair in Geneva, it seems to be bearing fruit. "Now, people say it makes sense," says Mr Bannahmias wryly. "We are selling more watches in gold."

Audemars Piguet has also bought back unsold stock from some of its distributors – a timely move as slowing watch sales, particularly in Asia, have left some distributors with larger stocks than they would like.

But at the same time, Mr Bannahmias is also preparing for growth and working on extending the group's manufacturing capabilities.

A facility making cases and bracelets is due to be opened in Geneva by the beginning of 2014.

Another, dedicated to making dials, a first for the company, is set to open in Le Brassus by the end of 2015.

Mr Bannahmias's aim is to be in a position to increase both sales and revenues markedly from 2015, when the first of two new collections currently in development will be unveiled.

The second is set for release in 2016. He declines

to put a specific number on how much he hopes Audemars Piguet can grow, but says that 7 or 8 per cent annual volume growth would be "normal".

Last year, the company sold "fewer than 32,000" watches and had revenues of "more than SFR600,000".

"If you take the full number of people who can afford to buy expensive watches, as a minimum they have two cars. As a minimum they have two houses," he says. "Now, they might also have a boat, a private plane, an art collection. But nowhere near all of them have a beautiful watch. If people are really exposed to the true art of watchmaking, we could get so many more clients."

Some brands have lost the exclusivity so prized by luxury marques by selling too many watches.

Mr Bannahmias acknowledges that there is an upper limit on how much a company can sell without encountering such risks but does not believe that Audemars Piguet is in danger of reaching that threshold.

The final plank of his strategy is to expand Audemars Piguet's network of boutiques.

At the moment, the company has 10 of its own stores and a further 14 owned in partnership with the group's retailers, out of 400 selling points worldwide.

"It doesn't mean that we would get rid of our retailers," he says. "We want to partner with them, and we might open a lot of stores with them."

A big advantage of having more of its own stores would be that the company would be able to get to know its customers better.

"We are one of the last luxury industries, where we don't know who the end consumer is, because we still use that retail network in between," Mr Bannahmias says.

"But I take this as good news. It means there is a lot of potential there."

Pomellato, maker of the cult "Nudo" and "M'ama non m'ama" rings advertised by Tilda Swinton, the actor, underlines the desire of investors to get into the sector.

With takeover momentum at fever pitch, industry executives expect more consolidation of the few remaining independent, established jewellery brands. David Yurman, Tiffany and Chopard are considered to be next in the sights of global aggregators or wealthy Chinese or Middle Eastern investors keen to pick up trophy brands, if the price is right.

By contrast, the heat has come out of the watches business, at least in the short term, say analysts. The most recent figures, published at the end of May, showed Swiss watch exports to China fell 12 per cent in April. Globally, they rose 6 per cent after years of double-digit increases.

Thomas Chauvet, an analyst at Citi, believes the tough stance of China's President Xi Jinping on corruption and extravagant spending will probably limit the recovery of the market this year.

Nonetheless, Betty Yap, a luxury expert and partner at international law firm Linklaters in China, says that China is still the market to be in for sellers of high-end wares, watches included.

"Anecdotally, people are seeing some signs of slow-down, but the reality is that China remains the highest growth market for luxury items," she says.

As a consequence, Ms Yap says that one of the important difficulties for luxury retailers in China remains real estate. "There are plenty of issues to overcome in order to find that spectacular site for your flagship store," she says.

Moreover, the future of watch sales in China may well come from the same market that is boosting sales of jewellery in that market – women buyers.

Ms D'Arpizio says this "girl power" that is fuelling growth in branded jewellery is also giving a boost to the watch market.

"There is a trend of women buying watches for complications and movements, not only for aesthetic value. This is a new trend. It is going to be a big driver for watches."



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Watches & Jewellery

Swatch Group set to start another revolution

Brand awareness High-end watchmakers ignore the lower segments at their peril, Nick Hayek Jr tells *Timothy Barber*

On the wall outside the office of Nick Hayek Jr, a Jolly Roger pirate's flag is permanently hung. "It means 'never accept the rules, challenge them,'" says the 59-year-old Swatch Group chief executive through a fog of cigar smoke. "If people tell you something does not work, ask them why – most people cannot respond, it's just a reflex. Never accept the rules and keep the fantasy of your childhood."

It is a philosophy that applies absolutely to the famous product that gave his company its name: the Swatch watch. The disposable, colourful plastic timekeeper is 30 years old this year and is still as potent a symbol as the Rubik's Cube or Sony Walkman of the 1980s.

In Switzerland, the Swatch will always stand for the resuscitation of the watch industry under the leadership of Mr Hayek's father, the late Nicolas G. Hayek. Its phenomenal success and profitability enabled him to breathe new life into traditional Swiss watchmaking, investing in skills and technologies that had gone into near meltdown as Japan flooded the market with cheap, quartz products.

If Mr Hayek Jr's ambition is met, Swatch is about to unleash another revolution in the industry.

The Swatch was conceived in 1980 by engineers Elmar Mock and Jacques Muller, then working for ETA, one of a number of failing watch groups that had been merged by the banks and handed to Nicolas G. Hayek to revive. The duo's idea was for an ultra-thin plastic watch in which the cashback also acted as the movement mainplane. With just 51 components – far fewer than most other watches – it was reliable and extremely cheap to produce. Launched in 1983, it quickly became a worldwide phenomenon.

"Zeitgeist is an abused word, but not in this case," says Stephen Bayley, the British design expert, suggesting that Swatch perfectly caught the spirit of the times. "Swiss quality entered the mass market, not as a bit of craft-produced, hand-me-down eternity, but as a fashion accessory you might change weekly. It had a great name, strong advertising and dedicated shops. Suddenly, buying a watch was amusing."

Thus has it remained. The idea of any other brand at Basel launching a diving watch under the title "Scuba Libre", for instance, would be highly contrary to the po-faced reality that is the present-day luxury watch industry. But Swatch, with countless colourful, zany editions launched over its three decades, made its first ever appearance at Basel this year for more heavyweight reasons.

At a packed press conference, Mr Hayek announced a pioneering new mechanical movement for the world's most famous electronic watch. While Swatch has produced small volumes of watches with automatic ETA movements since the 1990s, this is something entirely different. Named Sistem 51, like its electronic forebear it too has just 51 parts – an extraordinarily small figure for a mechanical timepiece. With architecture that sees these pivot around a single central screw, the entire thing can be assembled by robots in 20 minutes flat. Priced from about \$100, Mr Hayek says he expects to sell millions.

"The majority of people who buy Swatch watches are making a spontaneous buy, but they want to know more and more about it technically," he says. "They want a

product without a battery, that is environmentally more friendly. Mechanical has become a real sales argument."

Mr Hayek could be accused of ushering in a dangerous idea: mechanical watchmaking without the human element.

With its 90-hour power reserve and a lifespan he predicts at 20 years with no servicing required, why pay for something 20 or 30 times more expensive? But Mr Hayek says his ambition

is for the Sistem 51 to pave the way for greater innovation within the low to mid-end of the Swiss industry – the lesson of Swatch being that this sector needs to be healthy for the top end to thrive.

It is this part of the business that continues to depend on movements supplied by Swatch. While the group has faced criticism and legal wrangles over its plans to restrict this supply, Mr Hayek is critical of the sector's lack of willpower to innovate its way



Healthy ticker: Nick Hayek Jr (below), whose father helped to revive the Swatch brand for the ailing Swiss watch industry. Above: a Swatch outlet in Zurich Reuters

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Watches & Jewellery

Dramatic price fall leads to surge in consumption

Gold In the Middle East, jewellery shops have been reporting that sales have risen by up to 100 per cent, writes *Claire Adler*

Even before the dramatic drop in the price of gold this year, demand for gold jewellery was experiencing a revival, rising by 12 per cent in the first quarter, according to a World Gold Council report.

At the same time, the US has seen its first upswing in gold jewellery demand in seven years. When the price of gold dropped in April, some dealers trading in gold bars and coins were caught by surprise.

As demand surged, shortages in the supplies led to long queues across Asia, Europe and the US, which left some customers waiting for up to a month. The British Royal Mint sold more than three times more gold coins in April compared with the same month last year.

"Since the dip in the price of gold, the Royal Mint has seen a steep increase in demand for its gold coins, which has continued over recent weeks," says Shane Bissett, director of bullion and commemorative coin.

"An additional attraction for customers based in the UK is that gold coins are VAT free, and capital gains tax free."

At the US Mint, while demand for gold bullion coins weighing one-tenth of an ounce rocketed 118 per cent on the previous year, sales of the coin were temporarily suspended until inventories were replenished.

As a result of a zero interest-rate environment, many investors seeking stability have been showing

increased interest in gold coins for several years.

"Ever since the start of the recession, we've seen an increase in sales of collector coins among buyers looking for a purchase that is set to increase in value over time," says Sanjiv Mehta, chief executive of the East India Company, which went back to its roots last year when it introduced legal tender coins targeted at collectors and gift buyers. The first time round, in 1677, the company secured the right from Charles II to mint its own currency.

"Gold has become the preferred investment option of the 21st

Shortages led to long queues across Asia, Europe and the US

century," claims Mr Mehta. "While gold is an ancient currency, many people today are completely unaware of its value, and the extent to which it underpins the world economy," he says.

"One couple lost a substantial amount of money on the stock market and decided to invest in £75,000 of gold bullion. While such a transaction is very small in terms of gold purchases, I received a phone call from them telling me they had expected a truck load to be delivered, and they

were shocked to receive only a small packet."

Leading the overall charge in rising global demand for gold jewellery and gold bars and coins are India and China.

"Consumers in Asia are again buying gold in record amounts, and this was particularly evident in physical investment, such as bars and coins, and also jewellery, with India and China seeing a year-on-year increase of 27 per cent and 20 per cent respectively," says Marcus Grubb, managing director of investment at the World Gold Council.

In India, some families buy gold coins as an investment for their children, allowing them to make their own jewellery later in life. America recently saw its first year-on-year increase in gold jewellery buying in seven years.

In the US, figures for gold jewellery purchases are up 6 per cent, and as people have started to reconsider buying gold as an heirloom and investment, the country has seen a 43 per cent upturn in demand for gold bars and coins.

In the Middle East, jewellery shops have been clocking growing demand, including Atlas Jewellery in Jeddah, which recently reported a 100 per cent jump in sales.

According to the Gold Council, Egypt saw its gold jewellery sales rise by 34 per cent while, in the United Arab Emirates, demand has risen by 15 per cent. So how are jewellery



All that glitters: China and India are leading the charge in rising global demand for gold jewellery, bars and coins

Getty

customers likely to be affected? One London-based high-end jewellery retailer says that the drop in the price is having a direct impact on prices for commissioning bespoke pieces.

"Until recently, if a customer wanted a bespoke version of a piece I've had in stock for two years, the price would be 50 per cent more than the original piece to reflect the hike in the gold price," says Lesley Schiff, owner of the Talisman Gallery in the department store Harvey Nichols. "If gold drops to, say,

\$1,200, I could match the original price, which would be far more appealing to customers."

Meanwhile, prices of a new Fabergé gold ring collection will be affected too. "Fabergé does everything to ensure clients get the best value," says Katharina Flohr, Fabergé creative and managing director.

"A fluctuating gold price will be reflected in our overall calculations to ensure that our clients will benefit," she says.

"Starting from around \$3,000,

Fabergé anticipates that its new ring collection will be a popular choice for women treating themselves," she adds.

Despite recent variances in the price of gold, the Gold Council maintains the long-term outlook remains positive.

"Gold operates on the basic fundamentals of demand and supply," says Mr Grubb. "Demand for gold is strong, while supply remains constrained and this dynamic ultimately drives the long-term price."

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Ancient name bounces back with clear identity

Case study
JeanRichard

Meehna Goldsmith finds a brand that has had trouble finding its footing

JeanRichard traces its history to 1681 when Daniel Jean Richard set up shop in Switzerland in the Jura canton and constructed his first watch. However, the company has not been in continued existence since then.

It went quiet from 1900 to 1950. Nouvelle Lemania bought the rights to the name in the 1980s but left it dormant. It was in 1986 that Luigi Maculoso's Sowind group brought JeanRichard into the fold for a relaunch.

The brand has since had a rough time finding its footing. Compared with its more sophisticated *haute horlogerie* sister, Girard-Perregaux, purchased by Sowind in 1992, JeanRichard stood little chance of thriving, but continued to stutter along.

When PPR, which is being renamed as Kering, acquired the brand in 2011, the top brass took a long, hard look at the company. The financial data were not encouraging and retailers were losing faith.

One option was to cut losses and draw down the shutters. Girard-Perregaux was having its own problems, and closing JeanRichard could have freed up some capital to inject into its more prestigious counterpart.

Digging into the issue, Michele Sofisti and Bruno Grande, respectively chief executive and chief operations officer of Sowind Group, identified two stumbling blocks impairing JeanRichard. First, even though Girard-Perregaux and JeanRichard occupied different segments of the market, they were too closely positioned in pricing.

Given a choice between the two, customers chose Girard-Perregaux because of its history and esteem. Perhaps, more importantly, JeanRichard had no solid identity, and consequently no aura or brand recognition.

The two men wanted to try to resuscitate the company because they saw potential for a turnaround, and Kering agreed to give it a go. From a business standpoint, the Sowind



'Sully' Sullenberger, Hudson river hero, JR ambassador

Getty

Group needed to generate volume, and there was a gap between the Kering fashion watch brand Gucci and the top-liner Girard-Perregaux - which was a perfect place for JeanRichard to settle in.

Sentimentality also played a part in the recommendation to the parent company Kering. Messrs Sofisti and Grande felt that JeanRichard deserved to be given a shot at succeeding with its own mission and direction.

"JeanRichard couldn't be sustained the way it was," says Mr Grande. The new strategy involved fashioning a model that cost no more than \$2,500,

'The common chassis becomes a canvas for creativity, flexibility and imagination'

and establishing a unique identity.

The company focused on the case, joining a cushion-shaped base to a round bezel. Having this design allowed them to experiment with materials and finishes while keeping the DNA intact.

"The common chassis of the complex case is the building block," says Mr Grande. "Volkswagen uses the same chassis for Volkswagen, Porsche and Audi. Therefore, it's the same principle for the case, which becomes a canvas for creativity, flexibility and imagination."

The idea was to create a consistent design so that the watches would be recognisable on the wrist. The package was wrapped in the theme "The Philosophy of Life", which aims to associate with

ordinary people doing extraordinary things.

In addition to the change in identity, the brand overhauled its models, with three new pillars based on land, water and air: Terrascope, Aquascope and Aeroscope.

It also included a line called 1681, premium (and more expensive) watches, in honour of the company's founding.

If JeanRichard was to generate volume and target entry-level price points, it also had to abandon placing in-house movements in most of the watches, which is what the company had been doing since the introduction of the JR1000 in 2004.

The solution was to outsource industrial movements. Mr Grande says the company chose a Dubois-Dépraz module in the chronographs, the same as the one that Audemars Piguet opted for in the Royal Oak Offshore. The 1681 still contains the in-house movement.

Mr Grande believes the JeanRichard identity is clear now.

The next step is to build brand awareness, which the company plans to do through several channels.

To separate it from Girard-Perregaux, points of sale will be reconfigured. The group is elevating brand awareness through partnerships such as that with Chesley "Sully" Sullenberger, the now retired airline captain who gained fame in 2009 when he landed a distressed aeroplane safely on the Hudson River in New York, as brand ambassador. There will also be online and print campaigns.

At this point, Mr Grande feels he has done all he can for the brand. "Time will tell if we made the right decision," he says.

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RING WHITE GOLD AND DIAMONDS

Watches & Jewellery Sponsorship

Rolex begins fightback on track to retain top spot

Formula One The sport provides a critical strategic platform on which to build and manage an international profile, writes *Robin Swithinbank*

There is strong evidence that Rolex's recent deal to become Formula 1's global partner and official timepiece is an attempt to outmanoeuvre Omega and halt the erosion of its position as the world's biggest watch brand.

A report released by Digital Luxury Group (DLG) on the opening day of the BaselWorld watch fair this year revealed that the gap in global interest between Rolex and Omega – the world's two most searched-for luxury watch brands – has shrunk from 8.4 per cent in 2009 to 2 per cent in 2012.

Omega's brand value was given a significant boost in 2012 by its sponsorship of the London Olympics and through an aggressive campaign around *Skyfall*, the 23rd and highest grossing film in the James Bond franchise.

The narrowing gap is indicative of Swatch Group's positioning of the Omega brand in direct competition with Rolex, and indeed of the effectiveness of its tactics.

According to David Sadigh, DLG's founder and chief executive, Rolex's F1 deal is a last roll of the dice to prevent Omega from usurping its top position.

"Omega is on its way to create a shadow over Rolex in the long run," says Mr Sadigh. "Major sports event sponsorships, ubiquitous celebrity endorsements and a competitive product offering are some of the key ingredients for the Swatch Group brand to grow further. This could ultimately end up in reaching Rolex's unmatched popularity three to five years from now."

Rolex's F1 deal is believed to be worth \$35m a year for 10 years, a figure unconfirmed by the company, which declines to comment on it.

Even for a brand with such heavy financial clout, that is a considerable outlay. Much of the justification for it lies in the growth of both the luxury watch industry and interest in F1 in one of the world's most important economies – Brazil.

Brazil is the biggest market for F1 fans in the world. Domestic television audiences grew by 8.9 per cent in 2012 to 85.6m, and according to the World Watch Report, the four most searched-for timepieces in the country are motorsport watches – the Rolex Daytona



is third, behind TAG Heuer's Carrera and Grand Carrera models, and ahead of TAG Heuer's Monaco. Omega's Seamaster is fifth.

Brazil's importance is heightened further because of its role as host of the 2014 World Cup and the 2016 Olympic Games. Omega is a World-wide Olympic "partner" and will reprise its role as official timekeeper at the Rio games, making Brazil an important battleground for the two brands.

The Rolex deal will have come as a blow to watch brands with

longstanding involvement in F1. Many industry observers considered either TAG Heuer or Hublot (which is also the World Cup's official timekeeper) the more likely contenders to fill the position.

TAG Heuer first entered the sport in the early 1970s and is a Vodafone McLaren Mercedes F1 partner.

Its pursuit of F1 audiences over 40 years has driven global awareness of its watches sky high. Hublot's high-profile assault on F1 began in 2010 when it became the official F1 watch. Rolex's agreement usurps Hublot's,

leaving Hublot with its Ferrari F1 deal (now in its second year) and fighting for scraps with other brands.

Rolex's presence at races so far this season has outstripped those of its competitors, in what Mr Sadigh describes as a deliberate attempt to wipe out their advantage.

"By becoming the main watch sponsor in F1, Rolex is reducing the impact of its competitors' initiatives, and will be highly visible in many different cities, all year long," he says. "We see this first as a move to protect a strategic watch advertising

Race is on: Brazil is the biggest market for F1 fans in the world

Getty

Rolex's F1 deal is the last roll of the dice in a quest to prevent Omega usurping its position

territory, and reinforce the Rolex brand leadership."

By contrast, some of the smaller companies may welcome the extra attention Rolex's entrance into the sport brings. IWC's first F1 foray was announced in May last year, and came into effect on January 1 this year.

The company is the official engineering partner to the Mercedes AMG Petronas F1 team, and recently extended the terms of its original contract to include a deal with drivers Lewis Hamilton and Nico Rosberg.

For IWC, F1 is an opportunity to position itself in the mainstream as part of an ambitious strategy to force its name into the top tier.

"Ten years ago, IWC was a local brand," says Yan Lefort, its manager of sponsorship and partnerships. "Now it's global, thanks to partnerships with sports such as the Volvo Ocean Race and Formula 1."

Richard Mille's deal with Lotus F1, confirmed before the Spanish Grand Prix in May, is an extension of synergies that have been evident since the company was founded in 2001.

Mr Mille's line of low-volume, high-priced pieces include models made for Felipe Massa, Ferrari driver and Jean Todt, president of the FIA, the sport's ruling body, but it is also often been said that his technically advanced watches are "Formula 1 cars for the wrist".

The deal leaves just two of the 11 teams on the F1 grid without an official watch sponsor.

"Before this deal, I always said I wasn't interested in being involved in F1 sponsorship, because normally it's devoted to mass-market products," says Mr Mille, the company's eponymous founder.

"But the deal came naturally. Not only are the brands a good fit, but Lotus also wanted to upgrade the level of sponsors they have."

F1 viewing figures were down around the world in 2012, particularly in China, which saw a drop of 34 per cent. This will be of concern to the wider F1 community.

But as far as watch brands are concerned, the sport remains a critical strategic platform on which to build and manage an international profile. For Rolex, the hope is it will achieve more than that – and keep it at number one.

Mila Kunis wears Zambian emeralds from Gemfields, the world's leading producer of ethically-sourced coloured gemstones. Beauty, set in stone. www.gemfields.co.uk +44 (0)20 7518 3400



Styling by Shaun Leane, ring by Alexandra Mor

GEMFIELDS

LV puts its skills to the test in celebration of high seas birthday

America's Cup

A 30th anniversary calls for a special offering, writes *Simon de Burton*

Anyone with a passing interest in the somewhat arcane world of the America's Cup yacht race – an event last won in 2010 by Oracle Team USA – will know that preparations are well in hand for the next edition of sailing's most famous showdown.

The final stages get under way next month on the defender's home waters at San Francisco's Golden Gate Yacht Club.

The so-called "challenger of record" will be determined through a series of races during which three teams – Sweden's Artemis Racing, Italy's Luna Rossa and Emirates' Team New Zealand – will battle it out in state-of-the-art, 86-ft AC72 wing sail catamarans, each of which has cost a cool \$10m to build.

These preliminary races form the Louis Vuitton Cup, which this year celebrates its 30th anniversary. It was first run in Newport, Rhode Island, when Australia II became the first challenger in the 132-history of the America's Cup to wrest the famous "Auld Mug" (as the trophy is informally known) from the US.

The anniversary, combined with the fact that Louis Vuitton is also the official America's Cup timing partner, presented a problem for the brand's increasingly important horological arm: how to mark the occasion with a suitably impressive timepiece that would reflect the company's watchmaking skills, while being relevant to the uncompromising and highly technical world of modern yacht racing?

The answer proved to be simultaneously simple and complex – simple in as much as the new watch would be relevant to match



Sailing off: hard work for both race and horology teams

Getty

ready for delivery this year, and that meant putting other projects aside in order to ensure that we reached our target.

"The America's Cup, and the build up to it, is very complicated to an outsider, so we wanted to make a watch which distils all that into the fundamental facts that you need to know: the time of yacht number one, the time of yacht number two and the difference in between.

"Unfortunately, while it sounds simple to make such a watch, it required many innovative solutions – and we discovered that the reason it has never been done before is because it is extremely difficult to

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adjust the chronograph's two column wheels – one of which acts on three levels – in order to provide the different elapsed time readings.

"All the adjustments have to be done by hand, and it's a task that only two of our watchmakers can carry out."

Behind the distinctive blue enamel dial of the watch lies an impressively sophisticated movement, which, in addition to the two column wheels, boasts four barrels, four balance wheels and no fewer than 80 ruby bearings.

Perhaps its most impressive feature, however, is that all of the functions are controlled by a single push-button mechanism, which the company has registered for patent.

Despite the three years of work that have already been expended on developing the watch, Mr Chatti believes it will be at least another two years before it is possible to make the movement more commercially viable so that it can be offered in a less expensive product.

But while the company will have a big presence in San Francisco next month, its branding will not be seen on any of the competing boats – unlike Omega, which backs Emirates Team New Zealand, and TAG Heuer, which sponsors Oracle Team USA.

"We have supported the whole organisation of the America's Cup for 30 years and we remain behind it for the long term," says Mr Chatti. "But we have never sponsored a boat – we are time keepers, not racers."

The Louis Vuitton Cup gets under way on July 4 and runs until September 1, with the deciding races of the America's Cup taking place from September 7 to 21.



Just in time: the Twin Chrono had to be ready

Watches & Jewellery Emerging Economies

Focus turns to culture that loves a display of colour

Brazil Imports of big name jewellery increased by 63 per cent last year. *Avril Groom* reports

As the largest fine jewellery company in Brazil, H. Stern has both a museum showing the variety of geological marvels mined in the country and a map showing the location of those mines.

The most striking thing about the blank areas is not, as Christian Halot, brand ambassador and resident expert, explains, because they contain no gems but because they have not yet been explored.

"We have hardly scratched the surface", he says. "Areas like the Amazon are difficult terrain, still not very accessible. The original Portuguese settlers started at the coast, so the main area is Minas Gerais, not too far away. There is no reason to believe we don't still have a lot to find."

The luxury goods industry is fascinated by Brazil, both as a producer and consumer of high-end jewellery design. Bigger than Europe, and the only western hemisphere member of the Bric economies, it is estimated to boast 150,000 millionaires among a population of more than 190m.

It is now the world's sixth-biggest economy, though current growth, at less than 2 per cent, is behind other emerging markets.

But it has a healthy appetite for consumption. According to the Brazilian Gems and Jewellery Trade Association, imports of international brand jewellery increased by 63 per cent last year, while exports of home-designed, often niche jewellery, mostly using locally sourced gemstones, grew by 38 per cent in two years.

New malls such as São Paulo's Iguatemi, are filling up with familiar luxury jewellery names as well as the

smaller boutiques of local designers such as Jack Vartanian and Silvia Furmanovich, who are also establishing themselves in overseas markets.

Brazil's assets in this two-way process are its gemstone resources, the creativity of its designers and the demands and knowledge of a sophisticated clientele driven by a culture that loves colourful display.

Ms Furmanovich, who sells in London at CoutureLab and Joseph, and at Bergdorf Goodman in New York, uses shells and orchids, hand painted, edged with diamonds and lacquered for durability, and even rubber alongside a wide variety of Brazilian gems and imported opals.

"Brazilian clients know their gems and buy a lot," she says. "The middle class now has more money – they can spend \$10,000 in a lunchtime, helped by the fact that everyone – even the super rich – buys in instalments. Fashion accessories like bags are so expensive because of import taxes that people see precious jewellery as a better investment."

Mr Vartanian, who started selling at Barneys in New York in 2001, and has several stores in the US, says: "The DNA of Brazilian jewellery is coloured gems, handicraft and our sensual, party lifestyle. My style is more international, aimed at women who buy contemporary art, and we are growing at 24 per cent annually."

H. Stern, which, with its own mines and access to sought-after stones, is the world's largest producer of coloured gems, has recently changed the emphasis of its jewellery to design rather than stones in response, says Mr Halot, "to demand from modern Brazilian women. They come from



Rough terrain: the Amazon rainforest has yet to be properly explored for gems and experts say they have hardly scratched the surface

AFP

very mixed ethnic backgrounds with a variety of skin tones, but all live in a warm climate where jewellery is worn on skin rather than over clothes. So it needs to be tactile and sensual."

Fernando Jorge, who designed in Brazil before studying at London's Central St Martins School of Art, and is setting up a business in the UK capital, still has his pieces made in Brazil though does not sell there.

He exhibits and sells through the British Fashion Council's Rock Vault initiative.

"Although Brazil has a European-style culture, it has evolved its own aesthetic through its isolation," he says. "We are a younger culture – we don't research so deeply, we are more intuitive and sometimes careless, so, in the past, our standards were not so high. That is changing fast as

Brazilians travel and buy elsewhere."

The home market is still the biggest for Brazilian designers – 60 per cent at H. Stern – but fresh looks and new stones attract European retailers. "We fell in love with Carla Amorim's bold mixes of coloured gems and gold, and are expanding her input to our UK and US sites," says Bec Astley Clarke of astleyclarke.com.

"Seeing her wonderful, warm colours, we began to buy stones from Brazil for our own ranges too – Morganite and green topaz especially. We look for good stones everywhere, but it's increasingly hard to find good quality rough because Chinese demand for coloured gems has increased so much."

However, not everything is perfect. Brazilian designers pay heavily both to export their work and to import

materials, and craftsmen are expensive and scarce. They are increasingly competing at home with global luxury brands. It is not that they expect all those millionaires to buy locally.

Maxime Tarneaud, Cartier's brand manager in Brazil, says: "Our wealthiest clients travel and they buy in Europe to save taxes here of up to 20 per cent."

Cartier was the first luxury brand to open in Brazil, arriving in 1978 with its first shop opening in 1997. It recently opened large new stores in São Paulo and Rio malls. These rely on Brazil's economy, which is currently faltering. There is, says Mr Tarneaud, "low tourist traffic and the big sports events won't help. Customers have far more choice than even five years ago and potential is good. But it will never be China".

Leading brands prepare to play long game on subcontinent

India

Jim Shi reports on strategies being pursued among the newly wealthy

As China's luxury watch consumption slows, now superseded by Germany as the third-largest market for Swiss watches, India has quietly been churning its gears as watch brands subtly eye a market with a population of 1.2bn.

According to Wealth-X, a global provider of intelligence on the super rich, there are 7,730 individuals in India with a total net worth of \$925bn, a number expected to double to 17,000 in the next decade.

Seen as roughly 10 years behind China, the Indian luxury market, is expected to grow faster, and eventually match that of China's, according to Jay Jhaveri, head of business development in Asia at Wealth-X. The country represents just 1 per cent of total Swiss watch sales, surprisingly low, given the size of India's population, favourable demographics and a growing economy driven by domestic consumption, says Thomas Chauvet, head of Citi's European luxury goods equity research team.

All of which makes India ripe for development as far as luxury watches are concerned.

But whereas initial reluctance to enter China directly was due to the perception (at the time) of intellectual property concerns, in India, duties and tariffs can raise the price of a watch by 50 per cent, affecting margins and making it extremely difficult for luxury brands to run businesses profitably.

That is where marketing comes into play. Longines has long used the Indian actress Aishwarya Rai Bachchan in its campaigns while TAG Heuer, Hublot and Audemars Piguet all have dedicated brand ambassadors in the form of the Bollywood actor, Shah

Rukh Khan, and the cricket stars Harbhajan Singh and Sachin Tendulkar, respectively.

"Watch brands are opening in India, but they are largely marketing tools," says Jon Cox, head of Swiss research at Kepler Capital Markets.

"Being a favourite among celebrities was key to the rapid success of the brand in India," says Jonathan Stalder, director of Hublot India, which has a flagship store in development and is one of the very few brands more successful in India than in China, having opted to enter the former first in 2006.

"We want to establish our awareness," affirms Franck Dardenne, country manager for LVMH Watch and Jewellery India. "Even if nobody knows when the bomb of wealth will explode in India, we want to, and will be, ready for this moment."

LVMH Group brand, TAG Heuer, available via eight monobrand boutiques and 85 multibrand outlets in 28 cities, made the bold move of offering its full range of watches to Indian customers as early as 2002.

By doing that, it was able

to capture a leadership position. The brand plans to open in multiple "tier two" cities where it expects to wait two years before achieving strong turnover.

With high-end watches, where substitute products are more difficult to find, there are interesting longer term opportunities. Richemont, LVMH and Swatch Group have an established

"When the bomb of wealth explodes in India, we want to, and will be, ready for that moment"

watch presence in India to benefit from this strategic market once it opens up more favourably from current "marginal" standings, paralleling a similar phenomenon in China 15 years ago.

For the time being, however, the approach has been to limit invested capital and risks.

Michele Sofisti, chief executive of Sowind Group, which includes Girard-

Perregaux and Jean-Richard, believes in maintaining a balanced global distribution of investment, sales and post-sales service. "India remains a market of potential interest, but not yet real in spite of their economy," he says.

Additional obstacles include such as the absence of a large middle class and organised distribution, difficulties developing retail without an Indian partner, few luxury malls and plain old bureaucracy.

"There are no tangible reasons to be bullish on the Indian luxury watch market for the next decade," says Mr Chauvet. Despite that forecast, Wealth-X estimates wealthy Indians will spend \$800m this year on luxury goods in India alone. But India boasts the largest number of privately owned planes in Asia. The natural conclusion? Indians are buying watches abroad.

Just a decade ago, when travel abroad and the internet were not as common as they are now, brands were simply adding import taxes to the prices, notes Mr Stalder. Today, with instant comparison shopping, that would be impossible.

Unlike with jewellery, the vast majority of which is entrusted to family jewellers, brand names are very important to the Indian consumer when choosing a luxury watch.

Artisanal brands such as Vacheron Constantin, with its Emporio Mall boutique in New Delhi, have progressed steadily in the past decade, says managing director Yassin Tag, "benefiting from an increase in watchmaking awareness, as well as a love for craftsmanship and precious materials".

In the case of TAG Heuer, a quarter of its market is composed of steel and gold watches. "Our Formula 1 steel and ceramic watch met with tremendous success after it was adapted to be gold-plated and ceramic," says Mr Dardenne. "Its shiny aspect made it extremely suitable with saris."



Star quality: Shah Rukh Khan, the face of TAG Heuer in India

Members of the middle class can spend \$10,000 in a lunchtime

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

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Watches & Jewellery

If Apple comes in, it is sure to change the game

The next frontier Anticipation of an iWatch has *Syl Tang* looking at the latest developments

The idea that Apple will soon come out with a watch that puts the iPhone on the wrist has been floated at conferences, in industry reports from banks, on blogs and on chat boards.

While the company has yet to make any such announcement, the market is in a frenzy over the possible effect on the global watch market, which is expected to reach \$46bn by 2017.

Jerritt Clark, an industry dealer, says an iWatch "would be the only watch that could possibly get the smart watch trend going".

Watches with computing capability have existed since Seiko released the Data 2000 in 1983, and the D409 in 1984. Casio's calculator watches followed. In 2000, IBM created WatchPad with Citizen, which ran calendar software on a Linux platform.

But they had one main problem. Without the ability to communicate with a computer, once the battery ran out, the data were lost. In 1994, Timex solved this problem with the Timex Datalink which was picked up by Nasa, and was sold until 2008.

In the late 1990s, when the handheld Personal Digital Assistant (PDA) became popular, replicating those functions on a watch became the goal. In 1999, engineer Donald Brewer licensed the Palm OS and attempted to make it work on a watch ultimately called the Wrist PDA.

After a company called Three-Five Systems made a screen small enough to work with the Palm system in 2002, Fossil, the watch company, created a series of watches using the internal hardware.

It ran a wide range of programmes, then popular with Palm users, including document, games and navigation programmes, but delays and low sales plagued the range and reviewers complained about the screen appearance, lack of water-resistance, low battery life and the weight of the watch.

In 2005, Fossil moved on to a second attempt, this time with a Microsoft range called the Wrist Net, an effort that was shelved by 2008.

The world is different now, says Bill Geiser, who was part of the original Fossil team. After the company decided to focus on design-driven



Sony SmartWatch: connects via Bluetooth to the user's Android handset Getty

watches, Mr Geiser acquired the assets of the part of the company that was concentrating on the smart phone. Now as chief executive and co-founder of MetaWatch, he says the first MetaWatches were, in 2011, aimed at Android developers rather than consumers. "The rationale was that the interfaces weren't mature enough. Within the next 12 months, they will be."

Within the next year, screens and operating systems will have caught up to a decidedly 2013 need. "It's about notifications. Much of the consumer's use of smart phones is driven by when the phone contacts the user,

when it vibrates, beeps, rings. Today you have hundreds of these events every day, be they text messages, emails, Twitter mentions or Facebook likes, and each time with no way of knowing whether the notification is important," says Mr Geiser.

"The intent is to provide just enough information to allow the wearer to decide whether or not to do the time-consuming action of taking out the device, unlocking it, opening the application and seeing the event." In theory, using a MetaWatch could save the wearer up to an hour a day.

Other smart watches are on the market. In 2009, LG released the LG-GD910 a waterproof 3G watch with video capability, at \$800. Motorola sells the \$250 MOTOACTV, released in 2011, which runs Android 2.3.4, communicates over Bluetooth 4.0, and functions primarily as a GPS tracker, fitness monitor and MP3 player.

Launched this year, the \$130 Sony SmartWatch uses Bluetooth to connect to the user's Android handset and allows for reading of emails, text messages, social networking updates, controlling MP3 playback and activating the phone's camera.

The watches have yet to completely catch on. Mr Geiser says this is because technology companies do not understand the watch market. "Tech companies are focused on what the product does, but the fashion culture is all about how it looks. When you're talking about a wearable device, you have to be grounded in the culture of how people wear things."

However, Stephen Baker, vice-president of NPDI, the market research group, says the watches simply do not do enough. "The case has not been made for the big companies to produce the devices. The current smart watches are just cell phone accessories, serving as carriers of snippets of data from the primary device. We can't even get decent battery life on a smart phone with all the things we want to do?"

Simply put, existing devices are not smart phone replacements. Rather they serve as vessels, gathering information from the owner's primary device, via Bluetooth connections.

None of this has stopped brands such as Pebble and NOOKA from

chasing a piece of the market. Eric Migicovsky, chief executive of Pebble Watches, says the company came out with an iPhone and Android compatible watch in 2012, shipped 70,000 in the first four months of 2013, and will have transported 85,000 by June. "That first stage was notifications, but our focus is going to be on what happens when developers can write applications, building concrete foundations for people. We just released our software development kit and, in four weeks, 8,000 people have downloaded it. Six hundred apps have been published already."

NOOKA, sells about 40,000 timepieces a year, and is not waiting for Samsung or Apple to act. Matthew Waldman, founder of NOOKA says: "The current offering of smart watches is tied too much to the mobile phone model. The broader definition of 'wearable computing' opens a much wider opportunity."

How this will affect the watch market may ultimately come down to what category they occupy.

Will they be fashion or technology or both? Does the watch belong in mobile phone stores or watch shops, or will they be found at luxury retailers such as Barney's? Will Apple be the one company able to shrink it all down into a standalone?

"I call these folks Macolytes," says Alan Chadwick, consumer product innovation expert. "High-end watch wearers consider their watches jewellery, so they won't switch to a phone-linking device that links to the wrist, unless it has the same kudos as the top-end luxury watch manufacturers."

"However, there is a large market of cheap watch wearers or no-watch wearers. Consider if you went into an Apple store and, even if it's just an accessory to the phone you already own and it is just \$79 or \$99?"

This may explain the fevered anticipation of the iWatch. In the first quarter of 2013, Apple had just 9 per cent of the world's phone sales and only 18.2 per cent of its smart phone market, but the company has historically changed any category it joins.

If Apple joins the game, others may be forced to consider whether at least a portion of the market will expect new functionality on all watches.

Companies may have to consider the inclusion of a new functionality



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Younger generation invites digital attention

Generation Z

Houses must follow the ways of future consumers, writes Elizabeth Paton

For decades, the world's most eminent watch brands made a point of targeting only the world's most eminent consumers.

Traditionally, clients have been older, wealthier and highly educated, with many avid collectors as well as genuine connoisseurs. Ownership denoted membership of an elite customer circle, defined by a mature appreciation of the exclusivity and craftsmanship of a timepiece.

In the 21st century, times have changed immeasurably, with the luxury landscape evolving at an increasingly rapid pace.

Given the booming Brics and emerging markets, many heritage brands have gone to great lengths to attract new consumers in terms of geography; yet very few have made the same leap generationally.

This could be about to change. The purchasing power of Generation Z – those born since 1995 – both in terms of themselves, and the influence they hold over the spending patterns of parents and grandparents, has exploded in recent years.

Many industry observers believe that 'hard luxury' brands (watches and jewellery, as opposed to 'soft luxury' goods such as bags and fashion accessories) need to alter their communications focus to include a previously overlooked younger demographic.

Some leading houses have developed marketing campaigns that can resonate with younger consumers. Brands anchored to celebrity and sports-based brand ambassadors such as TAG Heuer and Jaeger-LeCoultre have universal aspirational appeal, while Omega scored a triumph with its high-visibility product placement in *Skyfall*, last year's latest James Bond offering.

But until recently, very few had targeted their efforts online.

"Most watch brands have failed to invest significantly in targeting those under 30, primarily because they represent a future consumer, not a current consumer that can buy their timepieces at high price-points," says Professor Scott Gallo-way of New York Univer-



Wrist action: Daniel Craig wears Omega in 'Skyfall' EON

sity, founder of L2, a think-tank for digital innovation. "But recognition is finally spreading that these clients of tomorrow don't just socialise in the digital space – they are influenced by it, research in it and spend in it too."

With many already replacing their watches with mobile phones, it's critical that luxury brands develop online relationships with new fans now, in order to repopulate and grow their businesses further down the line.

Few areas can have more impact in this context than social media. Cartier's 2012 L'Odyssee de Cartier campaign crossed multiple media platforms and broke

'It's critical that luxury brands develop online relationships with new fans now'

new ground for luxury advertising. IWC and Vacheron Constantin have both launched successful community web pages, while even Rolex, long reluctant to create a presence on the web, finally launched its social media efforts early last year.

Last March, the Rolex YouTube channel went live, a late, but sophisticated entry into the market backed by platform ads and 1.4m views. In April the brand established an official Facebook page, garnering nearly 700,000 fans in just two months.

Yet questions remain as to whether these brands will be able to translate this new-found kinship with young digital natives into concrete sales.

Research from advertising agency JWT shows that

more than 50 per cent of Generation Z prefer to shop online, yet most watch brands still do not successfully target younger buyers where they spend. Of the 47 watch and jewellery brands examined by L2 in their Digital IQ index last October, less than 50 per cent are ecommerce enabled.

While some businesses are stepping up their e-game – Richemont has established e-commerce as a priority for the group, for example, launching Montblanc, Van Cleef & Arpel, and Piaget's online boutiques within a 12-month period – many are yet to follow suit.

The logic is hard to ignore: L2's Digital IQ index found hard luxury brands with an ecommerce presence register nearly 50 per cent greater year-on-year traffic growth than those without one, and see more than 1.5 times as many Google searches as brands who have yet to sell online.

Furthermore, being the first to convert a fan to a client is critical.

Research by Tourneau has found that many customers have greater brand loyalty than one might first imagine. Rather than "upgrading" timepieces in correlation with professional and material success, a sizeable quota of consumers maintain the same brand sensibility and price point for the rest of their lives after the purchase of their first watch.

"The under-30s may be entering a more volatile and economically challenged world, but there is no evidence that suggests Generation Z will be less fond of luxury items than the consumers that have come before – brands that don't attune themselves to their social and spending habits will undeniably suffer in the long run," says Prof Galloway.

Watches & Jewellery

Legislation offers protective hand to design talent

Copyright New law aims to ensure fair treatment for artistic works as well as promoting investment. *Maria Doultou reports*

Theo Fennell, the British jeweller, says he feels like Cliff Richard, the veteran British pop singer.

He is referring to UK legislation that aims to extend the period of copyright protection, for designers such as him, to the period enjoyed by the likes of authors and songwriters, namely 70 years after their death.

This will bring jewellers such as Mr Fennell in line with the pop star's victorious copyright battle in which Mr Richard secured the right to carry on making money from 1960s hits, such as *Living Doll*, for a long time to come.

The law is likely to come into effect within one to two years.

"I have had a lot of my jewellery copied and sold wholesale, such as my 'Key' pendants and 'Arts' and 'Snakes'. It is pretty unabashed," says Mr Fennell.

Thanks to the Enterprise and Regulatory Reform Act that will repeal section 52 of the Copyright Designs and Patents Act of 1988, the term of protection for certain artistic works will be raised from its former level of 25 years.

This brings protection into line with most other European Union states. The UK, along with Estonia and Romania, has been using the limit of 25 years on copyright protection for qualifying designs. This has made the UK the European capital for furniture, and often jewellery imitations.

Furthermore, unlike copyright, this may prove a more effective remedy for imitations, as small changes to a design will not provide a loophole – as they previously did – since the derivation of the design is protected.

Simon Ayrton, head of Powell Gilbert law firm's design and copyright group, says: "In practice, the repeal of section 52 will mean that the creators of iconic furniture designs, such as the Eames Lounge Chair, Le Corbusier's La Chaise and Arne Jacobsen's Egg Chair, will be able to prevent the importation into the UK of inexpensively manufactured replicas from the Far East. In doing so, it will ensure a fair and consistent



Owning the rights: (clockwise from above): Arne Jacobsen's Egg Chair; Theo Fennell's key pendant; Boodles Rainsdance ring; a Le Corbusier chaise longue



treatment of artistic works in the UK, as well as promoting innovation in the design industry and encouraging investment in new products."

Mr Ayrton explains its implications for the jewellery world. "Though the legislation principally affects furniture designers, it will have a significant effect on a small number of jewellers. It doesn't affect every jewellery design as, for copyright protection to

'Anything that protects designers in this country is important to our economy'

kick in, there is a high threshold. Those impacted by the reform will be those who have produced a 'work of artistic craftsmanship', where the design is over 25 years old and more than 50 pieces of it were produced."

Once the law is in force, following a transition period, the numbers of pieces produced will no longer be a qualifying factor and it will also apply to new designs.

But why were jewellers not given this protection previously? "The restriction on copyright protection for industrially applied designs dates back to 1911 and the Arts & Crafts movement," says Mr Ayrton.

The movement "wanted special recognition for the work of individual craftsmen in a move away from industrialisation. It has been an anomaly that designers haven't been awarded

the same length of protection as, say, authors or musicians. This is probably because historically, design was seen as a separate area with separate protection. The policy was that the design was registered and therefore didn't need copyright on top of it".

Jeweller Elizabeth Gage welcomes the legislation. She believes that "new technology, including 3D printing, is rapidly changing design technology worldwide, and an important UK strength is the quality of our designers and their ability to innovate. It is therefore appropriate that the UK government should offer British designers protection in line with the protection already offered in the rest of Europe."

"Over the years," she says, "I have often taken legal action to defend my designs and, as an early member of the campaigning group Acid (Anti Copying In Design), I have always believed that current UK legislation is inadequate. I am pleased to see action is being taken to counteract the bias against British designers."

Michael Wainwright, managing director of Boodles, the family-run jewellery group, says: "Infringement of copyright happens frequently. Our iconic Boodles Rainsdance ring that is featured as part of a permanent jewellery collection at the Victoria & Albert museum is copied a lot. It is good news that they are extending copyright, as 25 years is far too short a time in the luxury watch and jewellery sector. Some of the most iconic pieces, made 30 years ago, are still best sellers."

Mr Fennell feels the legislation could nurture and keep talent in the UK. "When I go to the Royal College of Art and Central St Martins [art school] degree shows there are international vultures hovering in the corners waiting to snap up that young talent that we don't do enough to encourage or protect. It is extraordinary that the UK didn't protect us more as we are famous for design and anything that protects designers in this country is so important to our economy. I will shout as much as I can to get what we have in this country protected and invested in."

Warranties signal maturity in acceptance of the second hand

Vintage advantage

Robin Swithinbank looks at a sector that has been changing people's perceptions

As little as five years ago, the pre-owned, or second-hand, luxury watch market was underserved, poorly integrated and often mistreated.

But, with second-hand boutiques springing up around the UK and one pre-owned retailer preparing to offer lifetime warranties on its watches, what was once the luxury watch market's unsightly underbelly is showing signs of maturity and rapid growth. The sector is showing signs of a sharp rise in sales.

Already this year, Watches of Switzerland has opened a specialist pre-owned boutique in Glasgow, and Watchfinder has established a first bricks-and-mortar outlet in London's Royal Exchange to anchor the online business that it began in 2002.

When Watchfinder started trading, the average pre-owned watch sale was £800. That has risen to £3,000 today, and the company sells about 600 watches a month. In 2012-13, it turned over £16.5m, and its lifetime turnover is fast approaching £85m.

Historically, the business has expanded by about 20 per cent every year, but with the establishment of its first showroom, it has reported a 100 per cent rise in sales in the first quarter of 2013, with sales projections for the year rising steeply to £26m.

"There's been a maturing of the pre-owned market, like cars 30 years ago," says Stuart Hennell, Watchfinder's managing director. "The impression of a pre-owned watch dealer was not the most attractive – it was seen as maybe a little bit grubby. Ten years ago, no one was selling [second-hand] watches with warranties. Everything was sold as seen and there was very

little interest in the customer down the line if something went wrong. We've done a lot of work changing people's perceptions. We want to give customers the impression and experience they get when they're buying a new one."

Growth in the sector means there are about 50 serious companies in the UK pre-owned market today. Watches of Switzerland – part of Aurum Group, which was acquired by the US private equity house Apollo in December – plans to open five further pre-owned boutiques, and will launch an ecommerce platform for its pre-owned collection later this month.

"Our Glasgow boutique is the first of a number of opportunities," says Justin Stead, Aurum Group's chief executive. "We'll combine it with an aggressive online expansion under the Watches of Switzerland 'vintage' brand."

Some argue that growth in the sector is due to unprecedentedly high prices for new watches over the past decade. According to Danny Pizzigoni, who co-founded the Watch Club shop in London's Royal Arcade in 1996, a watch loses an average 20 per cent of its value in the first six months. In a troubled financial climate, this makes a pre-owned watch a more attractive proposition. "The pre-owned industry has

grown in the UK simply because of the financial situation," says Mr Pizzigoni. "People are thinking they can buy a brand new rose gold Daytona for £25,000, or they can come to us and buy one that's six months old, still with a year-and-a-half warranty from Rolex left on it, and pay £18,500."

Mr Pizzigoni also says that the habits of collectors have changed. The trend today, he says, is to liquidate watch assets before investing in new pieces, where

Some argue that growth in 'pre-owned' sales is the result of unprecedentedly high watch prices

once collectors could afford to go on buying without disposing of existing items.

With no independent body monitoring the pre-owned industry, there are no official figures indicating its size but, in the UK alone, it is believed to be worth hundreds of millions of pounds.

Watchfinder now operates a 4,000 sq ft servicing centre in Maidstone, where all its watches are inspected and serviced or refurbished as required before being



Watchfinder: new London boutique underpins online sales

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stimulates future... sales."

Watches & Jewellery

Improved mood drives up US sales

Las Vegas Americans are buying more gold jewellery than they have since 2005, according to the Gold Council. *Anthony de Marco* reports

JCK Las Vegas, the largest of the nine jewellery trade fairs along the famous Las Vegas Strip, had a calm opening on the morning of Friday, May 31. However, by mid-afternoon the buyers were filling the Mandalay Bay Convention Center and the hubbub generated by this event was very much in evidence.

Before the recession, it was routine to see long queues of buyers eagerly waiting for JCK Las Vegas to begin. But times have changed for the US jewellery industry.

Other Vegas trade fairs over a four-day period were JCK Luxury and JCK Swiss Watch (both invitation-only events and held at Mandalay Bay) and the Couture Show at the Wynn Las Vegas.

Informally known as Las Vegas Jewellery Week, this grouping of fairs is easily the largest gathering of the international jewellery industry in North America.

Exhibitors, as always, were mostly either upbeat or tight-lipped about business. Independent retailers, who are more willing to discuss their difficulties, say the first three months of the year have been very strong. But they are not ready to pop the corks on the champagne bottles just yet.

There is a lot of reason for optimism as buyers make their purchases for the all-important Christmas shopping season, and, to a lesser extent, summer.

Independent retailers and large chains in all market categories reported strong growth in sales for the first quarter.

In addition, the World Gold Council reported that, for the first time since 2005, there was a year-on-year increase in gold jewellery demand in the US, fuelled by the economic recovery and a substantial drop in the cost of the precious metal.

"It would be better if we were back already from the recession," says Paul Lubetsky, chief executive of the revitalised Marina B jewellery brand, at the Couture

Show, which showcases luxury jewellery designer brands. "But the economy is coming back."

The brand, founded by Marina Bulgari, the granddaughter of the founder of the eponymous Italian jeweller, was purchased by Mr Lubetsky and is known for big, bold pieces that were popular in the 1980s and 1990s. He is now creating new pieces of her jewellery based on her original drawings.

"America is definitely getting better," says Tarang Arora of Amrapali, a luxury jewellery designer based in India. "Things are reviving and that is very good news".

Mr Arora says this year's JCK Luxury fair was a "large improvement" over 2012, with more appointments lined up.

However, he adds that the company is still creating its elaborate Indian jewellery with value and affordability in mind.

"Things are getting better, but people are still sticking to what they know," he says.

"We are focusing on providing a bigger look at a better price".

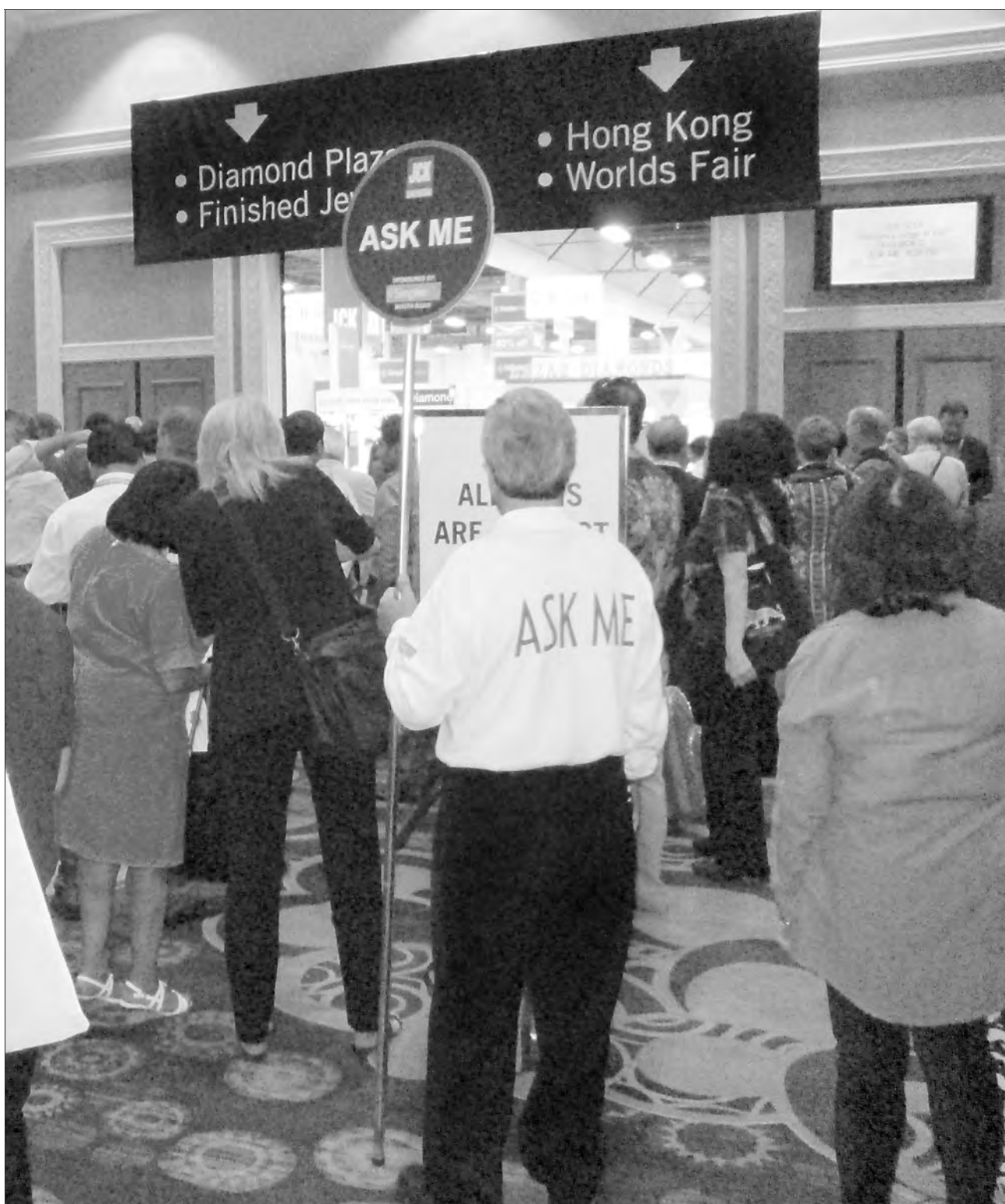
Among the more popular items in the \$800-\$2,000 range are turquoise pieces for summer and colourful tassels as earrings and necklaces, he says.

Since the recession, colour has been popular with designers as a way of creating more affordable jewellery. This trend seems to have reached a new level of acceptance.

Danhov, the bridal jewellery manufacturer, introduced its first engagement ring collection with coloured gemstones that it calls "Pop of Color".

Yael, the jewellery manufacturer, presented a collection of untreated sliced emeralds with a rose-cut top.

Yehouda Saketkhou, **Revival: JCK, right, largest gathering of its kind in North America; left: emerald and diamond necklace by Yael**



chief designer of the San Francisco-based company, says it took two-and-a-half years to locate the emeralds, find a cutter willing to slice such valuable gems and then create the pieces. The stones are set on 18k white and yellow gold and framed by a mix of white and yellow diamonds.

His efforts paid off as 45 per cent of his emerald pieces sold on the first day of JCK Luxury.

At JCK Las Vegas, Amsterdam-based Royal Asscher introduced sapphires, emeralds and coloured diamonds to its Stars of Africa jewellery line, which features tiny gems floating in a sphere filled with a clear silicone.

At the Couture Show, Damiani, the Italian jewellery designer, presented an elaborate, delicate and substantial 18k gold necklace of multicoloured jewelled butterflies made of emeralds, sapphires and other coloured gems. It retails for \$150,000.

In the comfort of the hotel suites of the Mandalay Bay complex, Swiss

'Things are getting better, but people are still sticking to what they know'

watch brands held private meetings with buyers and members of the press.

Independent watch brand Oris presented its Aquis Depth Gauge watch, which measures depth up to 500 metres by allowing water to enter the timepiece.

In another suite, was independent watch brand Dubey & Schaldenbrand, which has been selling its automatic timepieces in the US for a little over a year. Among the pieces is the tonneau-shaped Grand Dome R92 Column Wheel Chronograph with a movement originally fabricated in the 1950s.

Jonatan Gil, chief executive of the brand, says he is optimistic that the company's products will find a home in a revitalised US economy.

"The market in the US is coming back. People still want to have pleasure and enjoy themselves. We have a niche product so it will always have a place."

Industry takes the question of trade fair's timing in its stride

BaselWorld assessed

Maria Doulton finds retailers and producers sanguine about their diaries

As the doors close on the first BaselWorld watch and jewellery show in the revamped exhibition space, retailers and watch brands have had time to consider the effects of the fair being almost two months later than that in 2012.

The show, the biggest annual gathering of producers and buyers, is crucial for the industry, with 1,450 exhibitors spruced up and ready to show 122,000 visitors their freshly pressed wares in a sprawling 141,000 sq m of exhibition halls.

The big question was, could one of Switzerland's largest industries run like clockwork, even when an important element is out of sync?

"The late date was due to the construction work for the new hall," says Nicole Ritter, BaselWorld communications manager.

"In 2012, the show took place from March 8 to 15, which was quite early. And this year, it was from April 25 to May 2, which was quite late. This was planned from the start of the project, so our exhibitors were aware and could prepare," she says.

"The watch brands use Basel to test the market to see how much of a model they should produce and take orders before they start production," says David Coleridge, chairman of DM London, owner of a number of big outlets as well as operator of the online offerings of other stores.

"So there was a danger of missing the Christmas deliveries if manufacturers waited until late April to start production."

The industry took pre-emptive action, he says. By the time his team landed in Basel, they had seen many of the watches.

"I had already viewed

85 per cent of all TAG Heuer's product, so Basel was just a top-up process. We used it to look at new brands."

This is because several groups that exhibit at BaselWorld attended the Salon International de la Haute Horlogerie (SIHH) in Geneva in January.

Other companies made sure they visited their agents around the world in late 2012 and early 2013 to show their wares.

Justin Stead, chief executive of Aurum Holdings, a UK prestige retailer that owns jewellery chain Goldsmiths as well as Mappin & Webb and Watches of Switzerland, was asked whether it was business as usual for his company?

"I don't think the Basel watch fair being later this year has had any major detriment," says Mr Stead.

"On the positive side, the delay may have helped certain brands to look sharper with their deliveries.

"Patek Philippe is able to supply some of its new lines this month and Rolex has scheduled deliveries for the

new steel Yacht-Master II and black and blue ceramic bezel GMT-Master II for May-June. That's quick. I would suggest this is due, to some degree, because of Basel being 'late'."

Retailer John Robinson of David M Robinson, with six shops in London and the UK northwest, says the date was an advantage. "In

The show is crucial, with 1,450 exhibitors ready to show 122,000 visitors their freshly pressed wares

terms of timing, it gives retailers an extra month or so to digest the Christmas period and to get a full quarter out of the way."

Lynn Schroeder, managing director of the UK arm of Wempe, the German high-end retail chain, agrees. "Yes, it was late, but everyone knew why

and the majority of the brands we stock were in Geneva in January."

Were the brands as sanguine as the retailers about the shift in scheduling?

Mark Hearn, managing director of Patek Philippe UK, says: "The demand for the brand is growing steadily and, every year, the new products are all vastly over-subscribed. We also took measures to ensure the new products would be available in the stores around the world immediately after BaselWorld 2013 because of the lateness this year."

For brands with shorter lead times for production and larger volumes, timing was more important.

"It was definitely a disadvantage in view of the early date of the Geneva Fair, yet we had a record number of visitors, perhaps because of the new hall and booths," says Ulrich W. Herzog, executive chairman of Oris.

"But the timing didn't affect our production schedules; we can't wait for Basel. We presented products throughout the year and started production before Basel because, in our price range [\$1,200-\$5,000] we have to make sure that production is running. Our customers don't want to wait for years. They want to buy a watch as soon as they see it."

It takes a year for Oris to produce a new model, which is why the process starts before the fair. But Mr Herzog says he would have preferred to have feedback earlier to take any corrective action.

"A retailer may say 'we don't like this dial design or colour'. If Basel is earlier, we have time to make these small changes," he says.

The organisers of BaselWorld have confirmed that, next year, the schedule will go back to normal and the fair will be held from March 27 to April 3.

"This shows that the watch industry has its own schedule. The brands knew this was a one off and, after this, everything goes back to normal," says Wempe's Ms Schroeder.



On show: the roof of BaselWorld's new exhibition halls Getty

Watches & Jewellery

Italian fair gets a makeover and expands worldwide

Fiera di Vicenza Centuries-old jewellery centre raises its game with a new pavilion and representation overseas, writes *Simon Brooke*

If the world is still mired in recession, with Italy's economy particularly fragile, then no one seems to have told Fiera di Vicenza.

The regular series of jewellery fairs, held in the northern Italian city that has been a centre of jewellery making for centuries, is engaging on a massive expansion that will see the exhibition space at its Vicenzaoro show in September increase by 15,000 sq m as part of a €32m building project.

The new facility, which will increase exhibition space to about 75,000 sq m, features the largest, single-span wooden covering to be installed in Italy and one of the biggest in Europe.

There will be a new catering area with two bars and an *haute cuisine* restaurant, together with meeting, convention and conference rooms.

Next to the new pavilion will be a new, eight-storey parking facility for 600 cars, which will be linked to the existing exhibition and convention centre.

The expansion was launched by

Roberto Ditri, the fair's former president, who was succeeded from Marelli-Motori, the engineering group. His successor, Paolo Mantovani, comes from a family of gold merchants but has launched and managed three technology companies.

"Deciding to stand still in a moment of crisis is the best way to make things worse and lose one's position on the market," says Mr Mantovani.

"The investment in Fiera di Vicenza's new structure, just like our ongoing strategy plan, is ideal for our organisation. The expansion is absolutely necessary for Fiera di Vicenza to be able to compete with the other leading international gold and jewellery shows and other events."

The developments at Vicenza are not just about increasing floor space, says Mr Mantovani.

Ask almost anyone in the watches and jewellery business about its larger rival, BaselWorld, and you are likely to hear complaints about the size of the Swiss fair and the challenge of negotiating hundreds of exhibition stands. "Even when you've

Under construction: exhibition space at September's Vicenza show will increase by 15,000 sq metres



Another weapon in its armoury is the fair's trend prediction service

identified someone you need to talk to, you then have to walk for miles to get to them," one American jeweller, a regular at all the big fairs, complains.

Unable to compete on size, Fiera di Vicenza believes that a new layout will add to its appeal.

"Our new structure will allow us to organise our space more logically so that matching up buyers and companies will be easier and more immediate," says Mr Mantovani.

"Moreover, companies will be able to present themselves more creatively. However, it's extremely important that further investments are made to enhance the potential of the new space. We're creating a digital platform so that the various representatives from the different communities can be constantly in touch with each other."

The substantial developments at the fair's base are matched by an equally ambitious international expansion.

In June last year, the fair exhibited for the first time in São Paulo in order to exploit the fast growing Brazilian

and other South American markets, followed by Dubai in November.

At the Dubai International Jewellery Week, it paraded its new range of sub-fairs, European Club, T-Gold International and Italian Club. The latter offers Italian jewellers the opportunity to approach foreign markets en masse, stressing their heritage and credentials.

This is part of a wider trend at Fiera di Vicenza to emphasise the Italian reputation for style and good design in global markets. At Dubai and other fairs it has started to attend, such as Las Vegas, it hopes that, rather than just being a presence, it can develop itself as a brand and become the voice of Italian jewellery internationally.

The fair's global ambitions were given a fillip in March this year when it was accredited through CIBJO, the World Jewellery Confederation, to develop a UN-endorsed corporate social responsibility programme for the international jewellery industry, as part of the Millennium Development Goals. "Jewellery may be considered as a luxury, non-essential

product, but the world should come to know that the jewellery business and the revenues it generates are absolutely essential factors in the wellbeing of millions of ordinary people living in the developing world," says Corrado Facco, the fair's executive director.

Another weapon in its armoury is its trend prediction service, TrendVision, which was launched in 2011.

The forecasting agency describes itself as "the first independent forecasting centre in the world specialised in analysing consumer behaviour and focusing on... product and market trends in the jewellery, watch and accessory business".

It offers clients design and product consultancy as well as running seminars, workshops and training programmes.

Free presentations by TrendVision's founder Paola de Luca at the fairs themselves are aimed at adding value above and beyond the usual opportunities to mix and mingle, and are already proving successful in drawing in more visitors.

Show gets on the road east

Watches and Wonders

Event aims to raise awareness among Asian customers, says *Nicholas Foulkes*

It had to happen. After all, Art Basel launched itself in Hong Kong. Now it is the turn of the Salon International de la Haute Horlogerie, the watch fair that takes place every January in Geneva, to make the journey to the other side of the world.

At this year's SIHH, there was already much conversation about the upcoming Hong Kong event, called Watches and Wonders.

While not as big as Geneva, it will nevertheless occupy 10,000 sq m at the Hong Kong exhibition Centre. Earlier this year, the organising committee - like the SIHH, Watches and Wonders is run by the Fondation de la Haute Horlogerie (FHH) - went on a multi-stop media tour of the region.

This fair is an important acknowledgment of the significance of Asia for the health of the watch industry.

The event was first discussed three years ago, when the financial state of Europe and the US was even less healthy than it is now.

It was also before the new government of China brought with it a climate of, if not austerity, then certainly restraint that has led to some luxury brands experiencing steep drops in sales there.

That said, the Chinese customer is still buying outside China. A reported reduction in tariffs on watches imported into the country will close the price gap that is also a barrier to purchase there.

It is perhaps with the uncertainty on the mainland in mind that the FHH



Hong Kong exhibition centre: seminars and craft demonstrations aim to inform

is positioning Watches and Wonders as an event targeted at the wider region.

"All the region is included, they are all invited - greater China, Taiwan, Singapore, Malaysia, the Philippines, Korea and Australia," explains Fabienne Lupo, managing director of FHH.

"The target is the Asian region. It's not focused on China."

Although Ms Lupo is also the organiser of the SIHH, she is at pains to emphasise the difference between the two events and insists that the Hong Kong event will not cannibalise the Geneva fair.

"The SIHH is a trade fair, a professional fair and it will remain in January in Geneva because it's the cradle of fine watchmaking. But the exhibitor committee of the SIHH believed that the time was right to organise an additional fair, or event, with a different focus, especially on customers, collectors and connoisseurs."

"It's really much more like an educational platform for fine watchmaking," she says.

"The objective of Watches and Wonders is not to weaken the SIHH, but to reinforce the fact that we have to raise more and more awareness and to educate the Asian customers."

Unlike the BaselWorld fair, the SIHH does not have a public day; access is strictly limited to press, distributors and retailers.

Ms Lupo emphasises the role of the Hong Kong event in closing the knowledge gap in Asia. Fewer than 200 Chinese press attend the SIHH. This is only a frac-

tion of the number expected to visit Watches and Wonders in Hong Kong.

The SIHH fair appears to run at near capacity when it comes to general members of the press, Ms Lupo indicates. "We cannot handle crowds of journalists. We cannot have all these people who are not retailers and specialised press come to Geneva in January," she says.

That said, "The SIHH remains the central place where the key people from all over the world get first-hand information and get

Perhaps because of uncertainty on the mainland, the fair is being targeted at the wider region

access to these products that they can talk about and also order," Ms Lupo adds.

The programme of seminars, workshops and skill demonstrations in Hong Kong, she continues, will aim to inform those wanting to learn more about the culture and craft of watchmaking.

The fair will include all the important Richemont brands but there are other participants, too, among them Richard Mille, who is on the event's steering committee.

"We very seldom have the possibility or occasion to explain to the public what we are doing and to spread high-end watch culture and this is one of the rare occa-

sions we have to do that. This is why I was keen to participate," says Mr Mille, who is at pains to emphasise the difference between the SIHH and Watches and Wonders.

"It is not a replica or duplication, but something that has very different objectives" and different visitors.

"As well as retailers bringing clients, banks will bring their clients, auction houses will bring their clients and we will spread a little bit of the culture of high watchmaking," says Mr Mille.

His sentiments are echoed by Bernard Fornas, Richemont co-chief executive, who described Watches and Wonders as "an invitation to celebrate a renewed and embellished tie linking Europe to Asia: the very particular passion of time".

It is to be hoped that, as well as sharing the culture, some good business will be done. The timing of the event at the end of September is significant in that it means that the brands will have had time to manufacture and deliver to the markets the models that were launched in Geneva at the beginning of the year.

As Mr Mille puts it: "My task for Watches & Wonders is to have the real products; at SIHH they are more prototypes."

"But this will be the first time that these products will be shown to the public."

Provided he and the other exhibitors get their production schedules in order, the watches on show at Watches & Wonders will be on sale in the shops as well.

Watches & Jewellery

Fun of a fair pitched at lovers of life's finest things

Masterpiece

Claire Adler looks forward to an occasion that prides itself on broadening the interests of collectors

Masterpiece has firmly established itself as an integral part of London's social and cultural summer calendar. Its past visitors range from Prince Harry to Tom Ford and Oprah Winfrey.

Now in its fourth year, Masterpiece is a heavily vetted, multi-genre fair that brings together cars, jewellery, watches, wine, contemporary design, fine arts, sculpture and more at the South Grounds of the Royal Hospital Chelsea.

A team of 130 experts is responsible for inspecting all pieces at the June 27-June 30 show. Exhibitors range from Montblanc to Riva, Maserati and Symbolic & Chase, specialists in historic jewellery and contemporary jewellers, including Viren Bhagat and Michelle Ong.

The restaurants at Masterpiece alone – Le Caprice, Scott's Seafood and Champagne Bar and The Bar at the Ivy – signify that this is a show pitched at lovers of life's very finest things.

Highlights at this year's exhibition include the Mary Tudor Pearl dating back to 1526, which is being shown by Symbolic & Chase.

The pearl belonged to Queen Mary I and surfaced in 2004, having been lost since the 16th century. Originally part of Mary Tudor's dowry, this is the first time it is being displayed publicly.

A Boucheron peacock feather necklace bought by Russia's Grand Duke Alexis for his wife from Frédéric Boucheron in 1883 will be on sale at Sandra Cronan, the antique jewellery dealer, while Vacheron Constantin is showing 20 Metiers d'Art Florilège watches, inspired by 19th-century English botanical illustrations.

Masterpiece prides itself on a mixed layout aimed at capturing the interest of collectors in areas they may not have previously considered. This year, it is introducing the Masterpiece Sculpture Walk, which trails throughout the venue. "Masterpiece has a vibrant atmosphere – you get surprises at every corner as you



Highlights at this year's Masterpiece include the Mary Tudor Pearl dating back to 1526



Something for the diary: taxis outside the South Grounds of the Royal Hospital Chelsea. The Mary Tudor Pearl (inset) will be a highlight of the night Luke Sheridan

wander the aisles," says Christian Hemmerle, a jewellery exhibitor.

For the first time, Masterpiece will also include a Hong Kong pavilion as part of a link-up with Hong Kong's Fine Art Asia show. This follows a wave of

announcements by Christie's and Sotheby's of an increased presence in Asia. The European Art Fair (Tefaf) is branching out to Beijing in collaboration with Sotheby's, while Art Basel held its first fair in Hong Kong in May.

For many jewellers, Masterpiece is one of the only times in the year they exhibit their work outside their boutiques, and many create pieces specially for the occasion.

Theo Fennell will show his Opening Matador ring with figurines of a black rhodium-plated matador and bull visible through a rock dome crystal, which opens up for inspection.

Geneva-based Suzanne Syz, one of 47 first-time exhibitors, regularly shows her work in art galleries. She began her career after her husband gave her some pieces by the Parisian jeweller JAR, the man dubbed the Fabergé of our time by fashion designer Diane von Furstenberg. Ms Syz decided they were not whimsical enough.

"I wanted something more fun", says Ms Syz, whose tastes are so specific that when, decades ago, she sat for a portrait by her old friend, Andy Warhol, she told him it was too serious. "In the end I had three portraits for the price of one. Warhol was wonderful, crazy and lovely."

Ms Syz has created pieces for the fair, including a padparadscha sapphire ring and playful Big Ben earrings.

The fair is definitively a place for the cognoscenti, and, those eager to learn more about rare and unusual *objets d'art*.

Solo Antiques will show an Omega watch created by Andrew Grima, the late jeweller to the British royal family. In 1969, Mr Grima was commissioned by Omega to create watches based on the concept of seeing time through gemstones, a collection that became known as About Time.

Roberto Boghossian, owner of the Bogh-Art store on Old Bond Street, will show unconventional pieces that

inlay gems into other gems, while at the German family-run Hemmerle, one pair of earrings has been fashioned from crimson red dinosaur bones.

First-time exhibitors include Montblanc, which will present a pen laden with diamonds and emeralds for an undisclosed sum, while Didier, which specialises in jewellery created by artists, will showcase works by Alexander Calder, Louise Bourgeois and Alexander Giacometti.

"Masterpiece is just that – a masterpiece," says Peter Schaefer of A la Vieille Russie, experts in antique Fabergé pieces.

Martin Travis, managing director of Symbolic & Chase, will be displaying the work of Alessandro Sabbatini, known as Sabba, who has designed for Cartier. Symbolic & Chase is now his exclusive representative.

Other emerging jewellers believe the event would be a perfect showcase – if only they could afford the £840 per square metre it costs to exhibit.

Comparative abundance puts stones at the centre of attention

Yellow diamonds

Avril Groom finds gems have risen 50 per cent in value

The recent hubbub surrounding pink diamonds, with speculation that the Australian Argyle mine, their main source, could close within a decade, has overshadowed changes in the popularity and price of another diamond colour – yellow.

Spectacularly large and intense fancy yellows have historically been prized along with other rare colours.

The Tiffany Diamond, a 128.54 carat cushion cut unveiled in 1879 by Charles Lewis Tiffany at his New York store, was one of the first important diamonds to be on regular display to the public.

Graff has become known as the leading buyer and setter of large yellow stones, initially through its business with the royal family of Brunei, in whose culture only they were allowed to wear the colour.

Over the company's 53 years, at least 10 of the world's biggest, most famous, yellows have passed through Graff's hands.

Yellows have never been auction record breakers, however, like the rarer pinks or blues.

Their colour comes from the presence of nitrogen, a relatively common element, in the gaseous mix of their formation billions of years ago.

This comparative abundance – the term is relative as it is estimated that only one in every 10,000 diamond carats is coloured – helps explain their current rise to prominence.

There are enough around for people to know about and demand them, so their democratisation is increasing the price of even relatively modest examples.

Since 2010, Tiffany has had the rights to the

production, primarily yellows, of the Ellendale mine in Western Australia.

It is using it widely across the company's range, from high jewellery pieces in the World Jewellery Confederation's Blue Book, such as a white and yellow diamond tiara with detachable bracelet at \$335,000, to far more modest, widely available, items starting at about £3,000.

"Ordinary customers, as opposed to collectors, and

risen year on year and this is projected to continue."

Any company that sells globally must deal with the demands of the heavy-weight Asian market, where demand for coloured diamonds is taking off.

"The biggest recent change has been Chinese interest in coloured diamonds, and yellow is their favourite because of its associations as the old imperial colour," says Andrew Coxon, president of De Beers' Institute of Diamonds.

"Prices have risen by more than 50 per cent in five years, even on small, paler yellows. Our examples start at £8,100, with extraordinary auction prices for exceptional specimens," he says.

"The classic 4Cs criteria does not apply to coloured stones. It's down to the beauty of the stone, which is subjective. A very saturated colour fancy yellow that is not perfect may be worth more than a perfect, less interesting diamond. I would advise any potential buyer to look before bidding."

Traditionally, yellow diamonds have been subtly set in yellow gold to show off their colour, with a foil of white brilliant-cut diamonds in a platinum main setting.

Graff Diamonds sets off its showpiece yellows in this way. "By pairing yellow and white diamonds, the colour of each stone is intensified and electrified, showcasing it to the highest degree," says Mr Coxon.

Yellow diamonds are part of general interest in coloured stones and are now being used in creative, unconventional ways that concentrate as much on design as on stone size and

quality. Bulgari started using them, mixed with emeralds or sapphires, in the 1980s, says Giampaolo Della Croce, director of high jewellery at the company.

Julie Ann Morrison, the brand's UK managing director, says: "Colourless stones used to be the benchmark and yellows were cheaper. But now, clients appreciate the creative use of colour and yellow diamonds have their own identity, less often as engagement rings but people buy them later, when they are liberated from convention."

Jody Wainwright, director at British jeweller Boodles, says yellows "go to people who already have the tennis bracelet and want something different".

"We love the canary yellow Zimi stones from Sierra Leone, and the Asscher cut does wonders for the radiance of yellow stones which may have small inclusions," he says.

Traditional houses are also exploring unexpected mixes with yellows: a Tiffany pendant combines a cushion cut yellow with slightly golden keshi pearls. Dior, which started using coloured diamonds two years ago "purely as an aesthetic choice", warms the spectrum by adding orange sapphires, green stones, such as tsavorites, and settings only in yellow gold.

Van Cleef & Arpels mixes them with white diamonds, black onyx and even turquoise for rings and brooches in its new, Art Deco-inspired Variations collection.

With such a variety of interest, their purveyors are hoping prices will head only upwards.

Tiffany rings from the 2013 Blue Book collection (above left) and a Graff yellow and white diamond cuff

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Watches & Jewellery

Craftsmanship and African style take off

Creativity *Elisa Anness* reports on several women developing business talent among people who have long made unique products

A combination of unusual indigenous materials, hand-crafting skills and an opportunity to help people stand on their own two feet are just some of the reasons why making jewellery in Africa has become so appealing, and the drum roll for styles and techniques that are unique to the continent is starting to get louder.

"The rebirth of Africa is not just an objective. It is the objective," says Ian Harebottle, chief executive of Gemfields, the world's leading producer of ethically sourced rare coloured gemstones.

He says the continent's future lies in developing and nurturing skills that its people already possess.

"It has great minerals, creativity, access to wood, horn, leather and sisal. Africa should focus on its strengths so it can work with the rest of the world in producing high-quality creations that are being bought, not just because they are from Africa, but because they are the best."

Cristina Cisilino started working in Nairobi, the Kenyan capital, in 2003. After founding her design company Made, in 2005, she then launched Crea Africa in 2011.

"Brands and designers come to our workshop and use basic recycled materials – brass, aluminium, glass, cow horn and bone – to shape and create suitable collections for their clients, using traditional local artisan skills," Ms Cisilino says.

She says the making culture is innate, while the handmade craftsmanship finish is unavailable elsewhere. Crea focuses mostly on costume jewellery, such as that made by Masai women, based on their beadwork, or on non-precious metal work.

Ms Cisilino has worked with a number of names, including Couture-Lab, Pippa Small, Maiyet, Moschino Cheap and Chic and, most recently, Vicki Beamon, on a variety of projects.

Ms Beamon sought Ms Cisilino out to mastermind her debut costume jewellery collection that is to be launched next year. The carved masks, chains and other components for Ms Beamon's pieces, which will be assembled in London, could only ever be created and sourced in Africa.

Crea's expertise lies in being on the ground and realising a variety of projects for a mixed clientele that includes some very exacting luxury goods brand – something that Crea is looking to eventually become itself.

Ms Cisilino's original idea was to demonstrate the economic argument in favour of producing beautiful luxury items in a disadvantaged country in an ethical way. It finds local people, trains them and helps them to set up workshops of their own.

She says, however, that the journey has been difficult. "Companies tend to dip in and dip out instead of committing themselves to making in Africa over the long term," she says. "There's a lot of hand-holding throughout to help artisans understand the western process of doing business."

Penny Winter is also based in Nairobi. She started off with ready-to-wear before turning to jewellery, which now accounts for 80 per cent of her eponymous collection. She also recently collaborated with Gemfields on a £2,200 piece that used 2,500 carats of Zambian amethyst.

She says retail partners have been invaluable in helping to create a sustainable business. "Quality is driven by the volume, and were we only to be selling on the local market, the quality would never have been such an issue."

"Professional stereotyping is rife here," she says, explaining how Luo craftsmen are known for dealing with brass, Kamba for stone setting and Kikuyu for trading in horn. "Because of the unique nature of our product, we have inadvertently pulled together people who would normally only keep to inherited skills."

Ms Winter's is a mostly semi-precious collection. "The indigenous materials are an unusual blend of Ugandan cow horn, camel bone from Somalia inlaid with rough tourmalines as well as amethysts and rubies from the Tsavo region of Kenya. The gold is recycled Swahili jewellery, mainly from the Lamu archipelago and Somalia."

Adèle Dejak's latest collection, Cloud 9, centres on reclaimed Ankole cow horn. Ms Dejak, who grew up between Europe and Africa, would collect beads and necklaces from the markets in northern Nigeria when she was a child.

She says she was "fascinated with jewellery and materials". Her first break came in 2006 when jewellery, she made for her own personal use, was noticed by the founder of the

Soko Soko craft fair in Nairobi. She now specialises in reclaimed and recycled materials from Kenya, Uganda, the Democratic Republic of Congo and Rwanda. In 2012, she was invited to show at Vogue Talents during Milan Fashion Week, from which followed opportunities such as the collaboration with Salvatore Ferragamo on its Bags for Africa project.

Interest in the jewellery comes from the UK and US through her website,



Design talent: a craftsman prepares a cast in a Nairobi workshop ready for stone setting. **Below left:** a horn and gemstone 'tusk' pendant with Swahili-style setting and gold-plated chain

www.adeledejak.com. She has two retail outlets and a showroom in Nairobi, as well as a store in Lamu on the Kenyan coast.

"The market in Africa is developing, and a taste in homegrown jewellery is slowly growing," she says, adding that she ships products to Ghana, South Africa and Tanzania.

Merchants on Long, a Cape Town store, was set up by Hanneli Rupert in 2010 and celebrates the best of made-

in-Africa jewellery. She sells about 15 jewellery brands including Adèle Dejak and Astrid Sulger, a label based in Maputo, Mozambique, that also specialises in cow horn.

Ms Rupert agrees that the appetite for African jewellery is growing at home. But the goal of many of these emerging brands is to expand internationally. "In Africa, we have a strong reputation of offering a stepping stone to export," she says.

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Watches & Jewellery

Shades of green start to outshine diamonds

Emeralds One producer has clocked up a sixfold growth in prices for higher quality stones over the past four years, says *Claire Adler*

Demand for emeralds is on the up, with jewellers such as David Morris and Bulgari confirming that the green gemstones are fast becoming a popular alternative to white diamonds.

According to statistics from the UN Commodity Trade Statistics Database, sales of diamonds have been slowing while those of emeralds and other coloured gemstones have been mounting significantly in recent years.

Gemfields, the London-headquartered company with interests in a Zambian mine that produces 20 per cent of the world's supply, has clocked up impressive sixfold growth in prices for higher-quality emeralds over the past four years, and sevenfold growth for lower-quality stones.

At the recent industry trade fair JCK Las Vegas, American jeweller Le Vian held its annual fashion and jewellery trend presentation and catwalk show in collaboration with Harper's Bazaar – an event during which green gem shades played such a pivotal role that Eddie LeVian, the chief executive, nicknamed this year's presentation Fifty Shades of Green.

"Le Vian's designs launched at our JCK forecast incorporated emeralds for the first time in 30 years," says Mr LeVian.

Gemfields recently launched a high-profile advertising campaign fronted by Mila Kunis, the American actress, and collaborations with 36 international jewellery designers, including Ana de Costa and Bina Goenka. Meanwhile, Bond Street jeweller Boodles has just bought a set of Colombian emeralds to form the basis of a new collection which director Jody Wainwright has hailed as the most valuable in the brand's 214-year history.

"Emeralds look great with every hair colour and on every skin tone. We're finding they are more popular than diamonds and rubies," says Erin Morris, creative director at David Morris. "We recently had a head-turning emerald cuff bracelet in our window and there were lots of passers-by with their phones out snapping shots and ogling." The piece comes with a multimillion-pound price tag.

Prices have risen so significantly that one showstopping emerald pendant necklace shown at the Cannes



Girl's best friend? Clockwise from below left: Fabergé Solyanka ring; Avakian emerald and sapphire necklace; Gemfields, Zambian emerald bracelet by Octium; Graff ultra-versatile double brooch



Film Festival last month by Avakian, the Swiss fine jewellery house, has risen in value by 25 per cent in the space of a year, according to director Haig Avakian.

Private jeweller Emily H London works regularly with Colombian emeralds. The proportion of their bespoke orders featuring emeralds has always been below 20 per cent but, in the past six months, have rocketed to 70 per cent, with one Russian client ordering a 350 carat emerald necklace.

"Prices for Colombian emeralds are expected to soar by 25-30 per cent this

year. Zambian or Afghan emeralds are easier to locate but Colombian emeralds provide an unrivalled intensity of colour," says Yana Zaikin, creative director at Emily H London.

"The emeralds demanding the highest prices are from the Colombian mines, specifically Muzo and Chivor," says Paul Daughters of Berganza, a 1stdibs.com jewellery dealer. "They emit fluorescence in natural light, giving them an entrancing glow. But the yield of these mines has diminished, adding to their rarity."

Jewellers, including Chris Aire, the Beverly Hills-based jeweller to the stars, and Bao Bao Wan, the Chinese jewellery designer, agree that a robust celebrity following has played an important part in the renaissance of the emerald and is now driving the interest of a younger demographic.

Last year, Olivier Martinez proposed to actress Halle Berry with an emerald and diamond ring. Meanwhile, Angelina Jolie, the actress many a jeweller is aching to dress, has regularly been seen in emeralds – from the

Lorraine Schwartz 115 carat Colombian emerald drop earrings and matching 65 carat ring she wore at the Oscars in 2009 to her own more recent collaboration with Robert Procop on its Style of Jolie fashion-cut emerald jewellery designs.

"When Julianne Moore appeared wearing emerald earrings in our 2009 advertisements, it was a turning point for the market," says Giampaolo Della Croce, Bulgari's director of high jewellery. "Other brands started competing with us, showing mediocre emeralds of similar shapes in their windows."

At Fabergé, where jewellery under £80,000 is mainly bought by women treating themselves, customers are increasingly turning to emerald pieces in search of one-of-a-kind jewels, according to Katharina Flohr, managing director. The Fabergé Solyanka ring with a cabochon emerald ring of over 15 carats is one of the company's strongest sellers in the UK, the US, the Middle East and Hong Kong, while, at Basel-

World, the brand's dramatic La Esmeralda necklace dazzled with more than 200 carats of emeralds.

For some, emeralds are prized for their symbolism. "Green has historically represented Islam, and there are many examples of emeralds carved with Arabic inscriptions from the Koran," says Sameer Lilani, UK director of Amrapali.

At Graff, intricately carved Colombian emeralds are an important complement to diamonds, especially in one ultra-versatile double brooch, which transforms into two single brooches and a single pendant.

Trust in emeralds has risen in recent years, according to Franklin Adler, president of fourth-generation jewellers Adler. "There were scandals a few years ago due to concerns about artificial colour enhancements. Now certificates mention when emeralds are treated and we have noticed that, in the last three years, prices have doubled."

Julie Ann Morrison, Bulgari's managing director, says her clients find that certain imperfections in emeralds add to their allure, and she is not alone. "Emeralds have flaws but, like people, that's what makes them beautiful and precious," adds Jessica McCormack, a jewellery designer.

'Emeralds have flaws but, like people, that's what makes them beautiful'

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Natural stones remain buyer's best friend

Make your own

Elizabeth Paton finds synthetic diamonds are still not fully accepted

Since their creation in a New York laboratory almost 60 years ago, synthetic diamonds have divided the main sector in which many expected to see them flourish.

While human efforts to duplicate nature's hardest gemstones have been embraced in heavy industry – becoming a staple material for numerous technology, construction and electronics businesses – use of synthetics by prestige jewellery brands is still rare and accounts for just 2 per cent of global supply.

Given the imitative quality of the stones available and rampant consumer demand for diamonds, superficially there is little reason for reluctance. De Beers, the South African group that controls about half the world's diamonds supply, defines a synthetic as "a man-made reproduction of a diamond that essentially has the same chemical composition, crystal structure and physical properties as its natural counterpart".

The company owns Element Six, the global leader in developing synthetic diamonds for oil and gas drills. Yet De Beers does not use synthetics in any jewellery collections. De Beers Diamond Trading Company data say 94 per cent of women prefer natural stones to man-made ones.

"The majority of customers told us during extensive independent research that they want the real thing," says Lynette Gould, head of media relations.

De Beers is not alone. A

2012 study by management consultants Bain found consumer reaction to synthetics "overwhelmingly negative", with the most common words associated with the stones being "cheap" and "fake", especially in emerging markets, where appetite for diamonds is particularly strong.

Yet despite the apparent risks involved in a synthetic operation, some entrepreneurial luxury jewellery brands seem open to experimentation, perhaps because of the control over supply that taking sourcing in-house could offer.

Royal Asscher, a 158-year-old leader in the fine diamonds trade, launched Rebel Chique this February. The pioneering lab-grown diamond brand offers personalised colours and sizes rarely found underground.

"We think there is a huge opportunity evolving with synthetics," says vice-presi-



Man-made diamonds: seen as accessories not as investment. Below, a Rebel Chique diamond ring, made by Royal Asscher

panies; now it could be controlled by consumer tastes," says Mr Asscher. "We're targeting a younger, fashion-conscious individual who wants bespoke service – we've seen healthy sales of pink, orange, yellow and blue stones to customers who want to match pieces to their clothes."

Made in the US, UK and the Netherlands, a Rebel Chique diamond can cost \$1,000-\$30,000, with coloured synthetics priced between 40 and 90 per cent less than comparable natural stones.

With colourless imitation gems, the price gap falls to 20 per cent.

"The key commercial advantage for us is the increasing scarcity of natural coloured diamonds – new mines haven't been found in 15 years. Natural coloured diamonds are about to become significantly more expensive," says Mr Asscher.

While Rebel Chique is targeting a niche fashion-forward customer, others elsewhere choose to buy diamonds primarily as long-term investments rather than short-term accessories.

For them, sustained market value is the number one priority. "Part of the reason that people buy a diamond is that it will be more valuable in 10 years' time, but the prices for things that are man-made only ever go down over time," says Stephen Lussier of De Beers.

Few see a synthetic diamond influx as having any

negative impact on natural diamond prices, particularly as the 1970s' introduction of synthetic sapphires, rubies and emeralds had virtually no effect on prices and sales of natural stones.

While increased consumer interest in synthetic stones could hypothetically affect the natural market, Bain says the price of high-quality synthetics would have to drop considerably – unlikely, barring a manufacturing breakthrough – before customers would consider embracing them.

Synthetics do have growing appeal. The fact that they are "ethical" or "conflict-free" gems, not tarnished by associations with smuggling, environmental damage or child labour, could appeal to the growing tribe of socially conscious luxury customers.

Nevertheless, sceptics insist many consumers will ultimately question authenticity. Despite high-tech machines and thorough certification, stories of counterfeits and mixed batches have proved unnerving, while many brands insist the emotional undertones present in most diamond purchases cannot be replicated for synthetics.

"I wouldn't be happy if my fiancé had given me a man-made diamond for our engagement – it would set a bad precedent for our marriage," said one shopper outside Tiffany's New York flagship this week.

Diamonds might be forever, but for now only natural stones are a consumer's best friend.

Watches & Jewellery



Chopard made the Palme d'Or trophy that went this year to 'Blue Is the Warmest Colour', directed by Abdellatif Kechiche, seen here with the film's stars, Léa Seydoux and Adèle Exarchopoulos, and hosts Uma Thurman and Audrey Tautou (left) AFP

Captive film crowd drives business presence

The Riviera Jewellers to the rich and famous find it is worth installing themselves in the south of France for the season, says *Claire Adler*

In the spirit of lines blurring between on and off-screen drama, on the day following the Cannes Film Festival premiere of Sofia Coppola's *The Bling Ring* – a film about a group of youngsters so fanatical about luxury brands and the lives of the rich and celebrated that they orchestrate regular burglaries – Swiss jewellers Chopard reported a theft of jewellery said to be worth \$1m from a Cannes hotel.

Chopard, which has dressed at least one Oscar winner each year for the past 10, has remained tight-lipped about the circumstances of the incident, but a press release fired out within an hour of its occurrence ensured that the brand quickly commanded many local and international headlines.

Chopard is a master in the art of celebrity endorsement. On the first night of the festival, it had

dressed 12 celebrities on the red carpet, including singer Lana Del Rey and models Cindy Crawford and Cara Delevingne.

The festival was also punctuated by a second mysterious misdemeanour. On the beach in front of the Martinez Hotel, Le Grand Journal, France's most popular television show, set up a studio broadcasting live programming daily. After a crazed gunman appeared to be opening fire on live TV during an interview with Daniel Auteuil, a festival juror, shock turned into relief when it became clear the pistol was not actually loaded.

If those events were not scene-stealing enough, the morning after Swiss jeweller De Grisogono's 20th anniversary party, held at the palatial Hôtel du Cap-Eden-Roc, which included a celebrity-studded midnight poolside party for 800 with guests including Sharon Stone, a sit-down dinner for

500 and a catwalk show accompanied by a 36-piece orchestra, it was announced that, despite a police presence and more than 80 bodyguards, a £1.7m necklace had gone missing.

Elsewhere, it was business as usual. Bulgari screened a 50th anniversary version of *Cleopatra*, starring Elizabeth Taylor and held a party for 500 guests. *The Great Gatsby* opened the festival, including jewels by Tiffany.

Avakian, the Swiss fine jewellery company, made its Cannes debut this year, hiring a suite at the Carlton Hotel to exhibit dramatic one-off jewels as well as its Riviera collection, while hosting a flow of stylists, clients and celebrities for private appointments. One 120 carat emerald cabochon emerald pendant hung from an Avakian necklace glittering with 240 carats of emeralds, 190 carats of blue sapphires and 35 carats of diamonds. Avakian is also planning an

invitation-only exhibition in Monaco in July and August.

It is no big news that, every May, Hollywood movie stars and film industry power brokers all converge on Cannes. But, jewellers and watchmakers are increasingly capitalising on a captive audience and installing themselves in the Riviera over the entire summer.

"The Cannes Film Festival marks the beginning of the summer season for the Riviera. The glamour of the festival, combined with the fantastic weather and the magic of the South of France is very attractive," says Caro-

line Scheufele, vice-president of Chopard. Hublot set up a pop-up boutique in Cannes and another in St Tropez for the season. During the Monaco Grand Prix, Hublot partnered with Monacoair, replacing the usual blocky H found on Monaco's heliport landing pad with a Hublot-style H, while TAG Heuer and Rolex advertisements lined the racing track itself.

One jeweller to the rich and famous who was nowhere to be seen in Cannes but who long ago recognised the importance of the summer in Monaco is Graff. "In 2000, we chose Monaco's Hotel de Paris for our very first store outside the UK," says Francois Graff, chief executive of Graff Diamonds. "At our Rare Jewels exhibition, held for a month over the summer at the Hotel de Paris in Monaco, we show items never usually brought together in one location."

Last July, New York-headquartered

Jacob & Co displayed about 20 well-toned bodyguards alongside several hundred million dollars of jewels in the ballroom of the Hotel de Paris. The brand is planning a repeat performance this year, while Piaget, with its floral inspired collections, has sponsored two rose shows.

Chaumet and Bulgari will open new boutiques on the Riviera. Backes & Strauss, Swiss makers of diamond encrusted watches, plans private client soirées in Monaco and British jewellery designer Sheeva Moshiri will hold business meetings in the region.

Bao Bao Wan, the Chinese jewellery designer, says social engagements, left her too busy for any business meetings. "The entire Riviera has become a magnet for luxury brands. I'm here every summer, at least once," says Violetta Winkworth-Gruosi, co-founder of GiftVault, the luxury gift specialists.

Ethical sourcing gets green light on the Cannes red carpet

Responsible mining

Glamour need not exclude concern for miners, writes *Maria Doulton*

It may have looked like yet another celebrity on the red carpet at the Cannes Film Festival, grabbing three minutes of prime time in the full glare of the world's media.

But when French actress Marion Cotillard stepped out of her gleaming black limousine to tread the red carpet for the premiere of *Blood Ties*, she was making a big statement; and it was not about herself.

As she smiled at the cameras, the focus was on her high-voltage jewels, the first-ever Fairmined sustainable gold jewels by Chopard to make an appearance on the red carpet.

Ms Cotillard's Green Carpet Collection cuff and earrings by Chopard, in white gold and diamonds, are the result of a collaboration between Caroline Scheufele, co-president of Chopard, and Livia Firth, creative director of Eco-Age sustainability consultancy.

Ms Firth is the founder of the Green Carpet Challenge (GCC) in 2009 and the Alliance for Responsible Mining (ARM).

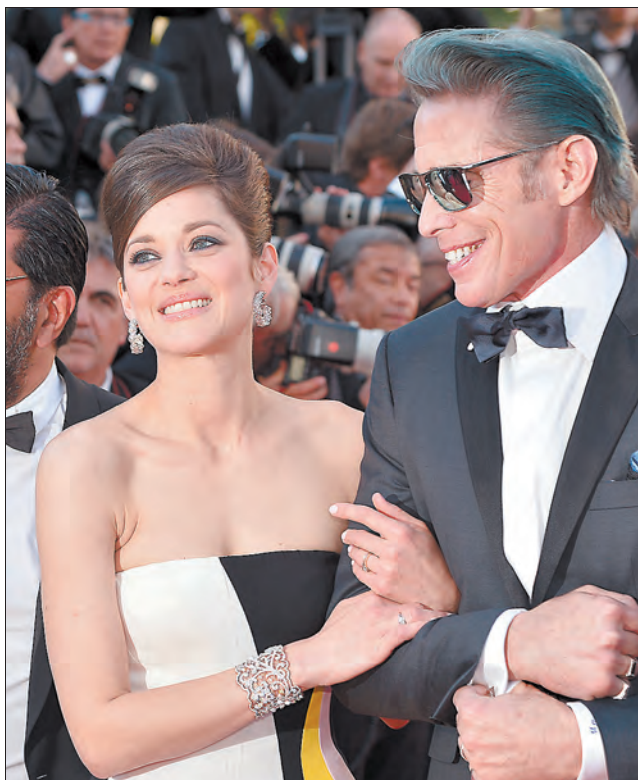
The GCC encourages celebrities and fashion designers to think green and to raise the profile of ethics in the fashion industry but, until now, has not ventured into the world of fine jewellery.

This changed when two women met at the Academy Awards last year.

"When I met Caroline Scheufele, I knew she was up for a challenge," says Ms Firth at the unveiling.

"I was chatting to Caroline about how the red carpet is not just about the beautiful dresses but also the jewellery, and I really wanted to find a leader in the sector to be able to talk about all the issues related to jewellery," she says.

"I learnt that 15m men



Sustainable sparklers: Marion Cotillard launches Fairmined

and women in the world support a community of 70m people, and they are digging the soil with nothing more than Stone Age tools. I decided we needed to do something about it."

Ms Firth is referring to the fact that, while small scale and artisanal miners may produce only 20 per cent of the world's gold, they account for 80 per cent of the mining workforce, which is why she believes that working with this group of miners is so crucial.

And what better showcase than Cannes to unveil the jewels?

"Cannes is truly about luxury, glamour, beautiful dresses and beautiful jewellery. But it is also a platform we can use to communicate through actresses on the red carpet," adds Ms Scheufele.

For this project, Chopard and Eco-Age joined forces with ARM, an independent non-government organisation, based in Colombia, that aims to help those at the very bottom of the ladder of the gold supply chain.

The alliance supports and enables mining communities to gain Fairmined certification, which provides a stable route to market and a fair deal for the miners and their communities when selling their gold.

ARM first brought certified gold to the jewellery market in 2011 in collabora-

Small scale and artisanal miners account for 80 per cent of industry's workforce

tion with Fairtrade Labeling Organisations International (FLO). This year, the partners ended their formal partnership and ARM now continues its work on the Fairmined standard.

ARM is focusing on opportunities for miners and positioning the Fairmined label as an assurance of the origin of the gold, rather than a consumer-facing brand.

"In ARM we are excited about Chopard's commitment to support responsible artisanal miners through our Fairmined model. To us, it really shows how more actors in the mining sector and the supply-chain are coming together to make a difference in impoverished artisanal and small-scale mining communities," says Lina Villa-Córdoba, ARM executive director.

For the moment, large-scale production of sustainable gold is simply not possible.

ARM says that today 360kg of Fairmined gold is available and its aim is to provide 1 metric tonne by 2015, while approximately 2,600 tonnes of gold are extracted from the earth each year.

"It is not about volumes but changing mindsets and engaging the market," says Ms Villa-Córdoba.

Today, five mines have been certified to produce Fairmined gold and there are a further 45 in Latin America, Africa and Asia.

Celebrity news and red carpet appearances may be gone in a flash, but Chopard says it is committed to the campaign for the long run.

"As a century old, family-run business, we are very aware of our responsibilities in our journey to sustainable luxury. It is not an easy journey, but it is the right one and this is the start of a very exciting new multiyear programme that will ensure we are working towards our goal of sustainable jewellery."

So far, however, there are only two pieces of Fairmined Chopard jewellery.

But, by taking this initial step and spreading the news at such a high-profile event, the entire industry is made aware of the challenge and, potentially, a compelling new marketing message.

"With these jewels we are making consumers of jewellery and other companies aware. We are hoping to start a chain reaction. It's not easy, but I believe it is the right path to take," says Ms Scheufele.

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Watches & Jewellery

Heritage and rarity endow star status

Pearls Nostalgia in the Gulf for simpler times before oil is partly responsible for a 'spectacular' rise in prices, writes *Jessica Diamond*

David Warren, international director of jewellery at Christie's, has been urging his clients to buy natural pearls for decades.

Out of favour for most of the 20th century, a recent U-turn in their fortunes has seen them smash records at auction, on a price rise trajectory that rivals exceptional white and coloured diamonds.

In the early 1900s, natural pearls were the height of fashion and an important indicator of wealth and status.

Already prized in Europe, India and China for centuries, the market was boosted by an emerging wealthy American market keen to own pearls from old European families, and embody themselves with a pedigree by association.

Such was their value at the time that, in 1917, Pierre Cartier famously bought the company's New York headquarters on Fifth Avenue for \$100 and a double strand of natural pearls.

But three events killed the market: the Wall Street crash and its economic fallout; the successful cultivation of cultured pearls in Japan that consequently flooded the market; and the discovery of oil in the Gulf – pearl divers were diverted to the oil trade for higher wages and all-year-round work.

Discoveries of new natural pearls dwindled to a trickle while high-quality cultured ones, largely from the Japanese house of Mikimoto, allowed pearls to enter the realms of the affordable.

Mr Warren cites a typical Christie's jewellery catalogue from the 1990s.

"The natural pearls would be listed at the beginning at around £3,000 to £5,000 for a strand. The highlight of the sale would be at the back, enormous [cultured] South Sea pearls, £80,000-£120,000. Now their positions have reversed."

Having worked at the auction house for more than 35 years, Mr Warren has compiled a list of the largest and most important natural pearls in the world, with more than 200 listed from museums, private collections, dealers' stock and auction sales.

"The perfect pearl should be pinkish in tint, with a high lustre. If you place it in the palm of your hand, you should be able to see your face in it. And then it should roll off, as it will be perfectly round."

So what was the tipping point that reversed the decline?

David Bennett, chairman of Sotheby's Jewellery in Europe and the Middle East, cites the sale and resale of a particular piece as being an important indicator that the market was waking up.

In 1987, Sotheby's auctioned the jewels of the Duchess of Windsor from which the designer Calvin Klein and his wife Kelly bought a Cartier single strand pearl and diamond necklace for \$733,333. In 2007, the same piece was auctioned, again by Sotheby's, and reached \$3.6m, almost quintupling in price.

Mr Bennett describes prices now achieved by natural pearls as spectacular.

"They are the rising stars of all gemstones."

In May, at the sale of Gina

Lollobrigida's jewels at Sotheby's in Geneva, a pair of natural pearl pendant earrings reached \$2.4m, an auction record at the time for natural pearl pendants, while the La Peregriana pearl necklace quadrupled its estimate at the end of 2011 at the sale of film star Elizabeth Taylor's jewels, selling for \$11.8m, the highest price ever paid for a pearl jewel.

An understanding of rarity is a big factor.

While most jewellery purchasers comprehend the rarity of diamonds, the difference between natural and cultured pearls was, until recently, relatively blurred, in part because a perfect spherical shape, high lustre and high carat weight are all achievable in cultured pearls.

"A well-known Australian firm has a licence to harvest 500,000 molluscs from the seabed and has taken this amount for the last 50 years. Occasionally, while they're opening them to start the culturing process, they find a natural one," says Mr Warren.

"After 50 years they've opened 25m molluscs and only about 40 natural significant pearls have been found," he says.

Ever the cultural mirror, London's Victoria and Albert Museum, in partnership with the Qatar Museums Authority, is curating an exhibition entitled Pearls, opening on September 21.

More than 200 important pieces will be on display and their history traced from the ancient Romans to the present day. Highlights will include a pearl drop earring worn by Charles I at his execution, important royal tiaras from British and European nobility and a cultured pearl necklace that belonged to Marilyn Monroe.

Beatriz Chadour-Sampson, the jewellery historian who is curator of the V&A's new William and Judy Bolinger Jewellery Gallery, cites acute interest from the Middle East as critical to the recent revival and the driving force behind the exhibition.

"Natural pearls come from the Gulf



Deep sea riches: a pearl diver brings up his treasure. Left, Marilyn Monroe's necklace on show at the V&A

Corbis/Getty

so Middle Eastern customers are buying back and treasuring their heritage, in a similar way to Russians seeking out Fabergé. Hence the competitive market has driven up prices."

So what is the impact on the big jewellery houses today?

Unable to produce collections with natural pearls, exceptional cultured pearls have remained important elements in collections from Chaumet to Cartier to Chanel. Fashion designer Coco Chanel famously wore strings of pearls on the beach.

Mikimoto remains the market leader and prides itself in selecting only the top 5 per cent of pearls from its harvest.

Tiffany & Co's collaboration with director Baz Luhrmann and costume designer Catherine Martin for the film *The Great Gatsby* produced 20 pieces inspired by the Jazz Age of the 1920s, and was dominated by pearls crafted into necklaces, hand jewels, headpieces and earrings, worn in the film and available to purchase as one-offs.

Exploring this aesthetic at a lower price point, the Ziegfeld collection saw Tiffany mixing cultured pearls with sterling silver.

With natural pearls increasing in rarity – they are prone to hairline cracks if they dry out, and can shatter if dropped – the gulf between natural and cultured pearls is set to widen.



Pearl divers were diverted to the oil trade for higher wages and regular work

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Artistic collaboration gains traction on a Mustique beach

Marc Quinn/Bamford

A chance meeting results in a novel collection.

Elisa Annis reports

A chance meeting between George Bamford and Marc Quinn, the British artist, on the Caribbean island of Mustique last December has led to Bamford Watch Department's latest collaboration. It is a collection of three customised watches that is to be launched at London's Dover Street Market on June 13.

"We met strangely. I was running, equally paced with this guy I knew only as Marc. Only after two or three days did I find out exactly who he was," recalls Mr Bamford, whose namesake company has garnered, over the past 10 years, a loyal following of watch collectors who want something extra special and rare.

Bamford Watch Department takes brands such as Rolex and offers limited edition customised versions of some of the company's most widely recognised steel sport watches.

During the course of the holiday, Mr Bamford dis-

covered that Mr Quinn already owned the company's watches.

The pair continued to jog together bouncing ideas off one another.

"It was very chilled, very easy, not a forced situation at all. Marc said 'I've got an idea,' and, when we got back to London we met to see if we could make it work," he says.

Marc Quinn is known for several controversial art works: "Self" a sculpture of his head made with his own frozen blood; haunting "Iris" paintings; "Alison Lapper Pregnant" that once sat on the fourth plinth in Trafalgar Square, and a gold statue of the model Kate Moss.

But his dislike of wearing anything "silver and flashy" and his penchant for a Rolex in black is probably something that is less well documented.

The chance to "make an artwork with something that is functional", appealed.

"I've always been obsessed with time and the measurement of time," says Quinn, whose one-man show opened on May 29 at the Fondazione Giorgio Cini in Venice.

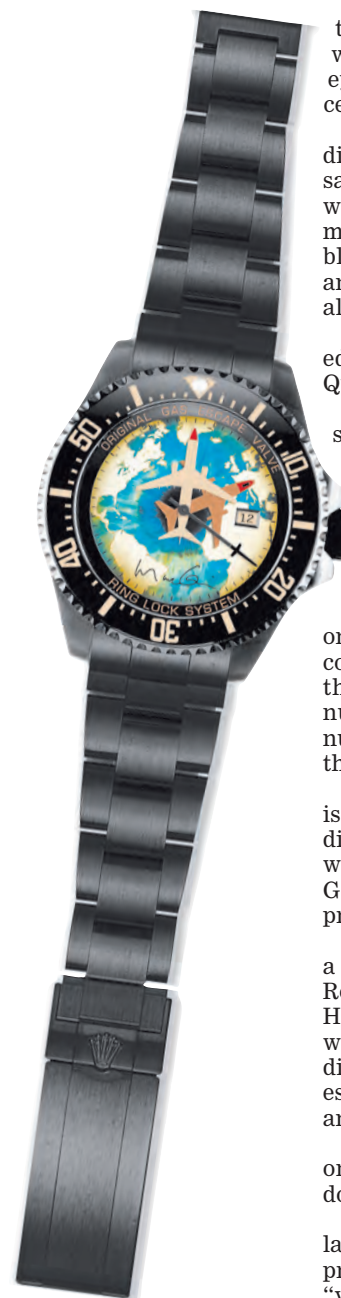
There are three different aviation watches in editions of five that will retail from about £30,000.

There is a low-altitude (brown), mid-altitude (blue) and a high-altitude (white) version.

All of them feature the Bamford Watch Department's signature black military-grade titanium coating.

But it is the artwork, together with Marc Quinn's written signature on the mother of pearl dial that really sets these timepieces apart.

The artwork comprises hands inspired by commercial flight and



Time pieces: artist Marc Quinn's statue, Alison Lapper Pregnant (left), and the Deep Sea Brown watch made for George Bamford brand (above)

the outline of a world map with the iris of a human eye superimposed on its centre.

Each of the three has a different eye colour but the same world map location, while the glimmer of the mother of pearl makes the blue of the map's ocean, and indeed the eye, seem almost alive.

On the back is a limited edition number with a Quinn engraving.

Each watch comes in a specially designed box inspired by a genuine "black box" flight recorder, and features the same anodised metal from which they are produced.

This, in turn, comes in orange packaging – the true colour of a black box, while the altitude, the serial number and the edition number are inscribed on the end plate.

Perhaps most surprising is the fact that Mr Bamford did not choose an aviation watch, such as the Rolex GMT Master, for this project.

Instead, he turned to a diving watch – the Rolex Deepsea/Sea-Dweller. He explains why: "Deep sea watches have the largest diameter offering the largest window for a piece of art," he says.

"It also happens to be the only watch that Marc doesn't already possess."

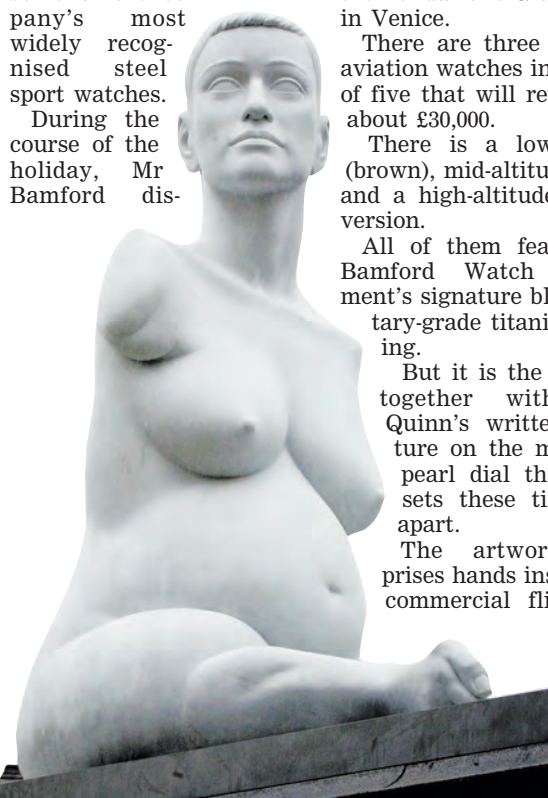
Unlike most previous collaborations, the Marc Quinn project was turned around "very quickly" in less than six months.

The launch of the collection, together with Quinn-designed windows, will come just a few weeks after his piece, entitled "The Sound of Silence", an enormous kinetic sculpture of aeroplanes colliding, was unveiled at the Venice Biennale.

"My theory is that wearing one of these big watches will give you the illusion and reassurance of control over the uncontrollable," says Mr Quinn.

"It's a tiny world that works like clockwork – a little biosphere of perfection"

One of these big watches will give the illusion of control over the uncontrollable



Watches & Jewellery

Grooms prefer proposal from e-engagement ring company

Technology An online retailer has set up a mail order business for clients who do not care for high-pressure sales tactics, writes *Syl Tang*

Not everyone seeking to buy an engagement ring wants the attention that seems inevitable when making such an important purchase, a factor that recently launched Ocappi.com is counting on.

The company aspires to turn ring shopping into a simplified two-step process for the sort of consumer who does not wish to set foot in a store.

Ocappi (pronounced oh-kuh-pee), an e-commerce site for luxury diamond engagement rings, offers clients the chance to try rings on at home.

Consumers can order sterling silver and cubic zirconia replicas identical to the company's 35 styles, to see, touch and wear for five days for free.

Having selected a style, customers can then order the real item through the site, and have it delivered by post.

Ocappi is following in the footsteps of companies such as Blue Nile, White Flash and Brian Gavin Diamonds, among others.

At present, only 11 per cent of

engagement rings are purchased over the internet in the US, a figure that industry experts attribute to a process that requires consumers to spend thousands of dollars on an object sight unseen.

Isaac Gurary, Ocappi's chief executive, created the service after being overwhelmed with the enormity of making a choice himself. "Many people find the sprawling selection on sites like Blue Nile too confusing and consider high-end brands like Tiffany & Co to be intimidating. Today's consumer doesn't care for high-pressure retail tactics," says Mr Gurary.

Often consumers opting to buy online are often forced to start their research at bricks-and-mortar stores where they may encounter aggressive sales techniques.

Ocappi is hoping that its service will eliminate that step, in much the way US retailer Warby Parker did with another product traditionally thought of as needing a shop visit – spectacles. "It's a very different thing

to sit on your couch and look at the ring to see if you still love it after wearing it for a couple of days," says Shaya Tenenbaum, Ocappi's director of marketing.

Whether consumers flock to the site may come down to how much time they wish to spend on the details. Laura Pei, a former banker who recently became engaged to another finance executive, says that while the free trials and simplified process appealed to her she had some concerns.

"The price seems to be standard at a 0.5 carat increment for each setting and I don't like that generic pricing for increments," says Ms Pei. "Saying you are getting a 2.1-2.15 carat diamond is a bit odd, like playing the lottery. To me, the process starts with the diamond first, as you find the perfect diamond for the girl, then the setting."

She adds: "While it's nice to combine the diamond and the setting, it does give it a bit of a generic, and not a 'special', type of feeling."

The company is aiming to attract buyers in the North American market. Huw Daniel, president of the Platinum Guild in the US says: "Globally, the model is buying a ring the industry calls a 'complete' [the design coming with preset stones], whereas the predominant retail model in US is buying the diamond then choosing the setting. But there are some consumers who don't want to go to the trouble of assembling a ring."

However, Ocappi, which raised \$10m in private financing, commissioned a study led by Anna Akbari, a New York University sociologist, which found that found 78 per cent of respondents felt that the ring buying experience made them feel as if "the groom was an afterthought".

Potential husbands may turn out to be the main visitors to the site. A lifestyle study by DDB, the marketing company, looked at mobile shopping patterns by gender and found that men were more inclined than women to use mobile phones to shop, with 40

per cent of men aged 18-34 indicating that, in an ideal world, they would buy everything online.

Unlike their forebears, the Generation Y, or "millennial generation", age group may not have preconceived notions about where an engagement ring should be bought, so a site that can offer a variety of choices may succeed. Furthermore, some companies have already enjoyed success by ensuring the groom is part of the process.

Josh Holland, senior manager of corporate communications for Blue Nile, which is one of the oldest companies in the online bridal market, says: "Online is about inviting guys into the process and taking away the fear versus pushing on them rings they should have."

"We've been dinged [criticised] in the past for online not being as romantic as going to the store. But we think it's more romantic to be intelligent and have a man say, 'I did my research and was able to get you a 1.5 carat instead of a 1 carat'."

Blue Nile, which recorded sales of \$400m last year, 70 per cent of which were diamond engagement rings, says that representations may not accurately reflect the real ring.

However, this is clearly where the market is going and Ocappi is not the first retailer to provide alloy-made samples for consumers to try out.

Since 2011, London Jewelers has offered its clients use of the Counter-Sketch system. This is an in-store computer monitor and computer program that allows clients to create customised rings either at its flagship store in Manhasset, New York, or at its shop Two by London in the UK, then have a model made in an alloy or silver.

Scott Udell, London Jewelers' vice-president, says that, because the alloys are identical to the final item, customers keep the sample to use as travel jewellery.

It may not be long before the demand from online shoppers makes such try-it-at-home services a common feature of jewellery websites.



Try it at home: studies of buying behaviour have found that men often feel excluded from the process of buying engagement rings

Young designers given chance to shine on curated jewellery site

Internet offerings

Avril Groom reports on the virtues of a website that avoids swamping customers

When Natalie Massenon founded net-a-porter.com in 2000, some industry insiders doubted that women would spend money on unseen items that, even then, often ran into four figures.

Ten years later, the business was valued at £350m when it was sold to the Richemont group, owner of Cartier.

E-commerce is now an established area for most luxury houses – though it has grown more slowly than many online fields – but fine jewellery, perhaps understandably, has missed out.

Companies put their classics, especially items such as engagement rings, online, but expect customers to use the internet more as a research resource before visiting the store.

Jayant Raniga, brand manager at London retailer PureJewels, says he is "drawing back from e-commerce, while keeping an information site, because top-level jewellery is an emotional purchase where people want to see and compare products".

However, multi-brand fashion stores such as Browns, Matches and, of course, Net-A-Porter, now offer serious jewellery online – pieces can go for up to £30,000 or more – but tend to share already well-known names.

Now, London's Dover Street Market is moving the boundaries with a new online area, Jewellery Space on the DSML E-shop, dedicated to young fine jewellery designers, many exclusive in the UK.

The site complements jewellery from the same designers in the store, which is owned by Rei Kawakubo, the Comme des Garçons designer, and her husband Adrian Joffe, and pieces have been very care-

fully selected that are "signature" items but are also comparatively reasonably priced – up to about £7,500.

More expensive pieces are available only in the store.

The site has precision photography that can be enlarged to give an accurate impression of each piece's detail and quality, with an invitation to contact the store personally over any query.

For the shop, this venture is a logical extension of its buying approach.

"The online selection is a condensed version of what we have in the store," says Dickon Bowden, DSM general manager.

"We have done fine jewellery since we started, but it has grown into an iconic part of our offer in both London and Ginza [Tokyo] and will be in New York from October. Customers respect our edit – they look to us for brands that are not readily available elsewhere."

Although not a specialist jeweller, DSM has access to expert advice on quality and craftsmanship.

"I do most of the selecting and take the same approach as I do with fashion, working with a team to seek out new talent maybe on their

college graduation show or in the earliest stages of a commercial career," says Mr Bowden. "In addition, a lot of young hopefuls come to us, knowing that we always champion the freshest and most exciting."

They have spread the net wide, with designers from Japan, Lebanon, Italy and the US as well as Britain. "We only take on those we have complete confidence

"Young hopefuls come to us, knowing that we champion the most exciting"

in and we do tests and procedures to make sure," he says.

A dozen brands are represented on the site, including Dalila Barkache from Lebanon.

"I had a contact in London who knew Dover Street and I was delighted when they responded to my email. My production is small, so a very select site suits it."

Mr Bowden says: "We

saw her in Paris and signed her up before she could sell anywhere else."

William Welstead, who makes naturalistic jewellery, sells in all DSM's branches with some more expensive one-off pieces. "But the online dimension is great for smaller designers like me who get global exposure without having to build our own e-commerce site," he says.

Jo Hayes Ward, whose collections of tiny geometric shapes are built up on 3D modelling software and 3D printed in wax before casting, also finds the website helpful. "It's a unique space that suits DSM's very informed customers, who want a site that is curated, not saturated," she says.

"The store has shown confidence in me by buying stock so orders can be fulfilled straight away, but it's not like fashion. Customers understand that, if something is sold out, they can still order, though it will take me up to six weeks to make it."

Ms Hayes Ward was picked up by DSM from the British Fashion Council's Rock Vault show and it is her only online and fashion multi-brand outlet.

Designers who sell elsewhere in the UK are making special pieces for the site. Gaia Repossi, who makes her own, very modern designs, says she loves DSM's ambience "and that slightly crazy, Comme des Garçons spirit which the site reflects".

She says online retailing is essential for the future. "I want customers to understand my best sellers but, at DSM, I can go further. I'm making some special pieces, though it's slow because everything is hand made."

Similarly, Sophie Billie Brabe, known for her silver work, is making a gold range for DSM, plus versions of her diamond "wing" earrings in several sizes. "I love the idea that the site hints at what is available in the store and keeps the mystery a little," says Ms Repossi.

Owners of more saturated retail websites might like to take note.



Designer finder: a dozen brands are represented on site



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Watches & Jewellery

Records broken as frenzy for rare rocks takes hold

Diamond sales Buyers are happy to pay way over the odds for a stone with a history or exceptional features, says *Maria Doultou*

A record-breaking diamond is exciting, but to have a flush of record-breakers is more than just a coincidence. Christie's auction house alone has achieved three world records in the past six months. In Geneva in November the Archduke Joseph sold for \$21.5m, the highest price paid for a colourless diamond, even though the Golconda stone had a pre-sale estimate of just over \$15m.

Then, in April, the 34.65 carat Princie pink diamond sold at Christie's in New York for \$39.3m, the highest price ever paid for a Golconda diamond or for any diamond auctioned in the US. The price surpassed the previous house record of \$23.4m, set in December 2008, for the sale of the Wittelsbach Diamond.

A week later, Bonhams in London sold a blue diamond Bulgari ring to Laurence Graff for £6.2m, at a record price of \$1.8m per carat, which beat the previous top price of \$1.68m per carat for a blue diamond. Estimated to fetch up to £1.5m, the Bulgari "Trombino" ring realised more than four times its estimate.

All eyes were on Christie's again in May at the sale in Geneva of a 101.73 carat pear-shaped diamond, the largest D colour flawless Type IIA ever to

be offered for auction. It commanded a suitably exceptional price of \$26.7m, or \$254,400 per carat, and was bought by Harry Winston – a statement of the financial power of Swatch Group, the company's new owner, a newcomer to the world of important diamonds.

It is not only the auction houses that are witnessing a heightened interest in diamonds. Jean-Marc Lieberherr, chief commercial officer at Rio Tinto Diamonds, is optimistic about this year's Argyle Pink diamonds tender where it sells the most valuable coloured diamonds from its Argyle mine in Australia. This year's stellar line-up includes three Fancy Red diamonds, the rarest of all fancy coloured diamonds.

Also up for bids is a pink diamond weighing more than 3 carat, a 0.71 carat blue heart-shaped diamond, and a matching heart-shaped Fancy Pink diamond.

"While we will need to wait until October for the final bids, our initial tender previews in Sydney and New York have demonstrated the excitement that these coveted one-of-a-kind diamonds generate," says Mr Lieberherr. "We can certainly say that collectors, investors and connoisseurs are strongly present in the market, together with retailers who are ready

Crystal class: the Archduke Joseph cushion-shaped brilliant sold in Geneva last November for \$21.5m. It had a pre-sale estimate of just over \$15m Getty



"People realise the rarity of large crystals and there are not enough of them"

to spend exceptional amounts for exceptional diamonds."

So is this rush of records normal, or are we witnessing something out of the ordinary? "It is exceptional to see so many great diamonds coming out," confirms Rahul Kadakia, head of the jewellery department at Christie's auction house. "The market is fantastic at the moment, with record prices being achieved in all areas of the art world. I would never have believed this 10 years ago," he says. "In 2003, we would sell a 50 carat D flawless for \$50,000 a carat. This week we sold a 26 carat D flawless for \$170,000 a carat – that's three times the price. And coloured diamonds are making 10 times the prices on 10 years ago."

Mr Kadakia believes the big diamond grab is because "people are realising the rarity of large crystals and there are just not enough around – but there is a lot more money and lot more buyers, so there are a lot more investment opportunities".

Mr Kadakia believes Asian collectors are the most active, particularly Chinese people who are building up their art and diamond collections from scratch.

But there are collectors in the US and Europe, too. "There were five clients bidding for the 101 carat

diamond: an Asian private investor on one phone, Harry Winston on the phone with me, two trade members and one European collector," says Mr Kadakia.

But not any diamond will command this level of attention. "What is making record prices is the very best and rarest, such as the Princie. It went for the price of a Van Gogh. We can find another 20 carat diamond, but you won't find another with that history."

A prime example of provenance jacking up prices was the sale of the late film star Elizabeth Taylor's jewels at Christie's in December 2011. The 80 lots were estimated to raise \$10m. In four hours, the jewels had raked in \$100m. Bidders were prepared to pay over the odds for the stories and fame attached to the jewels' owner.

Timing is everything when deciding to bring a stone to market. And the sellers of the 101 carat diamond waited. It was discovered in the Jwaneng diamond mine in Botswana a few years ago and is comparable in size and quality to the famous Cullinan III in the Queen's personal collection. Mr Kadakia advised the owners to wait for the market to reach boiling point before presenting the stone.

Laurence Graff, founder of the London-based jewellery and diamond

house, is said to have handled more diamonds of notable rarity and beauty than any other jeweller, including the Wittelsbach-Graff, the Idol's Eye, the Imperial Blue, the Blue Ice, the Magnificence, the Graff Pink, the Delaire Sunrise and the Graff Constellation.

So far this year, Graff has acquired two unique diamonds at auction: a 5.30 carat fancy deep-blue diamond, which achieved a world record price, and a 26.64 carat D colour Type IIA oval diamond.

Mr Graff says: "We are seeing an extremely strong demand for rare diamonds, coupled with a scarcity of exceptional examples coming on to the market. On occasion, polished stones appear at auction and we take a particular interest in important examples which have previously been owned by Graff. In some circumstances, I have acquired the same diamond on two or three occasions."

Is this diamond frenzy a bubble that will burst or is the rise of the rare rock an unstoppable force? "Prices will stay at these levels and more," Mr Kadakia says. "There simply isn't another 100 carat pear-shaped diamond and, if there is, it should be worth \$35m. There may be a plateau, or a little dip in the market but, so far, diamonds have always paid back."

Cristiano Ronaldo

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Consistent levels of success by Christie's leave rivals trailing

Flagship sales

Simon de Burton speaks to Aurel Bacs about the secrets of attracting high bids

Anyone who has followed the flagship watch sales held in Geneva each spring and autumn will have noticed a clear and predictable pattern.

The ball is set rolling by Antiquorum and Sotheby's, who host a pair of multi-million-dollar events, and then Aurel Bacs, head of Christie's international watch department, takes to the rostrum and presides over a sale that invariably grosses considerably more than those of his two rivals combined.

The reason for Christie's success is clearly that it consistently manages to offer the highest-quality lots, a fact that has enabled it to shift \$139.2m worth of timepieces through its Geneva sales since May 2011.

The question is – as there is only a finite number of really valuable pieces available and it seems ever fewer of these are being offered on the open market – how does the house manage to achieve such a consistent level of success that, in Geneva at least, leaves its rivals trailing?

"There is no secret," says Mr Bacs.

"There is a database of customers to which everyone has access, and each house does what it does the way it wants to do it. I think, however, that the reason we have such a loyal following is simply that our clients appreciate the quality of what we do," he says.

"Key to that is accepting the fact that only great watches are selling these days, and that means we reject about 80 per cent of potential consignments.

"Provenance, condition and authenticity are vital but, in addition to all that, estimates have to be realistic and it is essential to show respect to the



Respected: Aurel Bacs (above) says passion for horology helps sell models such as the 1942 Rolex (below) that broke record

customer. If there is a scratch on a watch, point it out; if there is a better one coming up, let them know about it; if the watch simply doesn't suit a potential buyer, tell him."

But above all, Mr Bacs believes that he and his 25 staff around the world have a genuine passion for horology that helps to gain the confidence of both buyers and sellers.

"The fact is, we simply love watches. I don't believe that you can be a good butcher if you're a vegetarian and, likewise, only a passion for watches can transmit why it might be reasonable for someone to pay \$250,000 for an 80-year-old object that keeps time less accurately than a \$50 Swatch."

But there is more behind Christie's success than merely gaining the trust of clients and showing genuine enthusiasm for the subject.

Notably, the number of sales held each year has been streamlined to reduce the amount of time and effort spent consigning lower-value pieces, which produce minimal returns in terms of buyer's premium and seller's commission, while the number of collectors who possess the wherewithal to spend money on very expensive watches appears to be increasing rapidly.

"We stopped selling watches in London about

five years ago, for example, because there was a mismatch between the value of the watches and the amount of time experts needed to spend on providing the level of service that, we believe, makes Christie's stand out.

"That certainly hasn't prevented UK clients from buying and consigning with us, and they remain very significant players," says Mr Bacs.

"But there are also plenty of economies with growth above 5 per cent that are producing people with incredible wealth, billionaires who are starting their collections from the top and who frequently buy watches for world-record prices – unlike the traditional European or American collectors who started low and worked their way up.

"I would liken the current situation to a jet aircraft in which Europe is the nose, Asia the main engine and the US the afterburner," he says.

What is most impressive about Christie's success, however, is the fact that it consistently manages to attract the best and rarest watches at a time when many collectors are holding on to them either as a hedge against inflation or – more often – simply because they enjoy owning them.

When people do want to sell, however, Mr Bacs says he has relatively little difficulty in attracting stellar pieces, such as the 1981 Patek Philippe Reference 3448 that topped last month's Geneva sale at \$1.7m or the 1942 Rolex that achieved a world record for the make.

"The collectors who are familiar with our market know where we are when they want to sell," says Mr Bacs.

"I never call anyone to ask them to consign a watch.

"Pushing a client to do this is, to me, the wrong approach."



Watches & Jewellery

Jet-set piece is also a personal statement

World timers For once, a complication is both useful and beautiful. *Timothy Barber reports*

Given the critically important status that wealthy tourist shoppers now hold for the watch industry, it is perhaps not surprising that travel should have become an important theme in the design of new models.

Sure enough, travel time watches (which show extra time zones, often with other globetrotting references such as maps on the dial) have dominated Switzerland's new launches over the past 18 months.

These have ranged from groundbreaking pieces such as Rolex's Sky-Dweller and Seiko's satellite-linked Astron – two of the biggest attractions at last year's BaselWorld – to more traditional takes on the second time-zone and world timer format.

It was Louis Cottier, a shrewd watchmaker in the first half of the last century, who came up with the idea of a watch dial with a peripheral ring bearing the names of locations in each of the world's 24 time zones.

These corresponded with a rotating 24-hour ring, meaning the hour in each location could be instantly read, while a normal time display gave the local time for the city in the 12 o'clock position.

From 1930, Mr Cottier worked with such brands as Vacheron Constantin and Patek Philippe to produce the

early world timer wristwatches; by the time international travel began to flourish in the postwar period, his invention had become an industry standard aimed at the jet set.

Last year there was a veritable flood of new world timers, with Breitling, Frederique Constant, Bremont, IWC, Ball and Zenith all presenting models. This year Montblanc, Maurice Lacroix, Tissot, Richard Mille and Baume & Mercier have followed suit.

"Generally with watch complications, it's questionable how useful their functions really are – people buy chronographs not for the timing but for the aesthetics," says Marc Glaser, managing director of Maurice Lacroix. "But with a world timer or a GMT, the function is useful. It may be that you travel a lot, or perhaps you have a child at university abroad, or you're doing business with international markets," says Mr Glaser.

"But it's a strong statement because people will ask why you have a world timer, whereas no one will ask you why you have a chronograph."

Maurice Lacroix's Masterpiece World Timer riffs on the global theme by presenting different versions for Asian or western buyers (the Asian version boasts a silvered dial and sun-brushed, satin-finished continents). Montblanc takes this idea further



Around the world: from left, the Bremont ALTI; Breitling's Transocean Chrono Unitime stainless steel model; the Maurice Lacroix Masterpiece World Timer; Jaeger Le Coultre's Duometre Unique Travel Time

still with its TimeWalker Hemisphere watches. These are in northern and southern hemisphere versions, with different styling for each, but also with different cities for the time zones – the northern watch only contains northern hemisphere destinations and vice versa (the opposite hemisphere's cities, and corresponding timezone, are nevertheless etched on the back).

Additionally, the 24-hour discs rotate in opposite directions – clockwise for the northern hemisphere and anticlockwise for its southern counterpart.

"A world timer is not so complicated as a chronograph, so it gives you the chance to offer an interesting, very aesthetic and functional complication but still to do it at a reasonable price," says Alexandre Schmidt, head of watches at Montblanc. "The

TimeWalker collection is a very young, modern-looking line, so we wanted to do something different that fits that design, even with a very classic function."

For last year's Sky-Dweller, Rolex mined an innovative extra timezone display with an annual calendar; this year it has provided its travel time stalwart, the GMT Master-II, for a welcome upgrade.

The two-tone bezel has returned, now in black-and-blue ceramic, which brings the watch nearer than it has been in years to the spirit of the original model commissioned in the 1950s by airline Pan Am for its pilots.

That originated from the idea of the GMT, a watch with indications for two different time zones.

A watch such as Ralph Lauren's Sporting World Time, meanwhile,

embellishes the GMT function with the allure of the world timer.

Though only showing two time zones, a large aperture displays cities for the second zone. If you turn the city disc around to the location of choice and a subsidiary dial displaying the second timezone will set itself accordingly.

In this souped-up GMT category, the most lavish timepiece is Jaeger-LeCoultre's Duometre Unique Travel Time, which employs the "dual-wing" technology (twin power reserves for separate functions) reserved for some of the maison's most illustrious watches.

The second time zone register has a minute hand that can be separately adjusted to account for "non-standard" time zones (most notably in India), which are delineated on the

half hour. A beautiful world map, created using gold-and-lacquer techniques normally used for moon phases, lights up the lower part of the watch, which rotates once a day with a day/night 24-hour dial, in accordance with the second timezone.

"It's quite interesting for us to reinterpret traditional functions in the dual-wing – we did it with the tourbillon and the chronograph, and now with the world timer," says Stéphane Belmont, Jaeger-LeCoultre's marketing director.

He says: "The main advantage is that you can have non-standard time zones, which are normally impossible on travel time watches. Or you could even set it to sidereal or real solar time [used by astronomers], for instance. That's something that gives you a real story to tell."

Bargain from car boot sale turns up with James Bond credentials

Auction round-up

Simon de Burton assesses the action on the saleroom floors

Anyone wanting to buy a watch at auction could hardly have chosen a better time than May, a month in which seven high-class sales take place within the space of a fortnight, grossing more than \$65m between them.

The annual spring trio of Geneva auctions was kicked off on May 11 by Sotheby's, which achieved \$7.2m for its offering of 402 watches, 304 of which found buyers. A 1997 Patek Philippe minute repeater proved to be the star of the show

when it sold for \$561,116, with second and third places being taken by pieces from "modern masters", respectively a Greubel Forsey Tourbillon 24-second Inclined at \$343,520 and a Richard Mille RM025 diver's watch at \$228,678, a model that sells for more than \$700,000.

The following day, Antiquorum fielded a bumper 518 lots, 14 of which celebrated the 50th anniversary of the Rolex Cosmograph Daytona. Among the group was an ultra-rare prototype with a gold case and a lemon-coloured dial that doubled expectations to fetch almost \$850,000, a world record for the model.

Another Cosmograph, this time a diamond-set special order, believed to have been made for the Sultan of Oman, drew \$475,000.

But the lion's share of the Geneva bids was enjoyed by Christie's on May 12 when it shifted 336 of its 358 offerings for a total of \$22.6m, enabling it to claim eight "world records" in the process.

Among these was the top lot, a 1981 Patek Philippe Reference 3448 perpetual calendar wristwatch that attracted \$1.7m, making it the highest-priced white gold version. A rare, platinum-cased Patek Philippe Nautilus sports watch became the most expensive example of the model to be sold, realising \$821,370.

Perhaps the most notable record to be established at Christie's, however, was for a 1942 Rolex Reference 4113 chronograph, setting a new auction high for any Rolex watch when it was knocked down to an anonymous

"international collector" for \$1,160,922.

The record only applies in Swiss francs (SFr1,107,750/\$1,177,320) as Christie's sold a similar model in 2011 for SFr1,035,000, which, at the prevailing exchange rate, converted to \$1,163,746. It may be pedantic but, to watch collectors, such details matter.

Elsewhere, the house also achieved clear-cut records for a Rolex Submariner (\$544,698) and a Rolex Reference 4767 triple calendar chronograph (\$406,362).

Away from Geneva, Germany's Dr Crott auction house enjoyed an \$8m sale of more than 600 lots in early May, before attention shifted to the Asian market where the long-scheduled Bonhams and Christie's sales were joined by an extra event slipped in by

Sotheby's in the wake of its blockbuster \$28.4m Hong Kong sale in April.

The auction was given a turbo boost by the inclusion of 22 modern table clocks that made \$15.9m between them.

Sotheby's May 28 sale was less spectacular, however, achieving \$4.5m for about 175 mostly modern pieces, with the top seller being a \$743,590 Vacheron Constantin King Kalla bracelet watch set with 101 carats of diamonds.

Bonhams, meanwhile, achieved \$1.6m for an eclectic selection of wrist and pocket watches, highlighted by a Richard Mille RM 015 Perini Navi Cup regatta watch (\$142,000), an as-new Patek Philippe Reference 3970 perpetual calendar chronograph (\$80,228) and an FP Journe tourbillon

Saleroom June diary dates

Sotheby's, New York, **June 10**
Christie's, New York, **June 11**
Bonhams, London, **June 11**
Bonhams, New York, **June 18**
Antiquorum, Hong Kong, **June 22**
Christie's, London, **June 26**

(\$78,675). Again, however, Christie's eclipsed the sums achieved by its rivals to gross \$19.8m with its 535 lot sale in which the bestseller list was dominated by mostly modern Patek Philippe watches, with the exception of a 1945 Reference 1518 that made

\$500,778. Despite their success, May's Geneva and Hong Kong sales served to demonstrate the short supply of really high-quality, vintage Patek Philippe watches and the vast increase in the number of contemporary timepieces appearing at auction.

That situation is likely to be addressed on Tuesday when Christie's offers what it claims to be the earliest example of a Patek Philippe Grand Complication pocket watch – a piece that is tipped to realise up to \$1.5m.

Made in 1898 and bought two years later for SFr6,500, the watch combines a perpetual calendar, split-seconds chronograph, minute repeater and grand and petite sonnerie chimes. It has never before been offered at auction and is

likely to prove second only to the Henry Graves' Patek Philippe Supercomplication sold at Sotheby's in 1999 for a record \$11m.

Sotheby's and Bonhams will also stage sales in New York next week, with the latter also holding a big watch auction in London. The timepiece that looks most likely to make world wide news, however, is a relatively humble Breitling being offered at Christie's London sale of Pop Culture.

The watch last changed hands at a car boot sale for just £25, but has since turned out to be the actual Top Time model worn by Sean Connery as 007 in the 1965 movie Thunderball. Complete with "Geiger counter" modification added by Q Branch, its movie provenance means it could fetch up to £60,000.

Aficionados offered one-stop web shop

DIY auctions

Simon de Burton finds a small UK auctioneer setting new standards

In these days of international expensive auctions at which individual timepieces routinely fetch seven-figure sums, it is difficult to believe that the market for collectable wristwatches was still in its infancy just 15 years ago.

Back in 2006, as much as SFr10m (\$10.6m) was expected to be achieved at Christie's at the spring auction in Geneva; last month's event grossed more than double that with ease.

Much has influenced the growth in the market, not least the internet, the emergence of new economies, the rising number of wealthy people and a widespread desire to invest in tangible assets during times of parlous interest rates.

But perhaps the main factor has been the vast increase in horological knowledge, much of which has been spread through a growing number of specialist watch publications, websites, blogs and forums.

The auction house Antiquorum can be credited with kick-starting this trend when, during the 1980s, it broke new ground with its scholarly watch catalogues outlining the histories of brands and the significance of individual models while

introducing a grading scale to give an accurate indication of the condition of specific lots.

The house makes available more than 30 years' worth of auction results through its online catalogue database, a service that is used as a valuation guide by collectors and dealers the world over.

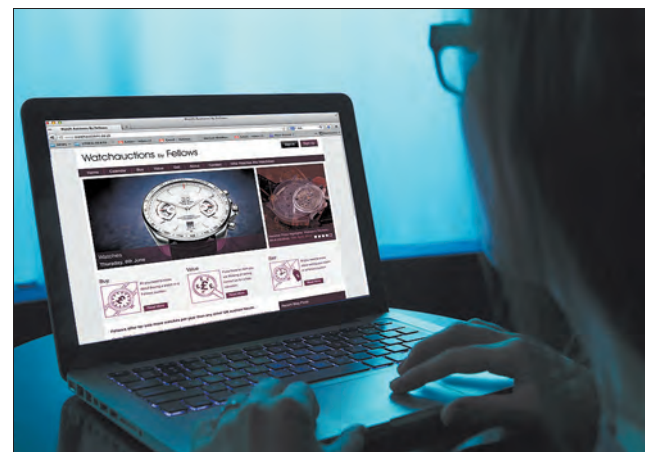
But now Fellows, the relatively small UK auctioneer based in Birmingham's jewellery quarter, is setting new standards with the introduction of its sophisticated watchauctions.co.uk database that promises to serve as a one-stop shop for watch collectors and those in the trade.

The site's creation was prompted by a marked growth in the number of lots crossing the block in Fellows' auctions.

In the past 12 months it has staged 30, in which more than 7,000 watches have been offered. The house has also held separate sales for pocket watches, parts and accessories making it, in terms of volume rather than value, the UK's largest specialist in the field.

Launched in February 2012 as a relatively basic tool for providing broad valuations and monitoring the market, watchauctions.co.uk has recently undergone a significant upgrade that, claims Fellows, has made it one of the most advanced databases for pre-owned watches on the web.

The system provides



Database: Fellows offers tips for collectors and the trade

average achieved auction prices for the top 23 brands sold by the house during the previous two years, and these can be further filtered to account for condition and the presence of boxes and paperwork – aspects that can have a dramatic effect on value.

"The intention was to create the equivalent of used car price guides for the watch world"

The database is the brainchild of Adrian Hailwood, the company's watch business manager, who previously worked for blue-chip names such as Cartier, Van Cleef & Arpels and Breguet.

"The system was born out

of our results database with the intention of creating the watch world's equivalent of the price guides that members of the public and the motor trade use to evaluate used cars," says Mr Hailwood.

"Users can select specific watches, and then filter their choice according to whether the watch they want to value is in good, average or poor condition and whether or not it has its box and paperwork."

"There is a step-by-step guide to help auction novices, but you need a degree of knowledge to get the best from the system and that makes it very useful to members of the trade," he says. "What sets it apart from existing databases is that it gives people the ability to make a very accurate assessment because they can choose a watch that is exactly like the one they wish to value."

In order to prevent values being skewed by price anomalies – such as the highly collectable "Paul Newman" version of the Rolex Cosmograph Daytona that is worth several times more than a standard model – the site separates sales of such exceptional pieces, placing them into individual categories.

Those interested in the service are able to try it out for 48 hours, after which they are required to pay an annual subscription fee of £250 in order to access the whole range of facilities, which they can access by a secure, coded login system.

In addition to the detailed valuation feature, subscribers also have access to training videos, authentication guides for five big brands and tables of serial numbers enabling them to pinpoint manufacture dates for popular models of watch.

The site also allows clients to consign, buy and sell at Fellows sales.

Mr Hailwood says the next stage of development will involve the addition of a community page.

"There are many services that we don't offer, so the idea is to create a community page that buyers can turn to in order to find small, UK businesses offering relevant products and specialisms – anything from a firm that can supply a new strap for your latest auction purchase to a watchmaker who can carry out a full, top-quality restoration."

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