



Watches & Jewellery

Niche strategy
Zenith's Aldo Magada navigates the turmoil

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V for Victory
Churchill's watch is the star lot at Sotheby's

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Zara takes the reins
The jewellery collection with equestrian appeal

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Shadow cast over the Swiss luxury industry

Analysts rein in forecasts as Asia exports fall, says James Shotter

It has been a tough year for Swiss watchmakers.

At home, they have had to cope with a surging Swiss franc, after the Swiss National Bank unexpectedly dropped its cap on the currency. Abroad, they have been hit by weakness in a number of key markets.

The biggest problems have come in Asia, where demand has faltered in China and Japan, and collapsed in Hong Kong. But other markets have also proved difficult: the gyrations of the rouble have hit Russian demand – and sales in the UAE, an increasingly important market, have declined.

“There has been a lot of turmoil and no one has any idea what will happen next,” says Aldo Magada, chief executive of Zenith, one of the French luxury group LVMH’s stable of brands. [For a

full interview with Mr Magada turn to page 3]. “There has been a loss of confidence among consumers in general because they don’t know what will happen with the economy.”

The net result is that the value of Swiss watch exports between January and July was SFr12.49bn (\$13bn), 1.2 per cent below the level reached in the same period in 2014. The figures in July were particularly weak, with watch exports 9.3 per cent lower than the same month last year.

The slowdown is reflected in the results of Switzerland’s two biggest watch groups, Richemont and Swatch. The latter reported in July that its sales rose just 2.2 per cent in the first six months of the year. In May, Richemont said its sales in the first six weeks of its financial year, which runs from April to March, had been flat once currency fluctuations had been taken into account.

In response, analysts – whose predictions for growth in Swiss watch exports stood somewhere between 4 and 7 per cent at the beginning of the year – have been reining in their forecasts.

“I still assume there will be growth in the overall market this year, due to the

pick-up in watch sales in the US and Europe, and continued purchases by Chinese customers abroad. But it will be muted,” says Jon Cox, an analyst at Kepler Cheuvreux in Zurich.

Others are less optimistic. “After the figures for July, the main question is whether the Swiss watch industry can grow at all this year,” says René Weber, an analyst at Bank Vontobel. “I think it will probably be flat.”

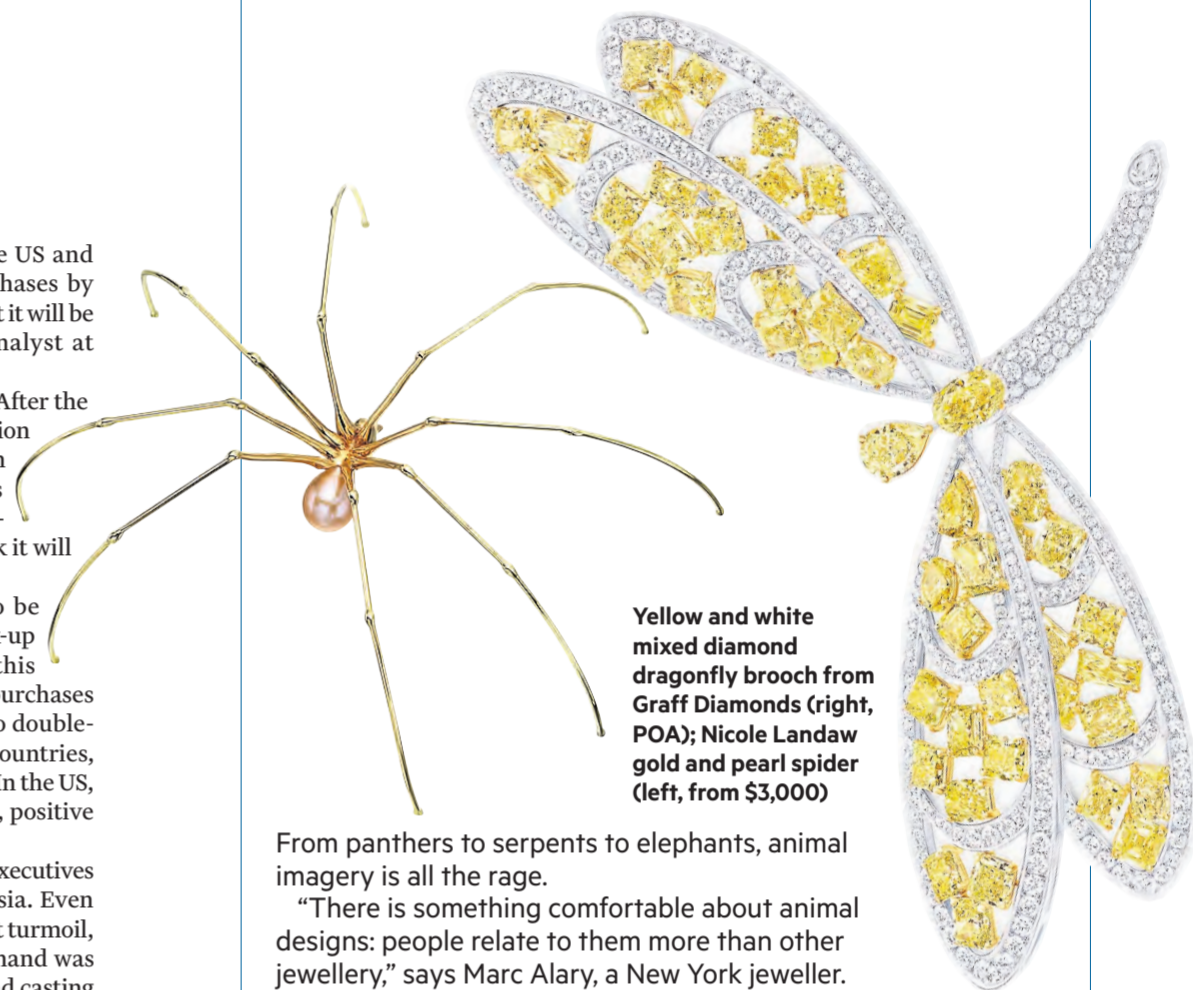
Analysts expect growth to be fastest in Europe, where a pick-up in domestic demand so far this year, allied with continuing purchases by Chinese tourists, has led to double-digit growth in a number of countries, including France and the UK. In the US, where sales are up 4 per cent, positive growth is also expected.

The main focus of industry executives and observers, however, is Asia. Even before the recent stock market turmoil, the slowdown in Chinese demand was rippling through the region and casting a shadow over the watch industry’s prospects. So far this year, Swiss watch exports to Hong Kong, the world’s

‘After the figures for July, the main question is whether the industry can grow at all this year’

Continued on page 2

Animal magic

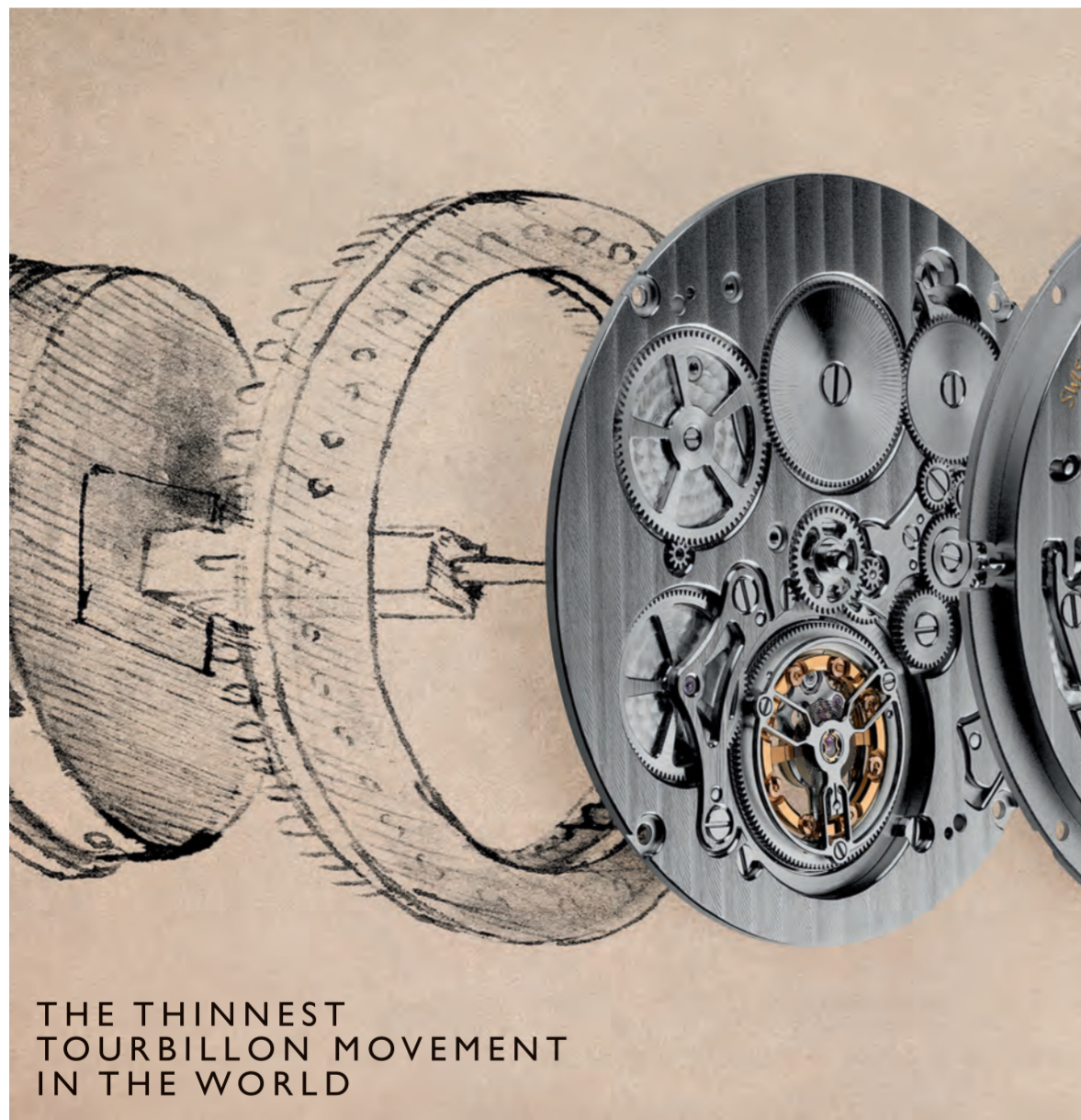


Yellow and white mixed diamond dragonfly brooch from Graff Diamonds (right, POA); Nicole Landaw gold and pearl spider (left, from \$3,000)

From panthers to serpents to elephants, animal imagery is all the rage.

“There is something comfortable about animal designs: people relate to them more than other jewellery,” says Marc Alary, a New York jeweller.

The lion, the serpent and the marketers, Page 9



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«Details make perfection, and perfection is not a detail»

Leonardo da Vinci

Watches & Jewellery

In pursuit of millennial spending power

Online marketing
Sally Morrison tells
Rachel Garrahan how
LoveGold is reaching
out to the young

Sally Morrison has an interesting brief. Following the World Gold Council's decision this year to spin off LoveGold, its digital brand – which she created in 2013 to engage young, fashion-loving consumers – she is now heading a team in search of investors who can transform it into a self-sustaining commercial entity.

In just two years, LoveGold, with its mix of glossy digital content and celebrity partnerships, has succeeded in persuading more than 800,000 followers around the world to fall back in love with gold jewellery.

LoveGold's 2014 awards season digital advertising campaign on Twitter, when Ms Morrison persuaded Lupita Nyong'o, the actress, to wear gold jewels on the red carpet, generated more than 2.1m impressions, and 30,000 new followers. Engagement (likes and retweeting) averaged 32 per cent, running higher than 50 per cent on some tweets, well above the platform's average.

Much of the campaign's success is down to Ms Morrison's marketing background and Hollywood connections. Having worked at the American Foundation for Aids Research in a variety of fundraising and communications roles – including working with Elizabeth Taylor, an early advocate for people with HIV/Aids – Ms Morrison then became a publicist for Miramax films. She subsequently joined JWT, the advertising agency, where she worked on De Beers' A Diamond Is Forever campaign before heading the marketing for the US launch of Forevermark Diamonds. It was there that she attracted the attention of the World Gold Council.

Supporting smaller, independent brands has always been part of LoveGold's strategy and is key to its success,



says Ms Morrison. To engage and maintain the interest of a young audience, LoveGold needed to create a "generation of rock stars", jewellery designers such as Pamela Love who would resonate with the target market, she adds.

"We realised that fashion, accessories etc all have their superstars, and in jewellery we do not. Everyone would love to have dinner with Marc Jacobs, but I am not sure that people even have a sense of what personalities are in the jewellery space," says Ms Morrison.

Having engaged this young audience, particularly in the key markets of the US, China and India, LoveGold now wants to capitalise on its success.

Ms Morrison says the WGC always intended to spin off LoveGold. "The WGC is a market development organisation," she explains, "and it believes LoveGold needs to be in partnership with a commercial partner." The council

'In America shopping is a sport – we need an immersive experience'

retains a stake in the business.

The LoveGold president will not reveal the names of potential partners, but she believes that LoveGold will become "a marketplace for multiple brands, particularly for those that don't have the resources to share their product with the audience we've developed".

She is confident the brand's global online community puts it in a unique position to attract millennial spending power and the falling gold price is helping her cause – allowing more designers to work in gold, which in turn creates more consumer choice.

"The most frequent comment from our Chinese followers is: 'Where can I buy this?' There are clearly a lot of young people wanting to buy gold jewellery who aren't being served."

The lack of outlets aimed at younger consumers is a problem not limited to China or online retail. "In America,

Sally Morrison: supporting smaller brands
Jason Andrews

CV

1984 American Foundation for Aids Research
1999 Miramax Films
2002 JWT as director of the Diamond Information Center
2011 Chief marketing officer of Forevermark Diamonds
2012 World Gold Council
2014 Managing director, jewellery World Gold Council

shopping is a sport," says Ms Morrison. "On weekends, you see armies of young people at the mall. But there is no exciting, immersive retail experience for fine jewellery. We need to invent one."

Given people's attachment to their jewellery and the deliberation involved in a purchase, Ms Morrison believes the "ultimate retail model is a hybrid e-commerce one that allows consumers to experience the product in a tangible way". She points to diamond retailer Blue Nile's recent opening of its first bricks-and-mortar store in the Roosevelt Field mall outside New York as an example.

As consumers become increasingly comfortable with buying luxury goods online, Ms Morrison says that ethics, including responsible sourcing, sustainability and environmental stewardship, is one area the industry must tackle if it wants to engage successfully with the millennial audience.

"[Sustainability] needs to be a given, not an added benefit that drives a premium [priced product]... it needs to be an ongoing [permanent] part of the business," she says.

Ms Morrison's career experience is diverse, so what is it about the jewellery industry that keeps her motivated?

"We live in such a fast-fashion, disposable culture yet I believe in special, precious, lasting things," she says.

"I still believe in the power of a woman's jewellery box to tell the story of her life, and it's an interesting challenge to find ways to make fine jewellery relevant for a new generation."



Stockmarket volatility

Fall in Asia exports casts shadow over watch industry

Continued from page 1

largest watch market, are down 20.8 per cent. To China, the third largest, they are down 4 per cent and to Japan, the fifth largest, they are down 5.8 per cent.

The question is whether China's recent stock market turbulence, which began in the summer, and intensified in August after the Chinese government devalued the renminbi, will make things worse.

"There is a close correlation between the value of real assets, such as the stock market, and the purchasing of high-end luxury goods. Overall, the volatility will have a dampening impact on volumes," says Mr Cox.

Others are not so sure. "When the stock market rose so dramatically over the past year, we didn't see a surge in watch purchases, so I'm not sure that the fall in the market now will necessarily stop people from buying watches," says Mr Weber.

Yet even if the stock market turbulence does not harm watchmakers too badly, the underlying slowdown in the Chinese economy – which was what prompted the government to devalue the renminbi – may have a longer-lasting effect.

This is particularly true in Hong Kong, long a popular destination for Chinese tourists. Inventories remain high in the territory, and Jean-Claude Biver, head of LVMH's watchmaking business, said in August that Tag Heuer, one of its brands, would shut a store in

Falling gold price a 'positive' for brands

Commodities Drop in demand from China may yet affect jewellers, writes *Jennifer Thompson*

Luxury jewellers face challenges on numerous fronts – but a battered gold price is not one of them, making the sector one of the few winners amid a global commodities rout.

The yellow metal had a long bull run at the beginning of the 21st century, steadily climbing from 1999 onwards and soaring after the financial crisis hit in 2008. However, the market had peaked by the end of 2011, and this summer began hitting multi-year lows, spurred by falling demand from China and India as well as by a strengthening dollar and the prospect of rising US interest rates.

Although gold prices began climbing again in August as investors grappled with a global equity sell-off, the price is still about 40 per cent down from its historic peak of \$1,900.20 in May 2011.

"Gold [price] is not an issue and raw prices have been a benefit," says Erwan Rambourg, luxury analyst at HSBC. "The fact is it's a positive, and on a net basis [the luxury industry will] gain at the gross margin level."

How far in advance top jewellers purchase gold supplies varies, but the average across the industry is approximately one year. This means that although the beneficial effect of a lower gold price for the manufacturing side will not be felt immediately, it will still flatter margins eventually.

"In general, luxury goods players don't tend to speculate on gold price and raw materials," says Luca Solca, an analyst at Exane BNP Paribas. "If raw material prices move downward, they have no positive impact for the good part of a year. After this they tend to benefit."

Swiss luxury goods group Richemont, owner of jewellers including Cartier, Van Cleef & Arpels and Piaget, says the cost of craftsmanship in assembling its \$17,000 rings and \$10,000 necklaces far outweighs the cost of the raw materials each piece requires.

"By far the largest element is the production cost linked to the skill sets required to produce fine jewellery and haute horlogerie," the group says.

"While lower gold prices are

welcome, the overall impact is limited."

Thomas Chauvet, an analyst at Citi, agrees. "While Richemont and Swatch will continue to benefit from lower gold prices, let's not overestimate this impact," he says.

Judged against where it was in 2008 and 2011, the gold price looks set to remain depressed for now, meaning jewellers should breathe a sigh of relief that commodities are not added to their list of headaches, which include currency gyrations, the push to reduce corruption and ostentatious gift-giving among Chinese officials – which has hit sales of fine watches – and a slowing Chinese economy. But there could yet be a worrying twist.

A big factor in the reduced gold price has been curtailed demand from China, a symptom of strain in the country's economy. This is potentially making life for jewellers in that market increasingly difficult, even if the cost of producing goods is now slightly cheaper than it was five years ago.

Global gold demand dropped 12 per cent to 914.9 tonnes in the three months to June, a six-year low, according to the World Gold Council, an industry body. The fall was chiefly the result of weakness in the key markets of India and China. In the case of India, this was linked to seasonal factors, such as the small number of days considered lucky for a wedding, but for China the drop was caused by what is becoming a prolonged period of poor growth and stock market turmoil.

Do not expect China to come to the rescue any time soon, either. Although the longer-term ramifications of the recent rout in Chinese equities, following six months of stunning gains, have yet to be established, analysts agree that a sense of panic among retail investors playing the market does not bode well. "Investors may have made a lot of money in the year to date, and some have suddenly lost a lot," notes Mr Rambourg.

"While they may still be up, the recent move could have psychologically negative impacts."

'There is a close correlation between the value of real assets, such as the stock market, and the purchasing of high-end luxury goods'

one of the city's main thoroughfares as a result of falling demand and high rental costs.

The other issue on Swiss watch executives' minds is how to deal with the strength of the franc. The currency has risen more than 10 per cent against the euro since the SNB dropped its cap in January.

For any Swiss company with a cost base largely in francs and a portion of its sales in foreign currencies, the SNB's decision raises problems. But it is particularly tricky for Swiss watchmakers, which have long touted production in Switzerland as a guarantee of quality. One obvious response – shifting production to cheaper countries – is not an option.

Swiss watchmakers have responded with a mixture of price cuts in Switzerland and price increases elsewhere, a process that has left some executives slightly frazzled.

"The first part of the year was a complete nightmare as far as price adaptations were concerned," says Mr Magada. "We had to raise prices in the eurozone after the franc appreciation, raise them twice in Japan because of the yen and cut them in Hong Kong so that the prices there are still competitive with the prices in euros and dollars."

However, some analysts say that, with the franc still strong, more adjustments may be needed. "The price increases in Europe were about 8 per cent on average, but they haven't been enough to compensate for the margin erosion," says Mr Weber.

"I think that another round of price increases is likely to try and make up the difference. We will probably see this by Baselworld next year at the latest."

Despite these challenges, Swiss watchmakers can take heart from the fact that one much discussed threat has proved milder than expected. The launch of the Apple Watch in March was seen in some quarters as a danger to the industry – at least at the low end.

So far, however, it has been the makers of electronic watches that have borne the brunt of the impact. Although analysts still expect lower-end Swiss watch brands, such as Tissot, to be affected in the long run, for the industry as a whole smartwatches could prove as much an opportunity as a challenge.

"Apple's move is helping to create a new segment, and some Swiss watchmakers are already moving in. Swatch has launched their fitness band, which undercuts the Apple Watch, and we will see others follow suit," says Mr Cox.

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In an uncertain world, it pays to have a sense of identity

Interview Zenith's Aldo Magada put the brakes on his predecessor's pursuit of volume, writes *James Shotter*

In the dynastic world of Swiss watchmaking, a fair number of the industry's key figures were probably predestined for their roles. But for Aldo Magada, chief executive of Zenith, the route into watchmaking had rather more of an element of chance.

The Swiss national began his career in the pharmaceuticals industry. But after a stint working in sales at Vifor, a Swiss pharma group, Mr Magada happened across a newspaper advertisement asking for a young manager to work in an international business.

"It sounded interesting, so I applied, and I ended up with a job at Swatch," the 57-year-old recalls. "It was like jumping into cold water — a good way to learn to swim."

Three decades on, Mr Magada, who has since spent time at marques such as Breitling, is just over a year into his role as chief executive of Zenith, one of the French luxury group LVMH's stable of brands.

He took over from Jean-Frédéric Dufour, who left last summer to become chief executive of Rolex after five years at the helm of Zenith. During that time, Mr Dufour oversaw a big increase in output, with the number of movements — the mechanical heart of a watch — that Zenith produced climbing from about 8,000 in 2009 to close to 50,000 in 2014.

At the Baselworld watch fair in spring 2014, however, Zenith made the unexpected announcement that it would no longer make all its movements in-house. This was a contrarian move in an industry in which brands have ploughed vast sums into being able to boast about their home-made manufacturing prowess. Zenith has itself invested SFr20m in developing its own capabilities.

The idea was to broaden the brand's attraction to consumers who found its range of watches — which sell for anything between SFr4,000 and SFr320,000 — (\$4,200-\$340,000) beyond their means.

However, while Mr Magada is also keen to broaden Zenith's appeal, one of his most significant moves since taking charge at the group has been to cancel the plan, under which some production would have been outsourced to the Swiss movement manufacturing company Sellita.

"I think the idea was to make Zenith a

The CV Aldo Magada

1958 Born in Switzerland
1981 Graduated from University of Lausanne
1984 Joined watch industry at Swatch
2000 President of Gucci Time Pieces
2002-09 Led TechnoMarine, Reuge and Badollet
2010 Director of international sales and business development at Breitling
2014 Chief executive of Zenith

more volume-oriented product. For me, it was a bit too early," he says. "Zenith is still very niche today, but there is no reason why it cannot be as famous as the other big brands."

Indeed, in the middle of the 20th century, Zenith — founded in 1865 in the Swiss watchmaking heartland of Le Locle — was one of the industry's biggest brands. However, during the 1970s, it ran into difficulties before being bought by LVMH in 2000.

As well as retaining the emphasis on Zenith's in-house manufacturing capabilities, Mr Magada says that he intends to simplify the group's offering. "We have so many models and movements. We have to use an assortment that makes sense and is recognised by the customer," he says.

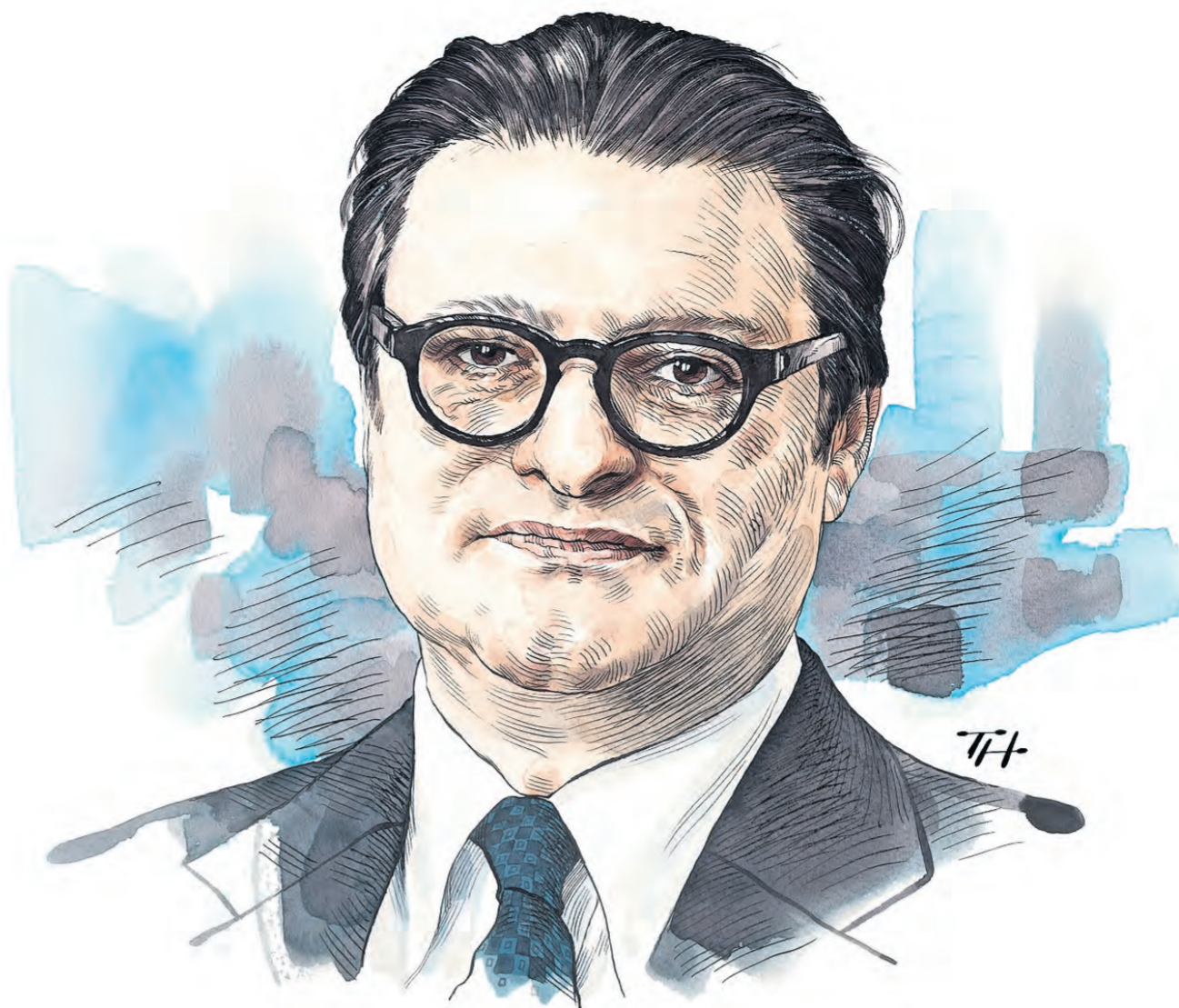
Like the broader Swiss watch industry, whose exports have yo-yoed over the past 18 months, Zenith's fortunes are dependent on the state of the global economy, and here prospects have become increasingly uncertain.

Much of the political and economic turbulence of the past year and a half — ranging from the slowdown in China to the pro-democracy protests in Hong Kong and the west's sanctions against Russia — has occurred in markets that are very important for the watchmaking industry.

Mr Magada is reluctant to discuss Zenith's overall performance, but concedes that the situation in Russia in particular has been difficult.

"Russia is a big market for us, but with the rouble devaluation and the politics, it's a problem, like [it is] for everyone. We were also selling to a lot of [wealthy] managers, but these people have less to spend at the moment," he says. "We've had to raise prices, because we are not a commodity product, but we hope the rouble will come back."

The situation in China — where the



market for Swiss watches more than quadrupled between 2005 and 2013, but has weakened since the government of Xi Jinping clamped down on corporate gift-giving — is not so bad, for two reasons, Mr Magada says.

First, Zenith was never one of the brands given as a gift in business and political circles, so it has been spared much of the impact of the Chinese government's action.

Second, the brand has been able to offset the decline in sales of gold watches following the Chinese move by selling more steel models than before.

'Russia is a big market for us, but with the rouble devaluation and the politics, it's a problem'

He notes, however, that the Hong Kong market has become "more difficult", with some Chinese tourists — essential consumers in the global watch industry — now preferring to buy in Japan.

Against this backdrop, Mr Magada says that the run-up to Christmas will be particularly important this year.

"It is crucial consumers have confidence [in the economy] by then," he says, adding there will be "a big threat" to Swiss watchmakers if the current uncertainty persists, and consumers "are still not prepared to take any risks".



Escale Time Zone.

LOUIS VUITTON



Zenith still manufactures in Le Locle, where the company started out in 1865

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Watches & Jewellery

Sotheby's 'Victory' ends the summer lull

Auctions The busy season is approaching, with a packed calendar of watch sales, says *Simon de Burton*

Now the summer lull in sale-room activity has ended, specialist watch auctioneers are gearing up for a relatively gentle return to business this month, before the traditionally more hectic weeks of the final quarter.

But Sotheby's inaugural horological auction of the new season is set to up the pace. It will be the first general watch sale the house has staged in London since December 2011, when it decided to focus the department's European activities on Geneva.

At the time, London was not regarded as an important venue for auctions of vintage and pre-owned timepieces; indeed, in terms of attracting the most affluent buyers and the best pieces, it still lags behind Geneva, Hong Kong and New York. But a combination of factors has prompted Sotheby's to return to the UK capital to try its luck.

Not least was the resounding success of its one-off London sale of the collection of the late horologist Dr George Daniels in November 2012, an event which realised £8.2m – 50 per cent more than projected.

It demonstrated that money will always follow the right pieces and that, when unable to attend a live sale, buyers are comfortable using remote bidding systems to secure prized lots.

There is also the fact that London has recently become a focus for watch buyers, resulting in the opening of numerous monobrand boutiques and multi-brand showrooms such as the Watches of Switzerland flagship store in Regent Street, which is now the largest luxury watch store in Europe.



Sale time: (from left to right) 'Victory' watch; Patek Philippe perpetual calendar chronograph and Cartier desk clock

Additionally, the past four years have seen a gradual rise in activity in terms of UK watch auctions.

Bonhams continues to stage its regular "fine" sales in New Bond Street and second-tier events at its Knightsbridge rooms; relative newcomer Watches of Knightsbridge is now fully established following its appearance on the scene five years ago; Birmingham-based Fellows has become internationally recognised for the range of its offerings and its expertise; Dreweatts & Bloomsbury has upped the regularity of its London watch auction; and – perhaps most significantly – Phillips has established a London watch department following its return to horological auctions at the end of last year.

So Sotheby's will not have the market to itself. But its first sale of the new era promises to re-establish the house as a

serious force on the UK watch scene, not least because the star lot is a unique piece created for Sir Winston Churchill, the former British prime minister, who led the country during the second world war. Crossing the block on September 22, a week after the 75th anniversary of the Battle of Britain's turning point, the Agassiz and Co "Victory" watch was commissioned for Churchill by a group of Swiss citizens in the war's aftermath.

One of four such watches made for each of the Allied leaders (the others for Charles de Gaulle, Joseph Stalin and Henry Truman) the Churchill piece features a gold, half-hunter case.

The back is engraved with a world map, the celebrated "V" for victory symbol and a dedication: "1939 – Prime Minister Winston Spencer Churchill – 1945". The dial is decorated with an enamel painting depicting St George



September sales

12 September Watches of Knightsbridge, London
22 September Sotheby's, London
23 September Bonhams, Hong Kong
29 September Fellows, Birmingham
30 September Antiquorum, New York

1890 Breguet he used for most of his life. The Sotheby's sale will also include: a Rolex Cosmograph Daytona, which has a so-called "Paul Newman" dial and has been in long-term ownership (predicted to fetch £40,000-£60,000); a modern Patek Philippe perpetual calendar chronograph (£60,000-£80,000); and a highly collectable Cartier rock crystal and diamond set desk clock dating from 1915 (£25,000-35,000).

The sale is expected to feature some 200 lots of pocket and wristwatches worth a total of £1m.

Meanwhile on September 30, Antiquorum will stage its New York sale, which will include several significant contemporary wristwatches. Among these will be a difficult-to-obtain Patek Philippe Reference 5975 "multi scale", the chronograph launched last year to mark the brand's 175th anniversary. One of 400 gold-cased models made, the piece is expected to fetch \$70,000-\$120,000 – the higher estimate being more than double the price of the watch when it became available last October.

Also on offer will be two rare Richard Mille tourbillon wrist watches produced by the high-tech manufacturer in honour of its sporting ambassadors. The RM 59-01 Yohan Blake model, featuring a translucent case made from carbon composite, and the RM 027 Rafael Nadal special edition are both tipped to fetch up to \$460,000.

slaying the dragon, as he uses the trident-shaped hour hand to dispatch the beast. The watch uses the famous "World Time" mechanism developed in the 1920s by watchmaker Louis Cottier and subsequently adopted by Rolex, Vacheron Constantin and Patek Philippe – which still uses it today.

In thanking his benefactors, Churchill wrote that it was a "superb gift" and it would always remind him of their "beautiful country". However, judging by the immaculate condition of the piece, which is conservatively estimated to fetch between £60,000 and £80,000, he rarely wore it – probably preferring the

London has recently become a focus for watch buyers

Middle-market brands are unnerved by the Apple Watch

Technology Anticipated revolution fails to ignite in luxury sector, says *Andrea Felsted*

The launch of the Apple Watch sent shivers through the luxury watch industry. But, just a few months on from the arrival of the accessory that was pitched as a luxury item as much as a piece of technology, there appears to have been little impact on the high-end watch market.

"The impression I have is that the technology revolution that some people were expecting is not taking the watch industry by storm, especially the Swiss watch industry," says Luca Solca, head of luxury goods research at Exane BNP Paribas.

Claudia D'Arpizio, a partner at Bain & Co, a consultancy, and lead author of its annual luxury report, says the Apple Watch "is not really competing with the luxury watch industry and also the reasons to buy this product are completely different".

The highest-end luxury watches are powerful status symbols, says Ms D'Arpizio, particularly for men, and recently especially for male customers in emerging markets. Luxury watches are often given as gifts to wealthy men, she adds. "Men don't have a lot of products to wear in order to show off their status or their wealth, so watches have this important role."

Meanwhile, watch collecting is becoming increasingly popular in Asian markets. Ms D'Arpizio says that collectors favour the more complex or technical watches. While the Apple Watch sends a message that the wearer is at the cutting edge of technology, many luxury watch purchasers want their timepieces to send a different message.

For brands whose core ranges cost €5,000 and above, Ms D'Arpizio does not see any threat – at least in the short term. The current customer base has different values she says.

Where the Apple Watch does appear to be having an impact is on the accessible luxury sector, (up to €1,000) where brands such as Michael Kors are more vulnerable. Indeed, Angela Ahrendts, the former chief executive of Burberry, is now head of retail at Apple.

Such accessible or fashion watches are "more statement pieces that people may well trade an Apple Watch for", says Neil Saunders, managing director of Conlumino, the retail research group.

Fossil, which makes watches under its namesake brand and for Michael Kors,



Under scrutiny: the Apple Watch

Burberry, Emporio Armani, Marc by Marc Jacobs and a number of other fashion groups, said recently that timepiece growth had slowed. Fossil shares have fallen by more than a third over the past year.

Mr Solca believes that Swatch could also be at risk from the Apple Watch, as Apple is not only producing an aluminium version at \$350, but pricing its core steel versions at \$500 and \$1,000.

"We calculate that Swatch has more than 20 per cent of sales and profits in this price band – where Tissot and the entry price points of Longines are

'At the moment, there is no indication that the version [of technology] that Apple has been promoting is necessarily prevailing'

found. The threat therefore is very real. If the Apple Watch manages to overcome its teething problems and become useful for consumers – the jury is still out on this – it has the potential to dent quite a significant chunk of Swatch's business."

The iPhone maker has unnerved middle-market watch makers with the launch of its wearable device. While the company did not disclose how many devices it sold in its first quarter, Apple's chief financial officer Luca Maestri says it beat its internal expectations.

Several investment banks estimate that the Cupertino, California-based company sold 2m-3m Apple Watches in the quarter. Analysts on Wall Street expect that Apple will ship 24m watches in its 2016 fiscal year, the first full year it is on the market.

But Stacey Widlitz, an analyst at SW Retail Advisors, says the slowdown in demand for mid-market timepieces may be as much to do with "watch fatigue", after a boom in the category over the past few years, as the arrival of the Apple Watch.

Nevertheless, some watch brands are taking no chances and are introducing technology into their products.

Swatch is developing a range of smart watches, providing payment, access and biometric measures. Mr Solca says this is "exciting and fascinating. The question is whether they will manage to execute it rapidly and effectively."

Other brands, such as Mont Blanc, are introducing technology into watches through their straps. Tag Heuer, meanwhile has announced a partnership with Google and Intel.

But the Apple Watch, and other wearables, are only in their infancy.

"I think we are just at the beginning," says Sarah Watson, vice-president of social commerce at luxury online retailer Net-a-Porter, which has developed an application for the Apple Watch. "We probably haven't imagined what their capabilities are yet."

According to Mr Solca there is plenty of room for different interpretations of what the technology can do. He says: "I think at the moment, there is no indication I can see that the version that Apple has been promoting is necessarily prevailing."

Later generations of smart watches could be more of a threat to the high-end brands. These brands will have to appeal to a more digital-savvy generation of purchasers, for whom wearable technology could be the norm.

Luxury watchmakers may soon be grappling with how to market luxury timepieces to millennial buyers.

THE DISCO BUTTERFLY

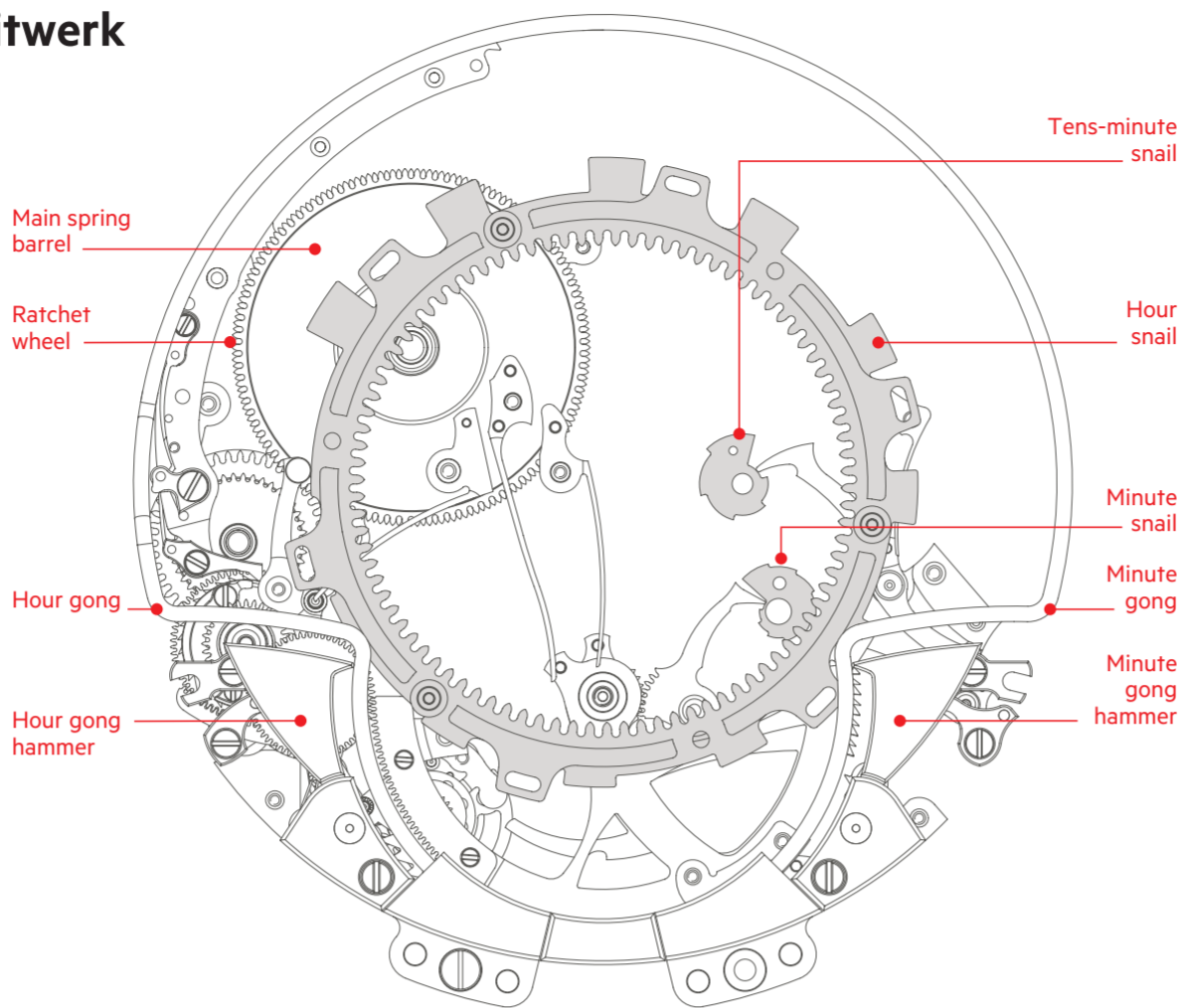
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A Lange and Söhne - Zeitwerk

The acoustic indication at 7:52 is composed of seven low-pitched tones, followed by five double tones and two high-pitched tones



FT graphic Source: Lange - Zeitwerk

Zeitwerk's 'pitch perfect' minute repeater

Any horophile would be enthused by the prospect of a watch that features a tourbillon escapement or a split seconds chronograph. But few individual complications are guaranteed to pique the interest of a true connoisseur quite so readily as a repeater, the mechanism that gives an audible indication of time through a system of tiny hammers and gongs.

In 1687, London watchmaker Daniel Quare was granted the first patent for a quarter repeater watch — giving the number of quarters past the hour on demand. The first minute repeaters — watches sounding the number of minutes past the hour — were developed in Germany and Britain in the early 1700s.

Repeater watches were created to make it possible to keep track of time at night, but a combination of their beguiling sound and admiration for the engineering that goes into them has not only kept this now irrelevant function alive, it has also led to them being developed and improved.

The latest example of this can be seen in the Zeitwerk Minute Repeater from high-end German watch house A Lange and Söhne, the first watch of its type to combine a jumping numerals display with a "decimal" minute

repeating mechanism (one that sounds each elapsed hour on a low-pitched tone; each 10-minute period past the hour on a double tone and the remaining number of minutes in a high tone). When the longest series of tones is struck — at 12.59 hours — the sequence lasts more than 20 seconds.

The considerable energy required to operate the mechanism is driven by the mainspring of the watch and activated by a button positioned at 11 o'clock on the 44.2mm, platinum case.

The movement comprises 771 components. The gongs that create the repeater sound must be hand-tuned, which requires them to be assembled, disassembled and reassembled several times before "perfect pitch" is reached.

At the front of the watch, the left hammer strikes the hours and the right the single minutes, while the double-tone, 10-minute intervals are sounded by both hammers striking their respective gongs at slightly offset intervals.

Minute repeater watches are never cheap and the Zeitwerk is no exception: for the privilege of hearing its dulcet tones, you will need to part with £337,200 — a lot of notes in anyone's book. **Simon de Burton**

'Once again we are taking the watch business seriously'

New collection

Tiffany hopes to lift profits and strengthen its presence in Asia, says *Simon de Burton*

Mention the name Tiffany & Co and most people think of dazzling diamonds, high society, Audrey Hepburn and breakfast. But the 178-year-old US jewellery house also has a horological side that dates back to the mid-19th century when the company's founder, Charles Lewis Tiffany (pictured), decided to play the Swiss at their own game by establishing a watch factory at Place Cornavin in the heart of Geneva.

He opened a sprawling, five-storey building that could lay claim to being the largest facility of its type in Switzerland. "One of Geneva's sights worth seeing," enthused a Swiss Chronicle correspondent in 1875.

But the business of watchmaking proved to be less straightforward than Tiffany expected and he ended up throwing in the horological towel and offloading the factory to Patek Philippe which, some years before, had made Tiffany & Co its first US retailer.

However, the experience did produce successes such as the Tiffany Timer of 1868 — dubbed "America's first stop watch" — and the Tiffany chronograph of the 1870s, which was a favourite of tycoon WH Vanderbilt. And, although the company subsequently contracted out its watch manufacturing, the designs were created in-house and resulted in a rich and impressive archive.

But recent chapters of the Tiffany watch story have been less uplifting. In 2007, it entered a contract allowing Swatch Group to make and sell watches under the Tiffany brand name and share the profits — a deal that turned sour when Swatch claimed Tiffany had "breached the agreements by obstructing and delaying the development of the watch company's business and otherwise failing to proceed in good faith".

Swatch sought damages of up to \$4.1bn, based on alleged lost future profits and Tiffany counter-claimed for up to \$584m on the grounds that Swatch did not have grounds for termination.

In the event, an arbitration hearing in a Dutch court in February 2013 ruled Tiffany should pay Swatch SFr403m (about \$415m at current exchange rates) plus interest, two-thirds of the arbitration costs and two-thirds of the legal fees incurred by Swatch — a sum paid in full in January 2014.

On March 4 this year, an appeal by Tiffany to annul the award was upheld and it was officially set aside.

However, Swatch has since again exercised its right to appeal against that decision and is soon expected to outline

its specific grounds for doing so. Meanwhile, Tiffany has once again chosen to seek its fortune in the world of watches with the recent launch of a collection it has spent the past two years developing independently and which it hopes will help strengthen its presence in Asia and lift profits.

Initial offerings in the new CT 60 line include models with 34mm, 40mm and 42mm cases made from steel or rose gold and available with either chronograph or three-hand mechanical movements, a choice of dial colours and optional gem setting. The entry piece will retail for £3,450.

The jewel in the crown of the launch collection is a rose-gold calendar model inspired by a piece by Movado, the Swiss watchmaker, retailed by Tiffany and Co and given to US president Franklin D Roosevelt on his 63rd birthday in 1945. It is now in the Tiffany collection and was used as the reference for the 60 "tribute" watches costing £15,400 apiece.

The man behind Tiffany's horological reboot is 43-year-old Nicola Andreatta, the son of a watchmaker and the third generation of his family to be involved in the industry. Mr Andreatta worked for watch companies in Asia and Europe before setting up his own brand, NOA, which continues to be run by his brother.

While he acknowledges that the period of the Swatch Group lawsuit has been a dark one for Tiffany, he is confident about the company's future in the watch business.

"If it wasn't for the problem with the Swatch partnership, I would not be here and Tiffany would not be going back to its roots in watchmaking," says Mr Andreatta.

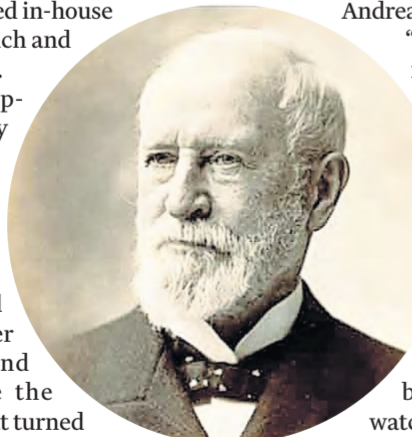
"We are now approaching things in a completely different way, which will form the basis for a very strong watch range."

"It is going to take a lot of work over the next few years and we probably won't go back to being a 'name' in the watch business for the next decade or so — but during that decade we want our watch sales to grow to the point where they contribute 10 per cent to Tiffany's overall turnover."

Mr Andreatta says that Tiffany cannot become a global luxury house without a strong watch offering. He believes it will be five years before the company sees a return on its investment in the venture, based at Chiasso near Lugano where products are being designed before being assembled by a third party elsewhere in Switzerland — a situation which is expected to change soon.

"We are aiming to open our own assembly plant next year," he says. "While we currently buy in our movements and personalise them [La Joux-Perret for the chronograph pieces, Sellita for the three-handers] we are aware of the potential scarcity of components."

"We are looking at the possibility of buying a manufacturing facility. Once again, we are taking the business of watches very seriously."



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Watches & Jewellery

Industry calls time on shortage of apprentices

Training A UK scheme could boost the dwindling number of watchmakers, says *Robin Swithinbank*

The British watch industry's chronic shortage of watchmakers has been described as one of the greatest threats to its long-term future. However, a programme being developed under the UK government's Trailblazer apprenticeship scheme may provide a solution.

Announced in 2013, Trailblazer encourages employers to create apprenticeship standards that meet their needs. Previously, training providers had set the criteria. In response, leading figures from the British watch industry have joined forces to define a watchmaking apprenticeship standard and to try to stem the decline in the country's number of watchmakers.

The group is being led by Matt Bowling, servicing director of pre-owned, premium watch retailer WatchFinder & Co, a business that relies heavily on

watchmakers to sustain its £60m annual turnover.

"The shortage of watchmakers in the industry is glaring," says Mr Bowling, who employs eight full-time watchmakers. "People who are serious about being in the watch industry over the next 20 years have no choice but to do something about it."

In June, Mr Bowling chaired a meeting of 16 leading figures from the British watch industry and representatives from several brands, retailers and administrative bodies. The group is working on a watchmaking apprenticeship specification which it hopes will be included in the Trailblazer scheme's "craftsperson" apprenticeship standard. Approval is expected before the end of the year.

According to GfK POS Tracking, UK sales of mechanical watches rose from 168,000 in 2010 to 235,000 in 2014, an increase of 40 per cent. In time, those watches will need servicing, placing a burden on the watchmaking industry it is not expected to be able to meet. There are no official figures for the number of UK watchmakers, but they are believed to be in the low to mid-hundreds.

Birmingham University offers

14 undergraduate places a year and the British School of Watchmaking (BSoW) in Manchester a further eight to trainee watchmakers. While a valuable contribution, it only scratches the surface of the problem.

The British Horological Institute had been trying unsuccessfully to generate support for a government-funded apprenticeship scheme for eight years before the Trailblazer plan was announced.

Dudley Giles, chief executive of the BHI, says: "Until the government turned the system on its head, it had been hard for the watch industry to get funding for a watchmaking apprenticeship scheme."

Rising sales mean more mechanical watches need to be serviced, a demand watchmakers struggle to meet



Mr Giles, who will become a training provider when the apprenticeship standard is put in place, sees great potential in the government's revised strategy. "The training provid-

ers will be the servants of the employers," he says.

If the apprenticeship standard and assessment plan devised by Mr Bowling's group are adopted and become part of the Trailblazer scheme, British watch companies could be taking on apprentices as early as next year.

Employers would receive funding from the government for each apprentice taken on. How much funding has yet to be determined, but the industry is pushing for the upper band, given the high costs involved in training a watchmaker.

However, Mr Bowling thinks more should be done. "I would like to think that people in the industry realise that to preserve British watchmaking they need to invest in it," he says.

"I've never been able to reconcile that you have these enormous brands that have so much money, and yet it still costs £16,000 to do the course in Manchester. If you're committed to getting people into watchmaking, then let's see it," he adds.

Mark Hearn, managing director of Patek Philippe in the UK and a former director of the BSoW, agrees. "Other organisations need to be encouraged

and developed. There's an increasing demand for young watchmakers."

Historically, one of the stumbling blocks has been the notorious inability of the various factions within the British watchmaking industry to collaborate.

"I'd like to see the British watchmaking industry work closer together," says Nick English, founder of Bremont, a British watch brand represented at June's meeting. "For this industry to grow, we need a proper apprenticeship scheme."

Another hurdle is the reputation of watchmaking as a dusty and outmoded profession — aspiring technicians are more likely to enter IT or engineering. And, even if the watchmaking apprenticeship standard is adopted, there is no guarantee it will lead to successful recruitment. That will depend on the industry's ability to advertise itself to potential watchmakers.

"I'd like to go into schools and sit one of our 25-year-old watchmakers earning £40,000 a year, in front of 16-year-old kids and tell them about being a watchmaker," says Mr Bowling.

"I want them to consider watchmaking, because, if you can do the job, you're going to be employed for ever."

Exhibition helps stimulate summer sales rise for Patek Philippe

Brand reduced its UK prices this year by 10 per cent in response to change in exchange rate, says *Robin Swithinbank*

Patek Philippe says its Watch Art Grand Exhibition held in London this spring had no commercial target, but one leading retailer has attributed a significant summer sales spike to its impact.

"At no point during the planning stages or the exhibition itself was the objective to sell watches," says Mark Hearn, Patek Philippe UK's managing director. "The objective was to showcase pieces of horological art, to show pieces people wouldn't ordinarily see, and to introduce people to skills they might not otherwise have appreciated."

Patek Philippe UK shouldered the larger part of the financial cost of hosting the exhibition, which had previously been held in Munich and Dubai.

The company encouraged its third-party retail partners to promote the exhibition and to use it to entertain clients. Aurum Holdings, parent company of Watches of Switzerland and Mappin & Webb, both of which retail Patek Philippe watches, hosted several events during the exhibition's 12-day run at the Saatchi Gallery in May and June.

"Since the exhibition, we've seen an uplift in our Patek Philippe business of more than 25 per cent [across the Aurum estate]," says Brian Duffy, Aurum's chief executive. "It led to the recruitment of new clients, but more than anything it restimulated existing Patek clients."

The upturn will be welcomed by Patek Philippe UK, which is operated by the Geneva company's UK subsidiary Rhone Products. It reported turnover fell to £78.8m in 2014 from £99.5m the previous year. Rhone Products puts the decline in sales down to the temporary closure of the Bond Street Patek Philippe salon. It reopened in December after a nine-month refurbishment.

But Mr Duffy says the exhibition is not the only factor behind the rise in sales of Patek Philippe. In March, the brand reduced its prices in the UK by 10 per cent in response to the sharp change in the exchange rate prompted by the Swiss National Bank's decision in January to abandon its three-year policy of capping the Swiss franc against the euro. "Undoubtedly, Patek's decision to reduce prices has had a positive impact on our business," says Mr Duffy. But with the free-floating euro yet to recover, not all retailers have felt the benefit.

Lynn Schroeder, managing director of Bond Street luxury watch retailer and Patek Philippe stockist Wempe, says: "The Saatchi Gallery exhibition was the most important industry event of the year in the UK and we were very excited about it. But because of the exchange rate situation, a lot of people have bought in other countries. Interest has definitely risen because of the exhibition, but sales this year in the UK luxury industry have dropped because of the weak euro, which spoiled the whole experience."

A reported 42,500 people visited the Watch Art Grand Exhibition at the Saatchi Gallery in Chelsea



Ms Schroeder's account contrasts with that of Mr Duffy, who says the exhibition "had a great effect not just on sales of Patek Philippe but on the market overall".

The Federation of the Swiss Watch Industry reported exports to the UK were up 22 per cent by value over the first six months of the year, although GfK POS Tracking data indicates sales of watches valued at more than £1,000 rose by a more modest 13.2 per cent by value over the same period. Analysts point to the arrival of Rolex's entry-level Tudor brand into 100 retail outlets last September as one reason for the rise.

Mr Hearn says that due to the volatile exchange rate and the reopening of the Patek Philippe salon, it has not been possible to measure accurately the impact of the exhibition on his company's commercial activity.

The exhibition, of more than 400 watches, was held in Chelsea's Saatchi Gallery and attracted a reported 42,500 visitors. Patek Philippe did not charge an entry fee, wanting to bring the esoteric science of horology to a wide range of consumers.

"Just because somebody may never be in the market for a Patek Philippe timepiece, doesn't mean they will not appreciate fine works of art and craftsmanship," says Mr Hearn.

'My life has been all about this love affair with watches'

Time travel Hotelier has combined a passion for horology with business, says *Simon de Burton*

For many tourists, the appeal of Venice lies in the fact that time appears to have stood still. However, at one hotel in "La Serenissima", time is very much of the essence — because it is dedicated to all things relating to clocks and watches.

The Hotel L'Orologio is the vision of Sandro Fratini, the founder of the Wtb Hotels group. But aside from being a hotelier, Mr Fratini is also a life-long horophile whose collection of more than 2,000 timepieces inspired him to open his first watch-themed hotel in Florence six years ago.

The success of the venture prompted the creation of the Venetian Hotel L'Orologio, a four-star boutique establishment with 50 guest rooms close to the Rialto Bridge and with views over the Grand Canal.

Restored by the Arezzo-based architects Baciocchi and Associates and decorated on a modern, minimalist theme "married with haute horlogerie aesthetics", the hotel is dotted throughout with parts which have been salvaged from ancient timekeepers; giant watch hands, specially designed clocks, cabinets containing rare collectors' items and faithful, fully working recreations of celebrated timepieces. Each guest room has an illuminated tableau, created using Swiss watch components.

Mr Fratini began his love affair with horology as a nine-year-old when he was given a steel and gold plated Longines to commemorate his first Holy Communion.

"It was a very simple model, but I was still fascinated by the movement, its wheel train and the way in which it pulsed," he says.

He maintained his interest into adult life, and after achieving a degree of success in business, he began buying more expensive pieces some three decades ago.

"I have been buying seriously since I was about 30," he explains, "and, although I have never counted the number, I would guess my collection now runs to at least 2,000 pieces."

"My life has been all about this love story with watches, which I buy wherever I can — at auctions, from dealers or if I find them while travelling. I always used to look for them in old watch repair shops and little-known retailers, but now those have all disappeared or been discovered," says Mr Fratini, whose personal collection is dominated by Patek Philippe and Rolex models.

"My watches are mostly vintage pieces, although I do buy some modern ones, usually Rolex or Audemars Piguet. I am, simply, in love with watches, and L'Orologio Hotels are a tribute to what is one of the great passions in my life."



Room with a view: The Hotel L'Orologio in Venice (centre) overlooks the Grand Canal

Craftsmen have made bathroom taps in the shape of winding crowns

"By combining that with my business, I like to think I have given the public something they will have the opportunity to appreciate, regardless of whether they, too, are watch collectors."

Mr Fratini, whose extensive and important clock collection has been featured in books and magazines, personally sourced the horological items that have been used to decorate the Venice hotel.

He commissioned craftsmen to make bathroom taps in the shape of the winding crowns used by leading watch brands and door handles in the shape of movement components. Even the electronic key card readers have a horological theme and throughout the corridors and above the door to every guest room can be found large-sized reproductions of famous watch models.

In addition to the Venice property and the first L'Orologio hotel in Florence, Mr Fratini has acquired a location in Rome, between Campo de Fiori and Piazza Navona. It is currently being remodelled into a third, 48-room, watch-themed hotel, set to open in 2017.

For those who prefer their horological hotel to be in the heart of Swiss watch making country, however, there is an alternative in the form of the Hôtel des Horlogers which can be found in the town of Le Brassus, in the Vallée de Joux.

Restored and run by the Audemars Piguet watch brand — which has its headquarters nearby — the property also sports horologically-inspired decor, but takes the theme a step further by also offering guided bicycle tours of "watch valley".

The slow and expensive road to independence

Movements Brands have invested heavily in the production of in-house calibres, says *Robin Swithinbank*

After a decade of heavy investment, the Swiss watch industry is finally moving into an era of self-reliance. At this year's spring watch fairs, a number of brands announced in-house calibres, demonstrating they are more independent of third-party movement suppliers than they have been for decades.

Brands have sunk vast sums into manufacturing these calibres, but with borrowing and investment levels at an all-time high and industry growth stalling, questions are being asked about when, if at all, brands will see a return.

The spate of investment goes back to 2002 and Swatch Group's announcement that it would be seeking to overturn the Swiss law that obliged it to supply its movements and parts to third

parties — even its closest competitors.

At the time, Nicolas Hayek, head of the Swatch Group until his death in 2010, claimed not only that this was limiting Swatch's growth, but also that its monopoly was stifling competition. Brand self-reliance would spur innovation, he said, making the Swiss watch industry a more attractive proposition to its global consumer base.

The ensuing investigation by the Swiss Competition Commission into the group's monopoly has since enabled Swatch to begin closing the door on rival brands, which have been forced to find alternative suppliers — or to invest in their own manufacturing facilities.

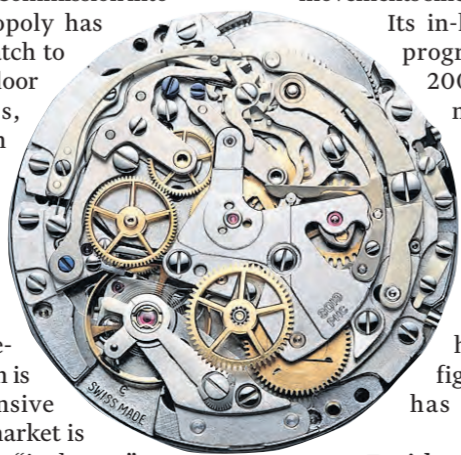
Producing movements from scratch is a slow and expensive process. But the market is now awash with "in-house" movements from high-volume brands,

including Tag Heuer, Frédérique Constant and Tudor, which released the first in-house calibre in its 70-year history at Baselworld.

Jean-Paul Girardin, vice-president of Breitling, says: "There's been a reshaping of the Swiss watch industry, from having one or two suppliers to everybody having to take responsibility for themselves." The company has introduced seven in-house mechanical movements since 2009.

Its in-house movement programme began in 2004 and approximately a quarter of the 150,000 watches it produces annually are powered by in-house movements. While Breitling has not released figures, Tag Heuer has stated that its

Zenith produces 50,000 movements a year



Zenith produces 50,000 movements a year

investment in vertical integration has cost it SFr40m (\$41.5m).

"What Nicolas Hayek said made sense, not just for Swatch Group, but for the whole industry," says Mr Girardin. "The global Swiss watch industry is now much stronger than it was a decade ago."

However, for all the aesthetic and technical benefits this reshaping has brought the industry, there is little evidence of financial reward as yet.

"There's no short-term profit," admits Aldo Magada, chief executive of Zenith, which produces around 50,000 movements a year and introduced a calibre with an improved 100-hour power reserve this year. Mr Magada adds: "But our shareholders want us to develop the brand, which means investing in movements with higher performance, which costs a fortune."

Zenith is one of the industry's long-time movement producers, with an established manufacturing facility. Others have been forced to build from the ground up.

Karl-Friedrich Scheufele, co-president of Chopard, says: "It's taken us almost 10 years to get to a capacity of

15,000-20,000 movements a year." The company began a volume movement production programme in 2007.

The question for those brands that have invested heavily in movement manufacturing is whether the consumer will buy into the product — or if they even understand it. Typically, an in-house movement watch is more expensive than one with a movement made by a third party such as ETA or Sellita, sometimes double the price.

Consensus among the brands is that although a significant return on their investment may not be imminent, it will come. This is despite the Federation of the Swiss Watch Industry recently announcing that the total value of Swiss exports — watches and movements — has fallen by 1.2 per cent in the first seven months of this year, prompting fears of its first annual decline since the *annus horribilis* of 2009.

Mr Scheufele says: "For the industry, the best way forward is to increase the number of aficionados and to increase awareness of fine watchmaking. And that's what these in-house movements deliver."



Signature style
Designer Elie Top is fashionistas' choice

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Jewellery



Paradise lost
Climate change threat to South Seas pearls

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Pack your trunk
US independents are heading to Europe

RETAIL Page 12



A distinctive ring for every book published

My favourite pieces

Children's author Jacqueline Wilson loves subtle colouring, she tells *Amy Bell*

People often ask me about my distinctive jewellery. When you talk in front of children, it helps to wear something interesting. With me, they have more than enough to look at.

The girls peer at the rings enviously and the boys think: "My goodness, those are big – she could fell me with one swipe." Sometimes they like to try them on; the little girls look quite funny with such immense rings hanging off their fingers.

Much of my jewellery is from The Great Frog. I like the prettier pieces made by their original designer, Paterson Riley, which they do not do any more, but Curiouser & Curiouser in Brighton stocks Paterson's jewellery. I visit a couple of times a year and there is nearly always another ring to tempt me.

As a little girl, I didn't have much jewellery. I had some Indian bangles from Woolworths which I wore for dressing up, but my mother had strong ideas about how girls should look. I think she thought jewellery a bit vulgar.

In my late teens, when I lived in Scotland, I helped a boyfriend choose rings for his mother and sister from a delightful Indian shop. I hoped he'd buy me a ring too, but he didn't. Years later, I went back and bought myself one. My policy now is that if you really want jewellery, save up and buy it for yourself.

I have three or four lockets. My moonstone locket is a beautiful pale blue, but when I wear it against black it appears darker, deep and vibrant. My daughter Emma gave me a cross of rubies which I am very fond of. I also have a black onyx pendant and a big turquoise cross that I bought on holiday in Cape Cod.

Once I was on *Blue Peter* [a children's

television programme] and was asked why I wore so many rings. I made up a story that I bought a ring each time I finished a book and since then children always ask me to show them the newest ring, so it's a wonderful opportunity to treat myself.

The first ring I bought was an amethyst with a gold setting. I started to wear more gold in the 1970s, but too much can look ostentatious. Also, my hair went silvery grey quite early on, so I swapped my glasses from gold to silver and changed to silver rings.

Years ago I was invited through my publishers to a party for Bill Clinton, the former US president, at the American embassy in London. In those days, I wore a ring on every finger and it was hot so my hands had swollen a little. As we went through security, I was asked to remove every piece of jewellery. There was a huge queue of people and I held

them up as I tried to take off the rings. That was the only time my jewellery has proved to be a serious embarrassment, but I did meet President Clinton.

I wrote magazine stories for years in order to be able to write novels. I used to write 3,000 words for magazines in the morning and 1,000 words of a novel in the afternoon. Since then, I have never had writer's block. I took an A-level exam in English when I was 40, which I took very seriously. I left school at 16 and always felt a bit inadequate not having been to university, so I felt I had to prove something.

Before the opening night of *Hetty Feather* – my book about a Victorian founding that was adapted as a play – the producer gave me a rose quartz pendant and a carnelian ring. I was not well at that time and the stones represent healing and good luck.

Inside story: Jacqueline Wilson's silver jewellery is from retailers such as The Great Frog and Brighton-based Curiouser & Curiouser. Clockwise from top left: frog thumb ring; rose quartz ring; bangles with a mermaid design and with a moonstone

Daniel Jones

CV

- 1945 Born in Bath, England
- Wrote first "novel" aged nine
- Worked as a journalist for DC Thomson in Scotland, where Jackie magazine was named after her
- 1991 Breakthrough novel *The Story of Tracy Beaker* published
- 2002 OBE for services to literacy in schools
- 2005-2007 Children's Laureate
- 2008 Became Dame Jacqueline Wilson
- To date has written 102 novels

I've always liked mermaids.

I hear sometimes that some mothers don't like their children to read my books because they think I write about inappropriate subjects like sex and drugs, but I have never written about these things.

My books occasionally deal with difficult subjects like divorce or children in foster care, but I try hard not to make the books depressing. There is a lot of humour to ease the tension. I try to make every story child-friendly and I see things from the child's point of view when I write. I want the books to be comforting to children who feel that they are different, or going through a tough time, but also for those lucky ones who can think: "What would it be like if my life were like that?"

I will carry on writing as long as my work makes sense and is entertaining. My daughter reads all my books and promises to tell me if I start repeating myself.

If my 10-year-old self could see me now she would be utterly astonished. I wanted to be a writer but I never dreamt I would be a successful one – and I certainly would have envied my jewellery.

Jacqueline Wilson's latest book, "*Katy*", is published by Puffin.

Messikas rock the diamond business

Profile What started as a family obsession has become a glittering career, says *Ming Liu*

As well as a certain entrepreneurial flair, father and daughter Andre and Valérie Messika share another characteristic: their love of diamonds.

It was this passion that prompted Mr Messika to become a diamond dealer at the age of 21 and it was the motivation for his daughter to establish the Paris-based jewellery brand Messika.

Diamonds are "my roots and my expertise", says Ms Messika.

The chief executive and creative director of the company lets her jewellery take centre stage: fingers adorned with her stackable Glam'Azone and bold Queen V diamond rings, and gems from her Kate collection on her wrist and around her neck.

In 10 years, Ms Messika has developed the brand into a company with a \$75m turnover and 80 employees. Sales outlets number 250 in 50 countries, including concessions in Harrods and Selfridges, the London department stores. The latest focus is the US, where Neiman Marcus has started stocking the brand in eight of its outlets, and Mayors has Messika in its stores in Miami and Boca Raton in Florida.

The brand is known for its cool and rebellious, rock'n'roll vibe – Beyoncé and Cara Delevingne are fans. Sales rose 45 per cent in 2014, helped by its three-diamond-based Move collection (from \$1,590) that has sold more than 200,000 pieces since 2007.

Much of the company's success is down to 38-year-old Ms Messika's diamond heritage and expert eye in crafting designs. She worked at Chanel jewellery in the late 1990s, but it was her four-year apprenticeship with her father that

had the greatest impact. The original intention was that Ms Messika would eventually take charge. "I followed him everywhere," she recalls.

Tunisian-born Mr Messika launched his own business in 1972. Aged 21, he was then one of the youngest diamond dealers in France. The company grew steadily and at its height was an industry leader, with some 60 employees and a turnover of more than \$50m. But the diamond business changed in the early 2000s: industry titan De Beers had shifted its strategy from controlling supply to creating demand, sounding a death knell for intermediaries such as Mr Messika. Ms Messika was then working with her father and recalls: "I could feel the danger of being a middleman."

Having earned a degree in marketing and communications, she drew com-

The brand is known for its cool and rebellious rock'n'roll vibe. Sales rose 45 per cent in 2014

parisons between the fashion and jewellery markets. For the latter, she saw either very low-end brands or those on the Place Vendôme. "But nothing in between. There was a huge gap."

It spurred her to create a brand working exclusively with diamonds. Based on an accessible price point between €500 and €2,000, the idea was to launch diamond jewellery for everyday wear. Her father initially opposed his daughter's intention, eventually giving his permission on two conditions: that she did not



Andre and Valérie Messika: eye for design and a head for business

copy anyone and that she work only in diamonds. For Ms Messika these were "easy rules".

A decade later, the two are business partners. Almost all Messika's diamonds are supplied by Mr Messika. "If we are neither good nor competitive enough, she is free to find a better supplier – but she can't," he laughs.

The two speak about three times a day. While Ms Messika has a nose for strategy, she relies on her father's advice, in particular for the day-to-day running of the business. A fine jewellery atelier launched in June is a case in point. The 180 sq m space was originally planned with one in-house jeweller, which Mr Messika advised his daughter to increase to at least three. This proved vital, as fine jewellery is increasingly important for the brand.

To mark its first decade, Messika launched a 10-set collection at Baselworld this year. Priced from €100,000 to several million euros, seven of the pieces were sold at the end of the trade fair.

Another area where Ms Messika has sought her father's advice is retail. The company opened its first store in December 2013, on the Rue Saint-Honoré in Paris's fashion hub. It has allowed Messika to showcase its entire collection in one location.

Ms Messika's goal in the next 10 years is to be "the most important reference in terms of diamonds". Her father agrees, while reiterating his original condition: that she stick to the stone. "I like the idea of organising our limitation," he says. "You will always do better with what's inside your own garden."

The lion, the serpent and the marketers

Design Animal images are consistently top sellers for many of the leading houses, writes *Melanie Abrams*

When in the 1940s Giorgio Bulgari coiled a snake design around his wrist with a watch on its head, he could not have seen the impact it would have on his small family business.

Fast-forward 70 years and the Serpenti has slithered to become Bulgari's second-biggest global seller and a significant part of the striking performance of the parent company LVMH's watches and jewellery division. Sales were up 23 per cent and operating profit up 91 per cent in the first half of 2015.

"The bold serpent design gets the business noticed as well as the wearer," says Bulgari's UK managing director, Vincent Reynes. "It has brought glamour to Bulgari, which is fundamental to the business."

Cartier's panther also remains a top seller. It can be adapted to reflect the spirit of the time, says Pierre Rainero, Cartier's director of image, style and heritage. The graphic, stylised look of the first onyx and diamond panther piece, created in 1914 by Charles Jacqueau, the house designer, heralded the art deco aesthetic of the 1920s, while a modern pixelated mosaic panther embodies today's digital obsession.

At Chanel, the lion fine jewellery collection introduced in 2013 has attracted more mature customers, including those who are new to the brand. Benjamin Comar, international jewellery director, says: "Animal features and movement are so technically difficult to reproduce that the jewellery emphasises the craftsmanship so sought after in the luxury market." Now, the lion is Chanel Jewellery's second hottest seller, after the camellia.

According to Lucia Silvestri, Bulgari's

creative director, reinventing the Serpenti for younger generations keeps the design relevant. The brand has introduced technology to make the necklaces softer and easier to wear and using lighter colour combinations.

With revenue and reputation at stake, executives as well as creatives choose the animal designs. Cartier opts for an 11-strong creation committee from Stanislas de Quercize, the chief executive, to the workshop manager, whereas Bulgari's 50:50 business and creative team includes Jean-Christophe Babin, the chief executive, Ms Silvestri and marketing colleagues.

"There is something comfortable about animal designs; people relate to them more than other jewellery," says Marc Alary, a New York jeweller. He has focused his six-year-old business on moveable monkeys, elephant caravan bracelets and other animals.

"Knowing that people identify so closely with animals makes them easier to sell, as customers come back and collect a menagerie, either the same animal or different animals."

New deep-pocketed markets from China to Georgia, where animals are culturally significant, are helping drive animal jewellery's popularity.

"I might even design the entire zodiac because it is the financially smart thing to do. Every year, I can focus on an animal and people will buy, whether for a newborn baby or as an investment," says Mr Alary.

"I wouldn't have the business and reputation I have without the animal jewels," says Stephen Webster, whose jewellery best sellers are a batmoth ring and a crab ring. "If there is a tray of rings with one crab or

fish and the rest gemstones, the only one people are able to describe later is the animal. They stick in the mind and prompt purchase, whereas the others become just rings with gemstones."

Jessica McCormack, a London-based jeweller, believes that animal designs reflect women's changing attitudes towards jewellery. Her swallow wing rings are often bought for engagements. "Women are becoming more confident in treating themselves," she says. "They want something more fun but still 'lux' and beautifully made, and it isn't as intimidating as a big single diamond."

Animal imagery also has strong online appeal. Brooklyn-based Nicole Landaw says that her delicate gold and pearl spiders bring more customers to her website than her other non-animal pieces. "The graphic jumps off the page and translates well from image to person, so becomes a more comfortable purchase."

Francesca Valentini, Christie's jewellery specialist, says: "Animal jewels attract interest." They also attract record prices – such as the Walska Briollette diamond phoenix brooch sold at Sotheby's Geneva for more than \$10.5m in November 2013, which is still Van Cleef & Arpel's highest price jewel.

"It's becoming more important for jewellers to have an identifiable DNA," says Marcel Knobil, founder of the luxury products and experience website VeryFirstTo.com.

"They can do this with animals, as an animal immediately makes an impression and they are beautiful in their own right."

"Animals send luxurious signals... and individuals like to be associated with luxury."

Cartier's panther design dates from 1914



Watches & Jewellery | Design and Retail

Fine designs celebrate the fantastic and the mechanical

Interview Elie Top's hard-working pieces reflect his background in fashion, writes *Hettie Judah*

Elie Top's designs recall machinery of the most fantastical kind. The burnished silver of his pendants and bangles could have tumbled out of a submariner's kit bag. Globes of umber-striped tiger's eye and icily banded onyx recall planets seen through an astronomer's lens. Articulated rings set with diamonds nest beneath hemispheric lids like miniature orreries. The jewellery designer's independent collection is a celebration of the mechanical.

After 13 years designing jewellery for Lanvin, the French fashion house, Mr Top has opted to showcase technique rather than gemstones for his fine jewellery debut. He has created a family of pieces in which gold and silver globes open to reveal moveable mechanical parts within.

"As my signature perhaps I would always like to hide the most precious side and give the chance to show it or not show it," he says, as he pops tiny clasps and pivots lids to reveal the secrets inside.

He wears a slim-fitting suit and bow tie, with his hair swept thickly across his

forehead, and his moustache neatly trimmed – a distinctive Belle Époque style that has helped make him a recognisable, and much photographed, figure on the Paris fashion scene. It is a world Mr Top entered straight out of college in 1997 as an assistant to Yves Saint Laurent. When Alber Elbaz joined the house as designer of prêt-à-porter in 1998 he suggested Mr Top create jewellery and accessories for the Rive Gauche range. In 2001, when Mr

Elbaz was appointed artistic director at Lanvin, he invited Mr Top to join him. The pair have a close creative relationship, and extravagant, often irreverent, costume jewellery has become a key element of the house style.

While he continues to design for Lanvin, the idea of creating his own fine jewellery range has been on Mr Top's mind for a number of years. The move has been realised with the help of private investors, whom he describes as "the fruit of friendly encounters. They knew and appreciated my work but aren't directly related to the fashion industry." Pieces from the collection are priced between £3,000 and £22,000, rising to

Elie Top began his career as an assistant to Yves Saint Laurent. Below left: a cuff from the Mécaniques Célestes collection

Charlie Bibby

For his fine jewellery debut, he has opted to showcase technique



Zara Phillips collection gallops out of the stalls

Profile Collaboration with John Calleija has resulted in pieces on an equestrian theme, writes *Claire Adler*

A jewellery business idea hatched on a beachfront in Surfers Paradise, Australia, has come to fruition. At its centre is Zara Phillips, MBE, Queen Elizabeth II's granddaughter.

John Calleija, the Australian jeweller, first met Ms Phillips at the Magic Millions horseracing carnival in 2013 in the Gold Coast region of Queensland. Part of the British eventing team, she won a silver medal at the 2012 London Olympics.

Although Ms Phillips was not an existing Calleija customer, she had borrowed a Calleija ring for the event and was instantly drawn to the piece. So much so that when it came to returning it, Mr Calleija claims he had to wait three days and was beginning to get nervous.

"I wondered when I'd get the ring

back, but it turned out Zara couldn't get it off her finger," he says.

"John and I always saw each other each year at the Magic Millions," says Ms Phillips. "His passion and artistic flair inspired me. When I met John's wife, I noticed the ring she was wearing made me think of a horse saddle. I really loved it and I complimented her on it."

Mr Calleija suggested they collaborate. Over a two-year period, he produced sketches and Ms Phillips gave regular feedback on them, from which an equestrian-themed jewellery collection evolved.

The resulting hand-finished, platinum, gold and diamond collection encompasses the Saddle Suite, with its saddle-shaped designs, and the Coronet Suite, which refers to both Ms Phillips's royal associations and the band on a horse's hoof.

Ms Phillips is working to secure a gold medal in the equestrian events at the 2016 Rio de Janeiro Olympic Games, and has ambassadorial roles with Rolex,

Land Rover, outdoor clothing company Musto, tractor manufacturer John Deere, and online equestrian game Howrse. However, she says that she does not really see herself as a businesswoman.

"All my projects, including my collaboration with Calleija, come via my sponsors and via my horses," she says.

The appeal of the Zara Phillips Collection lies in its clean lines and simplicity. "Hopefully there's no age limit for the women this collection is aimed at. I wanted the collection to be beautiful, wearable pieces that I can wear every day, that work from day to night," says 34-year-old Ms Phillips. "The most exciting part of the project has been going from our initial chats to then seeing the final pieces. I'm really proud of the collection and our partnership."

The collection marks a bolder design

direction for Mr Calleija, a jeweller whose creations are typically more intricate, ornate and expensive. It has also succeeded in bringing the Calleija brand to a wider audience.

This is not Calleija's first brush with British royalty. In 2012, to celebrate the Queen's diamond jubilee, the mining company Rio Tinto commissioned the jeweller to create Majestic Light, a platinum sculpture inspired by the Queen's coronation crown. It incorporated 749 pink and white diamonds and a detachable, wearable diamond ring featuring 60 pink diamonds. The masterpiece was shown at Kensington Palace at the exhibition "Out of the Vault: Pink Diamonds and Royalty".

The latest collection's launch is timely. Luxury brands are clamouring to attract customers in their late 20s and early to mid-30s, on the cusp of their high-earning power, who are the big spenders in emerging markets such as Latin America and Africa. The

collection, ranging from £3,350 for a Saddle pendant to £26,000 for the Saddle rose gold and pink diamond pavé ring, is more accessibly priced than typical Calleija pieces.

"This collection is about listening to a different clientele," says Mr Calleija. "Working with Zara on this collection has been an exercise in restraint for me. It's opened up a creative pathway which we're really happy with."

The collection is available at Calleija boutiques in Sydney, Gold Coast and London, and Mr Calleija hopes it will be sold in department stores. He is in discussions with a manufacturer in Germany's gemstone capital Idar-Oberstein for a patent-pending, saddle-shaped coloured gemstone cut, to be introduced in the next Zara Phillips Collection by Calleija in January 2016.

Ms Phillips plans to work closely with Mr Calleija on the next designs, but does not intend to become involved in their promotion. "I'm just planning to wear the collection," she says.



Zara Phillips-Calleija: Saddle pave set white diamond cufflinks (right); Coronet white and yellow gold ring (above left)

The family affair that has spanned three Italian generations

Innovative resin designs are Pellini's hallmark, writes *Ruth Sullivan*

Stepping into one of Pellini's jewellery showrooms, in a palazzo in the old quarter of Milan, is like exploring a treasure trove. Necklaces, bracelets, brooches and earrings in resin, glass and semi-precious stones, catch the eye.

"Each piece is handmade by craftspeople in our atelier who have worked with the family for many years," explains Donatella Pellini. The designer and owner of the Milan-based company is the third generation of Pellini women to create collections of costume jewellery that have fascinated Italians and international markets for decades.

Emma Caimi Pellini, Ms Pellini's grandmother, began the business in 1947 after graduating from Brera Fine Arts Academy in Milan. She designed jewellery for Milanese couture houses, working in Venetian glass, crystal, pearls, stones and imitation diamonds. Over a decade she carved a name for herself as an innovative costume jeweller, first at home and then, in the early 1950s, in the US with her collections for Saks Fifth Avenue in New York.

A car accident in 1958 brought her career to an end and triggered the handover of the company to Carla, her daughter, two years later. Influenced by the pop art of the 1950s and 60s, Carla Pellini chose to work with more basic materials, favouring colourful plastics and glass. She focused on collections for the home market rather than the international one, building on the Pellini caché in Italy.

As a child her daughter Donatella was also attracted to the atelier. "At about six or seven years old, I was curious about my grandmother's atelier. . . . One of the craftsmen taught me how to thread beads," recalls 65-year-old Ms Pellini.

When Carla Pellini handed the baton to her children, Donatella and Ernesto, in 1972, Italy had been struggling with a lethargic economy for several years and the business faced financial difficulties.

"I thought we would have to close because they were such difficult times," Donatella Pellini recalls. Her brother focused on the technical and administrative side of the business while Ms Pellini took over research and design.

A timely commission for a collection from Bottega Veneta, the luxury goods brand, gave the company hope. "I went back to Emma's archives for inspiration and made two designs – in imitation ivory and in ebony – and, for the first time, used gold. Square rings, round brooches and bracelets, very geometric with a tiny line of gold, 40 pieces in total. This relaunched Pellini," she says.

Bottega Veneta launched that collection in 1976 in its store in Madison Avenue, New York, which helped put Pellini back on the international stage. Today the company has three stores in Milan, one in Paris and sells through distributors in Japan, Australia and the UK.

Keen to explore a wider range of materials, Ms Pellini worked in Plexiglas and PVC in the 1980s. A decade later, she experimented with resin, setting pale flowers or sand inside the pieces to contrast with the hard material. Innovative resin designs have become the company's hallmark. Its 2015 summer collection combined stones such as agate, rock crystal and quartz with resin. Prices are accessible, ranging from €80 to €1,500, a strategy Ms Pellini is determined to retain.

Ms Pellini, who bought her brother's share of the company after his death in 2000, is considering the next step. She has no children of her own, but Matilde Solbiati, her husband's 28-year-old niece, joined the company three years ago after studying fashion design at Esmod International in Paris.

"The seeds are there to be picked up. I hope there will be a fourth generation of women in the company," Ms Pellini says.



Donatella Pellini: back to archives

Ylang 23 brings 'Paris atelier meets SoHo' to Dallas

Profile Investment in apps has paid off but the US-based retailer still blends commerce with bricks and mortar, writes *Elisa Anniss*

Type "Joanne Teichman", into Google and then click on the LinkedIn page of the co-owner of Dallas-based retailer Ylang 23. You will discover a post entitled "Let's Talk: Consignment".

In it, Ms Teichman offers a slant on a hot topic, selling on consignment – where the retailer pays the wholesale price after the sale, returning any unsold pieces.

"We do not accept the many offers of 'Please try my line, I am willing to consign it all,'" she writes. "We set a high bar in our branding and image, including the jewellery edits in our store. . . . We don't want to surrender our buying decisions to vendors simply because they put a consignment package together without our input. We want to make those choices."

Reflecting on her LinkedIn post, Ms Teichman says that it was timely, published the week before Couture in Las Vegas, although not necessarily something she wants to be remembered for.

"We accept consignment augmenting our buys, so I don't want to condemn people who accept consignment. It has a place in our industry," she says.

"What I do rail against is the business model where 'if you won't consign with me you can't be in our store because we aren't going to buy you'."

"That's what I disagree with. It shuts out the new talent because they [new designers] can't afford to do it, and it results in very bland presentations because it's only going to be what someone can consign."

This November, Ylang 23 celebrates its 30th anniversary. Ms Teichman says that she and her husband, Charles, were pioneers of the US designer jewellery niche in the US. And while Brussels-based Céline Daoust and Ileana Makri from Athens feature in the line-up, the majority of the 67 or so designers listed on Ylang23.com today are American.

Cathy Waterman is lead designer at

Ylang 23, while other longstanding store relationships are with Ten Thousand Things, Irene Neuwirth, Jamie Joseph, Catherine Michiels, Nak Armstrong and Todd Reed. Over the past five to six years designers have increasingly added diamonds and precious stones to their jewellery. As a result Ylang 23 has all but exited the fashion end of jewellery, distinguished by its lower price points, mixed metals and imitation stones.

Links with Borderfree, the cross-border ecommerce group, and an affiliate partnership with shopstyle.com have helped Ylang 23's ecommerce site



Joanne Teichman: marking 30 years

(Ylang23.com), which launched in 2000, build an international business. Today it ships to more than 100 countries, with Japan, Australia and the UK its strongest markets.

Ms Teichman considers social media to be the most exciting trend in retail today, given the business it generates and the immediate reactions to Instagram and Facebook posts of new arrivals. The purchases that these platforms help boost, both in store and on the Ylang 23 website, can be tracked by the company. Ylang 23 is also active on Pinterest, Polyvore and Twitter.

Ylang23.com has relaunched on multiple occasions, the last time towards the end of last year.

"Ecommerce is not easy. It requires constant and considerable investment," says Ms Teichman.

Early on, Ylang 23 launched expensive iPhone and iPad apps so that the site could be displayed properly on mobile devices. However, she says, in recent years technology has moved on and apps are no longer necessary.

"Here we are years later and now everybody has invested in 'responsive'. It's

expensive, but you'd be lost in the dust if you didn't do it. Now, when you open up our site on any device, whether it be your iPhone, iPad or laptop, it will reconfigure to your device seamlessly – it's certainly easier for the customer."

Nevertheless, Ylang 23 is committed to bricks and mortar, and Ms Teichman says that she has never been tempted to close the store and focus solely on ecommerce.

"Our local and out-of-town customer loves to shop, touch and have a deeper customer service experience. It's where we can experiment and get valuable feedback on our designers."

In early 2014, Ylang 23 relocated its Dallas flagship store to Plaza at Preston Center. Ms Teichman describes the space, which mixes rugs and velvet furniture with art deco bronzes and vintage Lalique pieces, as "Paris atelier meets SoHo cool".

Although Ylang 23 customers prefer designer jewellery to traditional jewellery, Ms Teichman says the extreme pieces are not her forte: "We have to pick an edit and a vision. That's our philosophy."

Rarest of pearls face a less than golden future

Pollution and climate change in the South Seas of Asia are taking their toll and placing the industry at risk, writes *Syl Tang*

The golden pearl is the rarest grown in the world today – only 0.01 per cent of pearls turn gold. Its rarity has led to steep prices. A pair of 11mm light golden pearl stud earrings might easily command \$8,000, while a strand of well-matched deep golden pearls could run into hundreds of thousands of dollars.

But the factors underpinning these high prices are more complex than supply and demand. Climate change and pollution are taking their toll on the golden pearl, so much so that the industry is now at risk.

The golden pearl, the result of a recessive gene, grows in the South Seas of Asia, in the gold lipped oyster. In the Palawan province of the Philippines, known for its beautiful beaches and saturated purple sunsets, Jewelmer, a luxury pearl brand, produces 70 per cent of the world's top golden pearls.

Reaching the company involves a flight to Manila, followed by a flight to Busuanga, then either a four-hour bus journey to a boat, or a two-hour chartered helicopter journey to Flower Island. "It is actually a secret where our farms are precisely located," says Jacques Christophe Branellec, deputy chief executive of Jewelmer, which is owned by his father Jacques Branellec and Manuel Cojuangco. Started in 1979 with one farm initially, the company has grown to eight. It employs 1,200 people in total and oversees millions of oysters across 30,000 hectares of the Palawan waters.

Very few pearls grow naturally. Most of the world's pearls are cultured, meaning that the oyster is nucleated with a starter bead. The oyster then deposits layers of nacre around the bead, which over time creates the finished pearl.

The process of culturing was invented and patented in 1916, says Jeremy Shepherd, founder and chief executive of



PearlParadise.com. "Before that pearls were collected in the wild and were so rare and valuable, only the world's elite could ever afford them. Finding a single, fine natural pearl could make someone rich for generations, and so oyster beds all over the world were fished nearly to extinction. That changed with these kinds of farms."

With \$20m in sales annually and offices worldwide, PearlParadise.com is the leading online retailer in the industry,

Clockwise from top left: Jewelmer farmers check pearl lines; reweaving cleaned oysters into nets; Palawan's golden pearls; the author extracts a golden pearl

Nicholas Hunt

in both sales and volume terms, as well as access and knowledge. Mr Shepherd believes the golden pearl now faces an unprecedented crisis.

Changes in the climate mean the Philippines is hit by up to 20 typhoons a year. In December 1998, a week before harvest, a Jewelmer farm was wiped out, taking with it four years of work. In November 2013, Typhoon Haiyan destroyed another two farms.

An additional problem is that rice is

grown in the region using the slash-and-burn method, whereby existing vegetation is cut away and the remainder burnt. In the rainy season, the run-off from this destroys coral – which naturally regulates carbon dioxide levels in the ocean. The coral has also been damaged by cyanide. Fishermen use cyanide to anaesthetise fish, so that they can be caught and transported alive. But one teaspoon kills 1km of coral.

For pearl oysters to grow, the ocean

must be free of pollutants. Oysters feed on plankton, which is affected by the cleanliness of the waters – in turn influencing the chance of oysters thriving. However, rising pH levels have subjected the pearl oysters to acidification. Their shells are thinner than they were 10 years ago, leading to slower-growing pearls. Temperatures have also changed: the pearls can grow only in 27-31C. A few degrees either side and the shell weakens.

The Branellecs realised that to safeguard their business, they needed to protect the ocean, and in 2005 created the Save Palawan Seas Foundation. The organisation embarked on a programme of education, encouraging the local population to take up seaweed and molasses farming, bat guano composting and spirulina nutrients. It established medical missions to improve the health of local families.

"We had to figure out a way to make it worthwhile to switch to good farming without waiting, so we started a crop and handicrafts buyback programme," says Ian Llorando, the foundation's executive manager. The foundation pays for four ocean security patrols to monitor dynamite and cyanide fishing, and has persuaded the Filipino government to declare the territory a marine-protected zone. However, despite its efforts, Jacques Christophe Branellec confesses: "We don't know whether our business will exist in a decade with all we're battling."

There may be a glimmer of hope. In February, France and the Philippines signed the Manila Call to Action on Climate Change, in anticipation of December's UN Framework Convention on Climate Change in France. The hope is that governments will sign a legally binding agreement to limit global warming.

Should the South Seas golden pearl industry be wiped out, there would be economic implications for the pearl business worldwide.

"South Seas are already the most expensive grown pearls," says Mr Shepherd. "Prices would go through the roof. If diamonds are the king of gemstones, then South Sea pearls are the pearl equivalent. Imagine if diamonds disappeared."

Revamped Chanel store to focus on big ticket pieces

Retail The brand's investment reinforces London's hold on the luxury market, writes *Ming Liu*

October is always a boom time for London retailers: Golden Week, China's seven-day national holiday, begins on the 1st, while Frieze art fair also attracts international buyers.

The beginning of October this year is also when Chanel plans to unveil its new watches and fine jewellery boutique, after an 18-month refit to premises in New Bond Street and underscoring the Bond Street area as the capital's premier luxury jewellery retail destination.

Located at number 173, the revamped boutique will grow from 260sq m to 418sq m, while the number of floors will increase from one to three. Its current boutique, at 26 Old Bond Street, will close. Upper-level offices were removed to accommodate the expansion and the existing second floor has also been removed to achieve a double-ceiling height on the first floor. The third floor will host an expanded private salon.

Designed by Peter Marino, the hand behind all Chanel boutiques, the interior is inspired by the private homes of founder Gabrielle "Coco" Chanel and features commissioned artworks such as a rock crystal and bronze balustrade created by Goossens, the costume jewellery atelier that Chanel acquired in 2005.

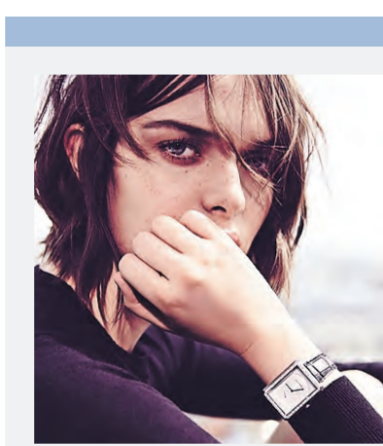
Chanel first moved into the 173 Bond Street premises, a Grade II-listed property, in 1997, although has had a presence on the street since the 1960s.

London and the Paris boutique on Place Vendôme are now Chanel's largest watch and fine jewellery boutiques. The brand has 46 stores worldwide.

"We wanted to give the London market the boutique it deserved," says Benjamin Comar, Chanel's international fine jewellery director.

While the fashion, beauty and fragrance businesses have long dominated the house of Chanel – its fashion flagship, just a stone's throw away at number 158, is some 2,000 sq m, for example – the fine jewellery business is increasingly important and successful.

"High jewellery is a big focus for the brand," says Mr Comar. Chanel has



Changing times: Chanel's Boy.Friend watch

A watch with a masculine touch

Chanel unveiled nearly 60 watches at Baselworld this March, but one timepiece was held back: the Boy.Friend women's watch.

"We wished to offer an exclusive for the second half of the year," says Nicolas Beau, Chanel's international watch director.

The Boy.Friend landed in Chanel boutiques worldwide on September 1. With its lack of numerals and subtle, octagonal shape, it is reminiscent of the Première watch, Chanel's first women's watch that launched in 1987. As its name suggests, the watch is also partly a homage to the role that men played in the life of founder Gabrielle "Coco" Chanel, such as Boy Capel, who helped support her in opening her first boutique. "The inspiration was definitely masculine," says Mr Beau.

The initial collection, priced from £8,100-£18,000, features six models, available in either 18ct beige gold, a similar version set with more than 60 diamonds or an 18ct white gold design also set with diamonds. Two sizes are on offer – 34.6mm x 26.7mm or 37mm x 28.6mm.

The Swiss-made watch has either a quartz or self-winding mechanical movement, which gives it a more serious watchmaking credential – and positions the Boy.Friend above a straightforward fashion piece. **Ming Liu**

invested a great deal "in stores, in creation and the collection", he says.

Its Paris-based atelier launches two fine jewellery collections a year; this January's Les Intemporels featured 60 unique designs priced from €41,700, while July's Les Talisman de Chanel was a 50-strong collection priced from €30,000.

More than 50 per cent of the Bond Street store's merchandise will comprise high-end pieces and the boutique will stock the full range of watch and fine jewellery collections.

John Guy, managing director of luxury, branded and sporting goods at MainFirst Bank, attributes Chanel's success to its distinctive style. The company has an "aura of exclusivity and timeless quality" that can command a higher selling price, he says.

Chanel – a privately held company owned by Alain and Gerard Wertheimer, grandsons of Gabrielle Chanel's business partner – does not disclose financial performance figures, although MainFirst estimates 2015 net income of €1.2bn on €6.5bn turnover. Its estimated 13 per cent sales compound annual growth rate is nearly double that of the global luxury goods average over an 18-year period.

In terms of sales, MainFirst values Chanel's watch and high jewellery business at more than €200m (excluding costume jewellery). The new boutique signals further development of the business.

The location is also crucial. Bond Street boasts an unrivalled mix of auction houses, art galleries, fashion and jewellery, attracting 17m visitors who spend upwards of £1bn a year, according to New West End Company, a management and marketing services group for retailers in the area.

Bond Street has one of the highest concentrations of luxury jewellery brands in the world says Jace Tyrrell, New West End Company's deputy chief executive. "Bond Street is not just about products but is also a brand statement," he says.

With 18.8m international visitors expected in 2015, London came out top on MasterCard's 2015 Global Destination Cities Index for the second year.

Shoppers from Saudi Arabia, the UAE and China are the top three spenders on Bond Street, according to Mr Tyrrell, with the average spend increasing 300-400 per cent over the past five years in some markets.



Mila Kunis photographed by Peter Lindbergh



Beauty by Nature.

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US jewellers set sights on Europe

Retail Department stores in London and Paris are starting to champion emerging designers, writes **Elisa Anniss**

Independent fine jewellers from Europe have been seeking a slice of the US retail pie for a while.

However, the reverse is happening too as fresh talent from the US bolsters the designer fine jewellery selection of European department stores and independent retailers.

Mia Fenwick, head of buying at Fenwick department store in London, says a visit to the Couture trade fair in Las Vegas in May helped her to "meet the designers and gain a real understanding of how the market is evolving". In the same month, Fenwick launched the Jewellery Box, a ground floor department that includes US names such as Alison Lou, Ginette NY, Alexis Bittar and Dana Kellin.

"Traditionally American jewellery has been both more blingy and bold, and perhaps some still is," says Ms Fenwick. "But the new fine jewellery designers are really global now – you wouldn't be able to mark them out as American just by their style."

She says the main difference between the UK and US market is that the latter is more "evolved".

"The idea that a woman may spend several thousand on herself, rather than wait to be given a gift for a special occasion, has been around for much longer in the States and as a result the big department stores there have very strong fine jewellery departments. The UK customer is becoming increasingly interested, informed and passionate about fine jewellery, and the potential for department stores to work with these designers is huge."

When Liberty expanded its accessories offering in June 2012 it became one of the first London retailers to champion independent US fine jewellers. The



move was spearheaded by Ed Burstell, its US-born managing director, whose Bergdorf Goodman background, where he was senior vice-president, led to an understanding of this niche and useful contacts. Today, the Liberty US line-up includes KC Designs, Anna Sheffield, Nak Armstrong, Stephen Dweck and Larkspur & Hawk, with the Californian designer Andrea Fohrman its newest arrival.

Marc Alary, the New York-based designer, believes that to establish a jewellery brand globally, "you need approval in Europe". He meets buyers during Paris fashion week when participating in the CFDA/Vogue Fashion Fund's "Americans in Paris" showcase initiative and at Couture in Las Vegas. "When you meet someone from China, Japan, Korea or India, they tend to think that if a brand is validated by Europe, available in Paris, London or Milan, then it is more serious."

Mr Alary says there are striking differences between customers' tastes and how jewellery is perceived between the two markets. "When it comes to fashion or jewellery, in America it is more like a business, while in Europe it is approached like art. I think in Europe

An appetite for fine jewellery: Marc Alary's elephant pendants (above) and earrings from Ten Thousand Things (below)



people have more of an opinion about what they like, and most importantly I think that people want to feel or be different and have something special that they can't find on every corner, while in America individuality isn't so highly prized."

David Rees, one half of the duo behind New York-based Ten Thousand Things, has also noticed that the European appetite for designer fine jewellery has grown recently. He is now contemplating representation in a European showroom.

"Paris has a lot more fine jewellery stores to sell to than ever before. I remember when it was very difficult to find boutiques that focused strictly on jewellery and even stocked American jewellery designers. Lately the retail landscape has evolved nicely, with beautifully curated boutiques."

'Fine jewellery designers are global now – you cannot mark them out as American by their style'

One of these is London-based Mouki Mou, where eight out of 20 jewellery brands carried are American. Mouki Mou is the exclusive London retailer for Ten Thousand Things, Annette Ferdinandsen, Gabriella Kiss, Mikkel Brøgger and Jill Platner. Its owner, Maria Lemos, approached many of these brands because of their inherent casualness and nonchalance. "Although it's still fine jewellery, it's these qualities that mean it can be worn every day," she says.

Stephen Webster, who has exhibited at Couture in Las Vegas for 16 years, says that it is not difficult to see why a wave of US jewellers are arriving in Europe: "Whenever I encourage a European buyer or journalist to attend Couture it is on the premise that they will be exposed to emerging designers, the majority of whom are American."

This is in contrast to the companies that exhibit in Basel, where costs are high and the strategy is geared towards showcasing established brands, he adds. Mr Webster believes this greater exposure within the industry explains why more US designers are now being seen in the mix of jewellery on offer in Europe.

One of the strengths of US design is deconstruction and a desire to move quickly in a direction that feels on trend, he adds. "This results in a more informal, casual fine jewellery category that is at the forefront of the mix on offer at online and fashion-forward jewellery retailers such as Net-A-Porter, Matches-fashion.com, Fenwick, Fortnum & Mason and Dover Street Market."

Brands practise art of retail in Miami Design District

Striking modern works are on view in area predicted to become an international destination, writes **Anthony DeMarco**

Once a centre for home design shops and trade showrooms, the Miami Design District began to undergo a revival as a centre for furniture design in the late 1990s.

However, it was only when the international fair Design Miami premiered there in 2005 during Art Basel Miami Beach that the area came into its own. It has since expanded into an international art and design centre with luxury shopping and world-class restaurants.

The latest phase in its revival is a dedicated "neighbourhood" for luxury jewellery and watch brands known as Palm Court. Of the 18 stores, 15 have opened and the remainder will do so next year. The majority are housed in a two-storey, blue-hued glass structure by Japanese architect Sou Fujimoto, his first project in the US. The remaining brands are located on the other side of the plaza.

A replica of Richard Buckminster Fuller's Fly's Eye Dome and a giant fibre-glass bust of the architect Le Corbusier by French artist Xavier Veilhan are central art works in the plaza. This accords with the thinking behind the Design District – to house landmark buildings designed by world-class architects and incorporating works by internationally renowned artists.

The stores in the district represent the breadth and depth of independent and corporate-owned luxury watch and jewellery brands. Craig Robins, chief executive of Dacra, which has led the development, says the only city that may have something similar is Tokyo. "Miami is becoming a very important urban centre, probably the second or third most powerful luxury market in the US."

Mr Robins, a modern art collector, philanthropist and co-founder of Design Miami, is one of the most influential developers in the city. "As we started to work with all the luxury brands we

realised an incredible opportunity that virtually did not exist in the US – a concentrated, magnificent plaza featuring watch and jewellery brands," he says.

Dacra owns all the real estate, allowing Mr Robins to create his vision for the area, including the retail environment. The final phase is expected to be completed at the end of 2016 and will include a boutique hotel, housing, a new home for the Institute of Contemporary Art, Miami and more luxury shopping and restaurants.

Those who bought into Mr Robins's vision accept that the district is a work in progress.

"We think this will become an important area in the US in terms of art, in terms of design, in terms of shopping," says Angelo Bonati, chief executive of Officine Panerai. The watchmaker opened its flagship boutique for the Americas in the Design District in July, created by the architect and designer Patricia Urquiola.

For Parmigiani Fleurier, the decision to locate its first US boutique in the Design District was straightforward. It has its headquarters in Miami, in nearby Wynwood. Thierry Collet, Parmigiani US president, is a resident of the city.

"We're a small, independent brand and it was a well-considered strategy to have our only US boutique in Miami," he says. "Miami is a great platform for us and the Americas in general."

Craig Robins, art collector and chief executive of Dacra, is the driving force behind the Miami Design District



The A Lange & Söhne boutique opened in January. Wilhelm Schmid, chief executive of the German brand, is taking the long approach with the company's investment, while also keeping his fingers crossed.

"[This] new part of Miami is a good opportunity for the future and that's why we went there. Right now it looks promising but it's very early. Call me a fool in a couple of years, or call me a very clever guy who went there in time."

Ethical producers can bring hope amid war and poverty

Traceability **Grace Cook** reports on projects from Afghanistan to Africa

In a workshop in Kabul, 25 jewellery craftsmen are sitting cross-legged on the floor, labouring over the new season designs. Women hover over machines to cut facets into gemstones – Afghan tiger's eye and lapis lazuli – which will become the centrepiece for Pippa Small's first seasonal collection with the Turquoise Mountain charity.

Against a backdrop of war and economic instability, Kabul's jewellery trade is resilient. Ms Small, the London-based ethical jeweller appointed MBE in 2013 for services to ethical jewellery production, has been working with the charity for the past eight years. Launched internationally last month, the 73-piece seasonal line reflects her commitment to the area and its artisans.

Ms Small says that now is not the time for her to walk away, despite the danger. "When people have security, when they have stability and an income . . . that's when people will say no to Taliban and no to Isis [Islamic State of Iraq and the Levant]."

Launching an ethical jewellery line in Afghanistan is not easy, given the threat from terrorist groups. In the past eight years, the charity's jewellers have moved workshops four times; their first, located in an old shipping container near the Indian embassy, was destroyed when a bomb fell nearby. There are also difficulties with determining the origin of gems, gold and silver as they are not always traceable. Moreover, under the Taliban regime, which fell from power in 2001, jewellery was banned. The trade remains in its infancy.

Ms Small is one of the only jewellery designers working in Afghanistan. It is not a safe place for foreigners, or for Afghans seen to be working with them, so international input to regulate the industry is almost impossible.

"Now you can't take a taxi. You can't walk anywhere," says Ms Small. "It's more and more dangerous." As a result, Afghanistan lacks the organisation in countries such as India and Mozambique, introduced by Gemfields and De Beers (suppliers of rough stones to brands such as Boucheron, Amrapali and Tiffany & Co), which have regulated the gem and diamond industries in the conflict-free areas they operate in.

Instead of carefully planned excava-



If responsibly managed, mining delivers benefits for local economies

tions, in Afghanistan sites are often blasted with dynamite. Not only is this dangerous for the miners, but the stones are also blown up, says Ms Small.

The country has the potential to be a world leader in gemstone trading, based on its proximity to India, the biggest industry for gemstone imports, and its mineral-rich earth containing emeralds, rubies and tourmaline. But continuing violence and lack of infrastructure and education means it cannot control its trade. In 2006, 90-95 per cent of Afghanistan's gems (worth an estimated \$1 trn) left the country illegally, according to the Ministry of Mines, Afghanistan. Today, 70 per cent of Turquoise Mountain's line is sold as export, with the remainder kept for local sales to Afghanistan's emerging middle class.

'We could always do more. You don't want to think by spoiling your wife, you're ruining someone's life'

Ethics and traceability are an important focus for the big brands. "People are realising the effects of unethical mining, because today you can actually see it on the internet," says Tarang Arora, chief executive of the Jaipur-based jewellery house Amrapali.

Christian Dior and Bulgari are among the 600-plus jewellery houses that abide by the standards of the Responsible Jewellery Council. In 2013, Chopard – a member of the RJC – launched a Green Carpet Collection, using fair-mined gold and traceable black opals from the Aurora Gems mine in the Australian outback. Gucci employs its own gemologists and imposed a social accountability framework in 2007 to ensure its gold and diamond products are 100 per cent conflict free.

"If you're a public company, and you've got a big international persona, you have to [be ethical]," says Ian Harebottle, chief executive of Gemfields. "We don't operate in war-torn or conflict areas," he adds.

Gemfields' work at a newly discovered ruby mine in the Cabo Delgado province of Mozambique illustrates the potential benefits for mining economies.

"You have to put in roads and power and water. You have to build the team," says Mr Harebottle. At the Montepuez mine Gemfields employs about 800 workers. Once fully operational, that number will probably double, he adds. "We are one of the largest employers in the region."

However, there are issues in even the most established infrastructures. "No matter what we're doing for the environment and for society, we could always do more," says Mr Harebottle. "You don't want to think by spoiling your wife that you're ruining someone's life. We don't want to leave the area the way we found it. We've got to make it right, make it better," he adds.

Ms Small cannot state that 100 per cent of her Turquoise Mountain line is ethical, but the work in Kabul is encouraging a local economy. "What we can do now is make sure that the craftsmen we work with are paid well and that their work is of an international standard," says Ms Small. "Until the country reaches a state of peace, I think anything else would be unrealistic."

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'A fine emerald has something alive within it'

Interview Ian Harebottle, chief executive of Gemfields, is proud of the miner's stance on ethical sourcing, writes *Camilla Apcar*

Ian Harebottle has always had a penchant for wearing bright colours. And a love of vivid hues is now central to his job, as chief executive of Gemfields, the mining company that specialises in ethically-sourced coloured gemstones.

"I love colour and thus love each and every coloured gemstone to a greater or lesser extent," he says. "But my favourite is emerald. Sometimes, when looking at a fine emerald, it is as if there is something alive, living within the gem, that moves and wiggles with excitement as you move it in the light."

Having studied business management at university, South African-born Mr Harebottle first started a consulting firm that worked with companies in South Africa — including larger miners — affected by the HIV/Aids epidemic. Later, at the age of 39, he worked for seven years at TanzaniteOne, the gemstone miner, before joining Gemfields in 2009.

The company has emerald, ruby and amethyst deposits across Africa and sees itself as a "luxury miner".

"What De Beers has done for diamonds — our vision was to do the same for coloured gems . . . but because we own Fabergé as well, we are a miner that markets," says Mr Harebottle.

Fabergé, once the jeweller to the Russian imperial family and renowned for its lavish ornamental Easter eggs, was acquired by Gemfields in 2013.

"One of the reasons we acquired [Fabergé] was to stimulate creativity. I felt that for the past 20-30 years, jewellery design has been boring," says Mr Harebottle. Instead of placing value purely on large gemstones, the acquisition of Fabergé was intended "to showcase the importance of coloured stones and how they can be used to create pieces of art", he adds. However, there are no plans to add further jewellers to Gemfield's portfolio.

As a miner that specialises in ethically sourced stones Gemfields is committed to transparency. It works on a number of philanthropic community projects around its mines

— retaining 1 per cent of its auction revenue for donations to conservation organisations and direct community investment in its operating countries. At its Kagem emerald site in Zambia, it has invested in farming initiatives, building roads and sports facilities in villages. More than \$1m has been allocated for a secondary school and a health centre. Kagem is the world's largest producing emerald mine, responsible for more than 20 per cent of global emerald production.

Mr Harebottle describes the consumer trend to place increasing importance on ethics and transparency as "pleasing". It can only be good for the entire gem market, he says, and hopes it will continue.

He spends much of his time overseas at Gemfield's mines, typically at least one week each month, away from the company's London headquarters.

While he limits himself to wearing only a wristwatch, Mr Harebottle says that he suffers from jealousy on his trips to India, where, at weddings for example, men often wear far more jewellery than women.

"Perhaps we need to bring that into the western world," he says.

In the luxury market, Mr Harebottle considers other product categories, such as handbags, to be the company's rivals, rather than other stone miners or brands. "Our biggest competitors at the moment are the soft luxury goods: historically the pinnacle of luxury was always gemstones . . . in the past 40 years, this has been turned on its head," he says.

This is not because the gems are any less valuable than they have been in the past he adds, but because the gemstone industry has done a weaker job of communicating the value of its product, whereas others "have done an incredible job of communicating the value of theirs".

Nonetheless, in 2014 Gemfields reported revenue of \$160m, compared with \$48m in 2013, and post-tax net profit of \$16m last year against a loss of \$23m in 2013. Gemfields attributes this growth to its first ruby and corundum



Ian Harebottle: 'I love each and every coloured gemstone to a greater or lesser extent' — Rosie Hallam

auction held in July 2014, as well as an increase in the number of high and low-grade auctions.

"Five years ago . . . our market cap was \$9m, and today we're worth half a billion dollars," says Mr Harebottle.

Gemfields is traded on Aim but in perhaps the next 18 months or two years, he hopes it will move to the main market of the London Stock Exchange. "It's the right place for us to be, a company of our stature."

Meanwhile, mining remains at the company's core. As well as Kagem, Gemfields has a 50 per cent share of Kariba amethyst mine in Zambia and acquired a 75 per cent interest in Montpezet Ruby Mining in Mozambique in 2011.

Until the year-ending June 2015, its largest contributor to revenue was emeralds, but "I think by the end of June 2016 if emeralds and rubies aren't equal, rubies will be slightly ahead," says Mr Harebottle.

'Diamonds are a gem and white is a colour, so they could have a place [in Gemfields] at some stage'

This reflects both the size of its ruby deposit at the Montpezet mine and the current value of the stone. Gemfields mines some 8m carats of rubies a year from Montpezet, but as it moves into full-scale production from 2017, it will aim for 20m carats per year. It has a 25-year mining and exploration licence and has so far only covered about 36 sq km of its 336 sq km licence area. Other pits are under exploration at Kagem in Zambia and in Ethiopia. Gemfields also intends to develop amethyst demand.

Gemfields does not consider De Beers or the diamond sector as competitors, but rather as co-industry stakeholders. "We have no plans to try to compete with De Beers, but who knows, only time will tell," says Mr Harebottle. "Diamonds are a gem and white is a colour, so they could have a place at some stage," he says.

Lunch in Monaco, dinner in Moscow — a day in the life of a diamond dealer

Oded Mansori and his craftsmen aim for the perfect stone, not the largest, says *Claire Adler*

With a starting price for a diamond at RDH Diamond's Antwerp headquarters at \$2m, the company deals exclusively in sizeable stones of the purest colour and clarity.

"We hold the world's largest selection of investment grade D Flawless diamonds that are 10 carats and larger," says Oded Mansori, managing director of RDH. "I have been personally involved in either buying, selling or valuing the majority of diamonds of this calibre which have appeared at auctions in the last eight years."

Mr Mansori, 46, acquired the diamond house in 2009. He had already established himself in the industry, having run the polished diamond marketing arm of Steinmetz in Antwerp between 2001 and 2009.

However, his first brush with diamonds was far from ideal. While working for a distant cousin in the diamond industry in Tel Aviv, he made a miscalculation and sold a parcel of diamonds at a significant loss.

He offered to work unpaid, so that he could contribute his salary for as long as it took to reimburse his employer for the loss, with the intention of leaving the industry as soon as that moment arrived. Mr Mansori worked for two months for no salary and then a further two years on a reduced salary to repay part of his debt.

He had planned on going to university and never working in an office but, two decades later he is still here.

"The moment I realised that the diamond industry is all about business relationships with people, and that whether I succeeded or failed was all down to me, was the moment I decided it was for me. This industry is addictive. It's taken over my life and I simply love it."

RDH clients range from leading jewellery houses, to gem collectors and,

increasingly, individuals and families who view exceptional diamonds as investment assets. While some diamonds sold at RDH make their way into spectacular jewels, others remain in safes and bank vaults.

"My day usually starts with a sense of excitement that I am going to do what I love," says Mr Mansori, adding that he spends 75 per cent of his time sourcing diamonds and overseeing the process of cutting and polishing rough stones.

He works closely with craftsmen, planning how to cut rough diamonds. "Our primary goal is perfection not size, using the best technology known to the industry and taking as long as needed. I follow every stage from sawing to polishing, smoothing and certification. It's a process that is full of surprises.

"Our master craftsman recently began cutting a stone which we expected to be light pink, but it turned out to be intense pink, which is worth almost double.

"Then again, sometimes we plan to cut a stone into a certain shape, but when opening a window on the stone, we see that if we execute that strategy, clarity issues will arise. Creativity is required to overcome challenges at every step."

Mr Mansori buys rough diamonds at tenders, where dealers submit bids for

'I meet clients in places they feel most at ease and secure to make a purchase no one else knows about'

stones that are then sold to the highest bidder. At a recent rough diamond tender held by Gem Diamonds, RDH bought 49 per cent in value of the diamonds that were available.

When he is not working with dia-



Oded Mansori: sources diamonds

monds or looking for stones Mr Mansori spends his time meeting existing and potential clients. His travel schedule is dictated by the movements of the super rich.

He does not always know at breakfast what city or country he will be in for dinner. One client wanted to view a diamond and immediately sent a helicopter to bring Mr Mansori to his yacht off the coast of Monaco, while another flew him to Moscow at a day's notice.

"I meet clients in places they feel most at ease and secure to make a purchase no one else knows about. This could be their yacht, ski chalet, hotel suite in Geneva during auction season, or at home with family in Manhattan," says Mr Mansori.

He adds: "Sometimes these meetings are a rare moment for a busy husband and wife to be together. For the wife, the purchase is motivated by the joy of wearing a precious jewel and for the husband, it's the investment."

Mr Mansori says that 99 per cent of his clients are repeat business. "When a piece is ready, we know who to call and they know where to find us. Our clients refer us to friends and family, which is the best marketing," he says.

Silversmiths benefit from fall in price of their raw material

Mexico After decades of decline, designers see growing demand for their pieces, reports *Jude Webber*

Penny Morrill, an authority on Mexican silver, remembers her excitement when she first saw Miguel Angel Ortiz's work. "He was astonishing," she recalls.

The young winner of the national silver contest for decorative objects for the past two years works in a tiny workshop high above the picturesque colonial town of Taxco, (pronounced Tasco), where Spanish conquistadores opened the first silver mine in the Americas in 1524.

Mr Ortiz, who also makes jewellery, is one of a new generation of outstanding silver designers whose work is largely unknown outside Mexico, despite the country's undisputed leadership in global silver mining.

Mexico's 500 years of mining, its status as the world's biggest producer of silver, accounting for more than a fifth of output, a reputation for exquisite design and an artisanal tradition, are worthy hallmarks. Yet it remains a minnow in the global silver jewellery market and Mexican jewellery manufacturing has been falling steeply, down 44 per cent in the past three years, according to the 2015 World Silver Survey, produced by the GFMS team at Thomson Reuters for The Silver Institute, the industry body.

Mexican silver has traditionally had star pulling power. William Spratling, an American architect, is credited with putting Taxco on the map as a silver centre in the 1930s. Admirers included Mae West, Bette Davis, George Gershwin, Leon Trotsky, Errol Flynn, Orson Welles and Frida Kahlo.

Such was Taxco's renown that US retailers, including Tiffany and Co and Saks Fifth Avenue, turned to the Mexican town for jewellery during the second world war.

Interest in Mexican silver jewellery and design is booming once more, says Ms Morrill. The Los Angeles County Museum of Art inaugurated a permanent collection of Mexican silver in 2013 and several other US shows are in the works. In China, the world's second-biggest silver jewellery producer, the

Long Museum in Shanghai recently showcased Mexican silver.

"We're on the cusp of something exciting. Now is Mexico's big opportunity to get out there," says Ms Morrill, a scholar of modern Mexican silver at George Mason University in Virginia.

That is what Tane, the country's prestigious high-end silver jewellery and silverware company, has in mind. Set up seven decades ago and famed for iconic pieces, Tane's sleek designs are a byword for Mexican luxury.

Some of its pieces were exhibited in Shanghai and it is becoming known in Europe — at this year's Maison et Objet trade fair in Paris and via Thomas Goode, the retailer, in London this month.

"This year is the presentation of the brand to the world," says Sylvie Ligonie, Tane chief executive. Tane has 22 shops in Mexico, but none outside the country.

More on FT.com

Wendy Ramshaw

A retrospective of the influential UK designer, whose work has ranged from the stacking ring to large-scale public art, is taking place in Birmingham, writes *Caroline Palmer*.



Keeping time

About 1,300 timepieces, comprising the Clockmakers' Collection, will go on permanent display in the Science Museum, London, next month, writes *Liza Foreman*.

A tale of two buyers

The buyers for Liberty, the London flagship store, and Net-a-Porter, the online retailer, have clients with different demands, finds *Rachel Felder*.

The timing looks good: global demand for silver jewellery has been growing robustly, in part because of falling international silver prices. Silver prices averaged \$19.08 an ounce in 2014, a 20 per cent fall compared with 2013 figures and the lowest annual average since 2009, according to the 2015 Silver Survey. The metal is currently trading at about \$15.28 an ounce.

Ironically, it was the opposite trend that proved challenging for Mexican silversmiths in the 1980s: soaring silver prices bankrupted the bulk of the country's artisans, who could no longer afford the raw material to create their pieces, says Ms Ligonie.

Mexico's lacklustre economic performance has held back its domestic jewellery sector. Instead of being made into jewellery, most of its silver is exported to markets such as Switzerland and Canada to be turned into bars and coins, says Ling Wong, head of Latin American demand research, at Thomson Reuters GFMS.

According to the Silver Survey, global silver mine production rose for the 12th successive year in 2014, hitting a record of 877.5m ounces, up 5 per cent from 835.3m ounces in 2013. Mexico is by far the world's biggest silver producer and the survey reports that last year Mexico's silver production rose 3 per cent to 192.9m ounces.

However, Mexico's Mining Chamber paints a less rosy picture: In its 2015 annual report, it says production fell 1 per cent last year to 185.4m ounces and lists 16 projects that have been delayed, most because of falling world silver prices.

New taxes — 7.5 per cent of profits — have compounded the silver price pain. Michael Harvey, regional director for corporate affairs and security at Goldcorp, owner of Mexico's biggest silver mine, Peñasquito, says: "Mexico's mining tax hurt its competitiveness in a low metal price environment where competition for investment has become more intense."

But Mexico's biggest silver miner, Peñoles, has taken a bet on the luxury jewellery sector and five years ago formed a strategic alliance with Tane.

Peñoles is working with the Silver Institute to boost Mexico's silver and design image, and Tane, which buys its silver from the miner at market price, says support from the miner has been "crucial" in building its brand.

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