

Time is up for above-inflation price hikes

Watches An outbreak of candour in the industry suggests that rampant price rises are a thing of the past, says *Syl Tang*

Utterances from the Swiss watch industry tends to be sugar-coated, which is why Georges Kern, chief executive of IWC Schaffhausen, caused such a stir in November 2015: he said that watches in the industry were overpriced — a rare statement in general, even more so from a company owned by Richemont, one of the world’s biggest luxury conglomerates.

His brand has decided to bring prices down by focusing on its two mid-level collections, Pilots and Portofino, launched in December 2014. Indeed, IWC confirms that prices for new Pilots are lower now than when similar models were launched in 2012.

As the brand with the highest growth within Richemont, one of the big three watch groups, Kern’s move may indicate what consumers can expect from Basel-world: prices adjusted downward.

It can’t come soon enough, says Adam Craniotes, chief executive of Red Bar, the worldwide watch lovers’ group, as inflation has been widespread and relentless. “Honestly, it’s every brand. I don’t think there’s a single brand that didn’t take advantage,” he says.

Some within the watch industry are even pleased that prices are now being examined. Alain Zimmerman, chief executive of Baume & Mercier, a Richemont brand, says: “I’m so happy that price has finally become part of the discussion. In the past, price didn’t matter a lot [to other brands]. For many people \$2,000 is a hell of a lot of money.” Baume & Mercier decreased prices on its Clasima range by 10 per cent two years ago.

Watch prices have been outpacing inflation, says Jon Cox, head of European consumer equities for Kepler Cheveux. “From 2000-14, the value of the industry has increased on a growth rate of 6 per cent year over year, but in unit terms, there was no growth. So the boom is entirely due to prices.” But core global inflation has not been above 3 per cent since 2000, according to JPMorgan.

A more likely explanation for such exuberant prices rises is the increase in wealth around the world. According to the World Wealth Report 2015, compound annual growth in wealth between 2009 and 2014 was 7.7 per cent. Wealth in Asia, the key new market for luxury goods, went from \$5.9tn in 2002 to \$15.8tn in 2014.

The consequence of such wealth-driven demand is that when growth falters — such as with the current collapse in commodity prices and the rise in the Swiss franc after it was unpegged last year — the luxury market does too. The Federation of the Swiss Watch Industry recorded a 3.3 per cent decline in value of sales from 2014 to 2015, with Hong Kong falling by 22.9 per cent and mainland China by 4.7 per cent.

In the light of such news, it is less surprising that the discounting of sought-after watches can be openly found across reputable internet retailers. David Sadigh, founder and chief executive of the Digital Luxury Group, a Swiss-based watch industry analysis company, says he constantly sees steep discounts: on Jomashop.com, a watches and luxury goods website, he says you can find Rolexes with discounts of between 10 and 25 per cent, “and Raymond Weil is 75 per cent off. I’m seeing an Audemars Piguet at 20 per cent discount and the James Bond Omega is at 38 per cent off. This is the model they just launched last year.”

Watch companies viewed China’s unprecedented growth as a reason to ramp up production, such as with the acquisition in 2012 of La Joux-Perret by Citizen, which cited expansion into China as the reason for the purchase.

Hammer time

May’s flagship Geneva watch auctions should provide a barometer of the pre-owned watch business in the face of a decline in new retail sales and general feelings of economic uncertainty, writes *Simon de Burton*. Here, experts from the five leading specialist auction houses give their opinions on the state of the collector market.

Aurel Bacs
Phillips/Bacs & Russo, Geneva

There will be watches with estimates from SFr3,000-500,000 (\$3,000-500,000).

And I think that says something about the way we need to view the current market — that quality can actually be accessible.

Bidders will range from students to billionaires, and they will all be there to buy an epic watch. But to be “epic”, a watch no longer needs to have a seven-figure value. It needs to be in great, original condition and have a name that resonates.

Watch to watch: Breitling Duograph



presented to Jack Brabham for winning the 1960 Formula One championship. Estimate SFr30,000-60,000 (\$30,000-60,000). May 14, Geneva.

John Reardon
Christie’s, New York

It is clear that the world of watch auctions is becoming more and more about vintage, even in Hong Kong where the sales have traditionally been dominated by modern pieces.

Many collectors are asking themselves why they would consider spending \$5,000 on a Patek Philippe Calatrava [a simple three-hand watch] with a repolished case and a refurbished dial when that same \$5,000 could buy something such as Universal chronograph in superb, original condition.

Watch to watch: 1817 Breguet pocket watch formerly owned by Charles-Louis Havas, founder of l’Agence France-Presse. May 16, Geneva.

Tim Bourne
Sotheby’s, London

Speaking to people in other areas of the pre-owned business, there appears to be a lot of



inventory out there. But I think the auction houses have several advantages, not least in the fact that we don’t have to lay out large sums of money on stock. We can also be selective about what we consign and can advise sellers of values based on current market conditions.

I think the future lies in smaller, very well curated sales and while major pieces will continue to come to auction, the market is not likely to be flooded with them. As with the art market as a whole, I think people are feeling cautious about spending bigger sums. *Next sale: May 14, Geneva.*

Julien Schaerer
Antiquorum, Geneva

We’re heading towards our big May sale with a realistic attitude — there’s a definite uncertainty in the world right now, and I think we’re feeling that in the auction market.

Interestingly, however, we are noticing that collectors are looking harder to find vintage brands that are on the rise — prices of some watches by makers such as Universal and Heuer, for example, have doubled, tripled and even quadrupled during the past three years.

We’re also seeing an increase in demand for dive watches from the



1960s and 1970s by previously overlooked manufacturers such as Yema, Elgin and Benrus. Not long ago, when they could be bought for \$200, collectors would scarcely look at them. Now they are fetching \$1,000-2,000. *Watch to watch: Corum “Buckingham”, originally owned by Elvis Presley. Estimate \$10,000-20,000. April 13, New York.*

Jonathan Darracott
Bonhams, London

We hold regular auctions of more affordable watches [from £500] at our Knightsbridge rooms . . . but none of the Knightsbridge lots sold for an exceptional sum — bidding seemed very controlled, and buyers had clearly done their research and set limits on the amount they were going to spend.

I think the biggest threat to the watch business as a whole is probably from the grey market. If watches don’t sell at retail and end up in the salerooms, they inevitably fetch one third to one quarter of the new price. We wouldn’t turn new watches away, of course — but we’re conscious that, when retailers resort to selling at auction, it’s usually the start of a downward spiral.

Watch to watch: Rolex “Comex” Submariner dive watch. Estimate £40,000-60,000. June 22, London.

