

# CHRONEXT & **Watch**Pro

## SPECIAL REPORT

### PRE-OWNED LUXURY WATCHES AND THE SECONDARY MARKET

**VOLUME 03**



Welcome to the third of our quarterly Special Reports on the secondary market for watches, and our first volume for 2021. It feels like a fitting time to reflect on the unprecedented period we are living through and to look forward to the coming year.

Here in Germany, where CHRONEXT is headquartered, we experienced a less severe wave of covid infections and deaths in the first half of 2020 compared to the rest of Europe and the United States but, as a global business, we were far from insulated from the challenges of the pandemic and cases are rising again here and in much of the world as we move through winter.

Two fundamental changes, accelerated by the pandemic, are the shift towards buying luxury goods like watches online, and the broader trend of people not needing to spend time face-to-face in physical stores or offices to build and maintain great relationships.

CHRONEXT and several of our competitors in the secondary market space were able to react quickly to these behavioural changes because, in many ways, we are optimised for precisely the way buying and selling needed to be done in 2020. After an initial drop off in sales and engagement with our online platform as panic took hold in March, we bounced back quickly and have been setting record monthly sales figures ever since.

One change that will hopefully be less permanent is the lack of business and tourism travel around the world, which looks certain to continue into the spring and summer of this year. This has forced retailers to focus on domestic customers, which is a silver lining to a dark cloud. Hardworking people who might only buy one luxury watch in their lives should be as important to retailers as billionaire businesspeople from Asia who use annual trips to global shopping capitals like New York and London to top up their collections.

I do not think the industry will manage to precisely match supply to demand this year, so there will continue to be surpluses and shortages of certain watches. This is where secondary market players like CHRONEXT provide a valuable service because we will have the greatest choice of watches available at prices the market dictates.

It has been interesting to see how domestic demand has fed through to sales in different countries, and this is the focus of this month's Special Report. WatchPro has drawn together data from CHRONEXT and other key players on the most popular brands and watches and analysed how this data varies from country to country.

The differences are subtle, but I find them fascinating and I hope executives in both the secondary and primary market do as well.

I am writing this introduction in December, but you will read it in January so all that remains for me to do is wish you a happy, healthy and prosperous new year.

*Philipp Man, Co-Founder and CEO, CHRONEXT*  
[www.chronext.co.uk](http://www.chronext.co.uk)

# THINKING GLOBAL, ACTING LOCAL

THERE IS A COMMON MISCONCEPTION THAT SECONDARY MARKET LUXURY WATCH OPERATIONS LIKE CHRONEXT NEED ONLY BUILD ONE ECOMMERCE PLATFORM FOR THE ENTIRE WORLD AND CUSTOMERS WILL ALL SHOP FOR THE SAME WATCHES IN THE SAME WAY. THE REALITY IS THAT THERE ARE SIGNIFICANT DIFFERENCES BETWEEN COUNTRIES — NOT LEAST LANGUAGE AND CURRENCY ISSUES — AND MAJOR LOGISTICAL, FINANCIAL AND LEGAL ISSUES TO MASTER. IN THIS THIRD VOLUME OF OUR SECONDARY MARKET SPECIAL REPORTS, WE LOOK AT SOME OF THOSE DIFFERENCES AND PROVIDE VALUABLE LESSONS ON THE HOTTEST WATCHES THAT RETAILERS IN THE PRIMARY MARKET CAN HEED.

**A** nalysis of the most popular watch brands and collections by two of Europe's leading secondary market specialists, CHRONEXT and Watchfinder & Co., reveals interesting variations between countries that authorised dealers and pre-owned operations can learn from.

The leading brands when it comes to online searches and sales are not surprising from either German-headquartered CHRONEXT or Richemont-owned Watchfinder, based in the UK, but there are significant differences when it comes to the models with the greatest pulling power.

Unsurprisingly, CHRONEXT reports that Rolex is the bestselling brand in four out of five of its main markets: Germany, UK, Austria and France and the Datejust is the most popular collection. Only Switzerland bucks this result, with Breitling the top selling brand and Omega's Seamaster the favourite individual collection. "The Rolex Datejust is the most popular model. One of the reasons for this popularity is the timeless design and the various options for individual preferences," suggests Philipp Man, CEO and co-founder of CHRONEXT.



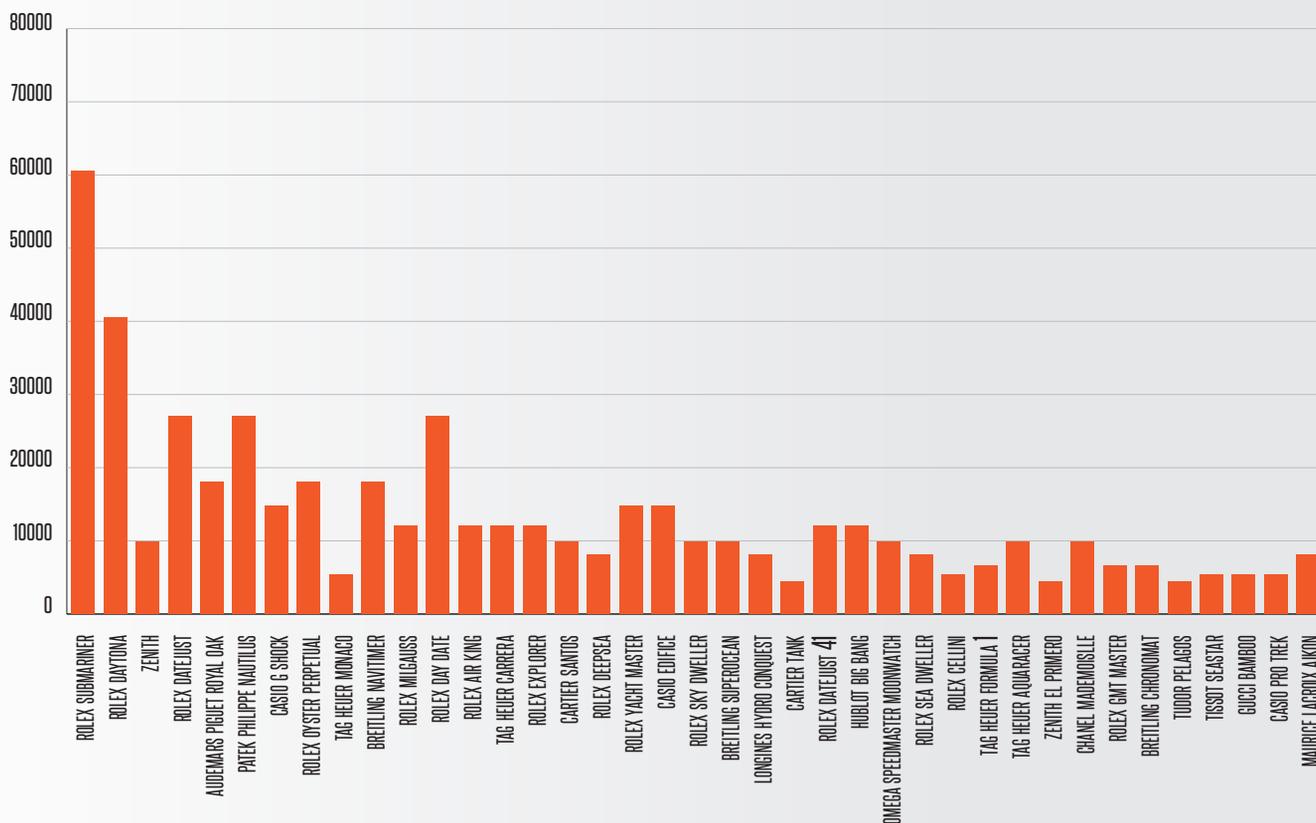
Availability of brand new watches might also be influencing demand. Searching CHRONEXT in mid-December revealed 99 Rolex Datejust 41mm watches listed of which 95 are brand new and unworn. Using the same search for Rolex Submariners, there are 64 on sale, but only nine are new and unworn. This matters, because new and unworn watches

account for around two-thirds of watch sales on CHRONEXT in Germany (72%), UK (67%), Switzerland (75% and France (63%).

Rolex's Daytona, a bellwether of the secondary market because red hot demand has pushed prices to around double what authorised dealers are recommended to charge, ranks surprisingly low for CHRONEXT

**Above:** CHRONEXT's accredited workshop can polish watch cases back to mint condition.

## Searches on Watchfinder by collection in the UK



## NAVIGATING THE SECONDARY MARKET

There is a whole lexicon of terms growing around the secondary market, and some of these terms mean different things to different retailers, making it incredibly confusing for customers without an intimate knowledge of the sector.

For example, what are the differences between the grey, secondary, certified pre-owned and vintage markets?

The easiest to define is the secondary market, because it simply means any watch being bought and sold outside of authorised dealer channels. This includes traditional auction houses, individuals trading watches in a café and multi-million dollar operations like CHRONEXT, Watchbox and Bob's Watches.

Grey market is more of a pejorative term for the way watches from authorised dealers find their way into the secondary market. The most common method is that these authorised dealers simply set up accounts with marketplaces like eBay, Amazon and Chrono24 to shift watches that they cannot

sell at the full retail prices insisted on by the manufacturers. It is also fed by flippers who develop relationships with authorised dealers in order to buy stock at a discount and then sell it on. This has a corrosive effect on the primary market because the internet makes it easy to compare the prices dictated by brands and their authorised dealers with prices on marketplaces where, if global supply of a particular model exceeds demand, the price will be depressed by market forces.

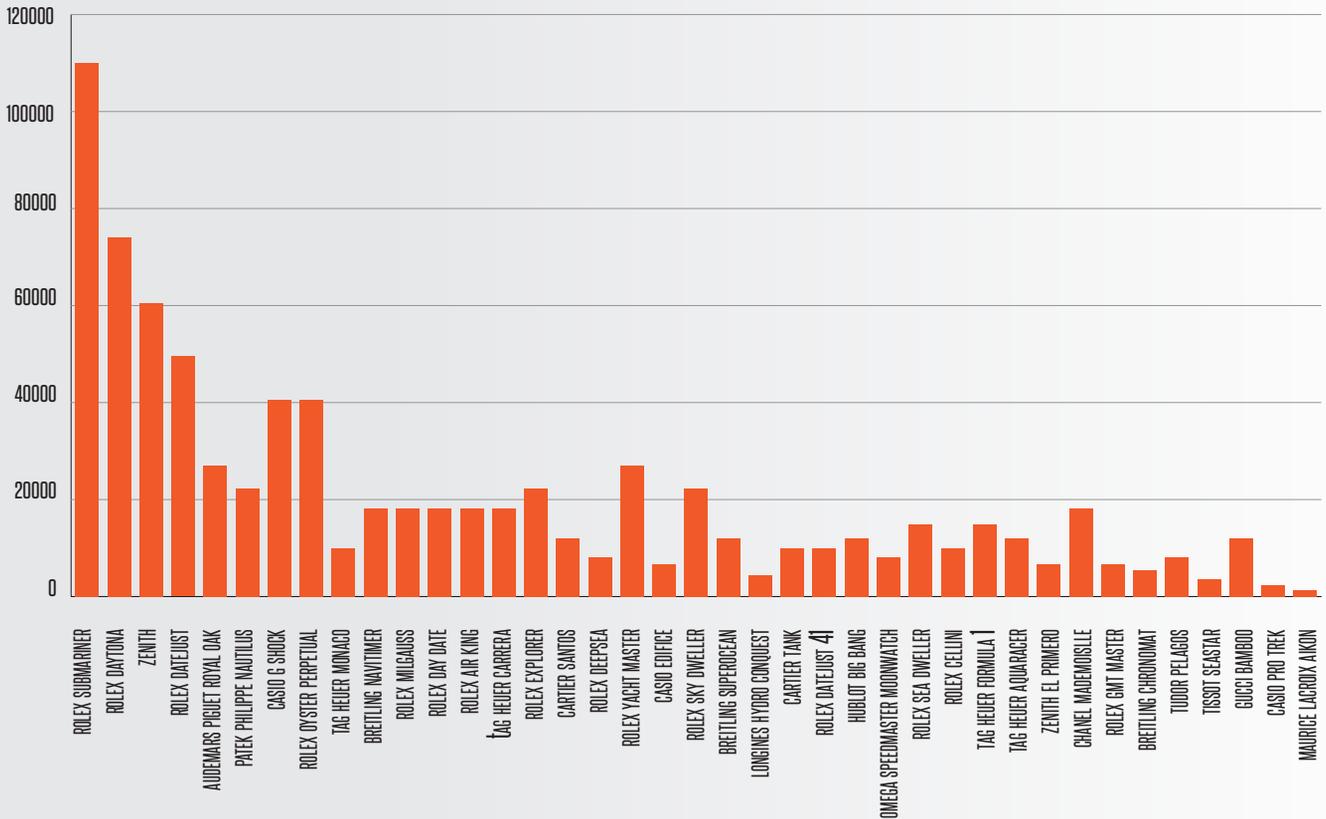
Certified pre-owned (CPO) is a term with a murky definition. Some manufacturers are keen to bolster the value of their second hand watches by checking them and issuing their own warranties. This has proved to be extremely difficult for the largest manufacturers so it is more commonly being done by low volume independent watchmakers. Today, CPO is used more broadly by secondary market specialists to describe modern second hand watches that have been checked in their workshops



and issued with a warranty. That warranty is not typically backed by the manufacturer, but it amounts to the same protection for the customer.

Vintage is the description applied to older watches, normally over 20 years' old, but they are often sold in excellent, sometimes mint, condition because the best pre-owned operations can service, repair and refurbish watches many decades old and give them another lease of life. A high quality watch, even 50 years old, can be restored to perfect working order, which is why they can be sold with warranties by pre-owned specialists.

## Searches on Watchfinder by collection in USA



sales. It falls outside the top 10 collections in Germany, Switzerland and Austria, and ranks only sixth in the UK and fifth in France. There are 58 Daytona's listed with CHRONEXT, 23 of which are new. If we narrow the search to the most popular stainless steel models, the number of watches listed drops to six, with only two of them unworn.

Watchfinder has not provided analysis of its sales, but has supplied WatchPro with data on the number of searches customers make for watch brands and individual collections. The business model is also different to CHRONEXT's. While CHRONEXT checks and issues a warranty for every watch before it is shipped to a customer or handed over personally in one of its worldwide lounges, even those on consignment (see article on page 24 on quality standards), Watchfinder buys every watch it sells, subjects them to multiple checks in its workshop, repairs and polishes them if necessary, and tags them all as pre-owned, even if they are effectively brand new. CHRONEXT's in-house watchmaker is also able to perform multiple checks on pre-owned and vintage pieces and polishes the watches to give them a like-new finish.

The newest men's Rolex Datejust on Watchfinder when we searched in mid-December was a 2020 41mm Oystersteel with box and papers. It is clearly new and unworn, but its manufacturer's warranty has 4 years and 8 month's remaining, meaning it was bought from an authorised dealer earlier this year and then sold to Watchfinder.

Out of 44 Rolex Datejusts on sale at Watchfinder, 14

## NEW, PRE-OWNED OR VINTAGE?

**CHRONEXT is reporting subtle differences between the type of watches people buy in different countries and the amount, on average, they are prepared to spend.**

### Germany

Position:	Brand:	Percentage
1	New	72
2	CPO	17
3	Vintage	11

**Average transaction value €7,700**

### United Kingdom

Position:	Brand:	Percentage
1	New	67
2	CPO	18
3	Vintage	15

**Average transaction value €8,300**

### Switzerland

Position:	Brand:	Percentage
1	New	75
2	Vintage	14
3	CPO	11

**Average transaction value €5,500**

### Austria

Position:	Brand:	Percentage
1	New	58
2	CPO	21
2	Vintage	21

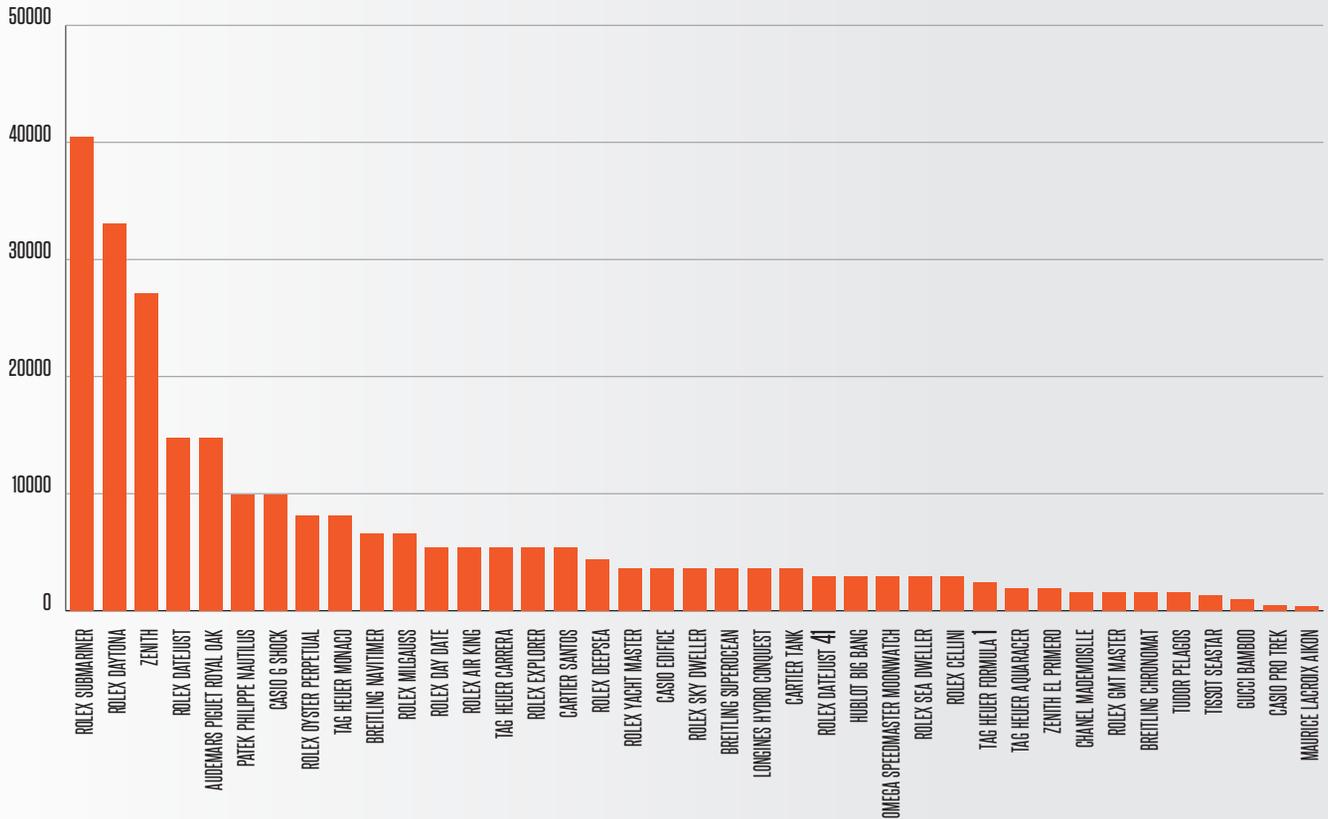
**Average transaction value €6,700**

### France

Position:	Brand:	Percentage
1	New	63
2	CPO	22
3	Vintage	15

**Average transaction value €7,800**

## Searches on Watchfinder by collection in the France



are less than a year old and around half are new enough to have some of Rolex's 5-year warranty still remaining.

Submariners are comfortably the most popular models on Watchfinder when it comes to searches by customers. It is the

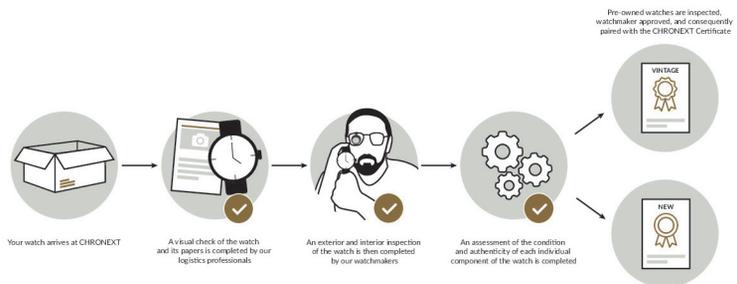
number one searched for model in the UK, USA, France and Germany over the 12 months to August, 2020, beating other Rolex collections by a considerable margin. In the UK, for example, there were 60,500 average monthly searches for the Submariner while

the Rolex Daytona was searched for on average 40,500 times per month and the Datejust 27,100. The only watch in the top five in the UK was the Patek Philippe Nautilus, with 14,800 monthly searches on average in the UK.

## CHRONEXT QUALITY STANDARDS AND AUTHENTICATION

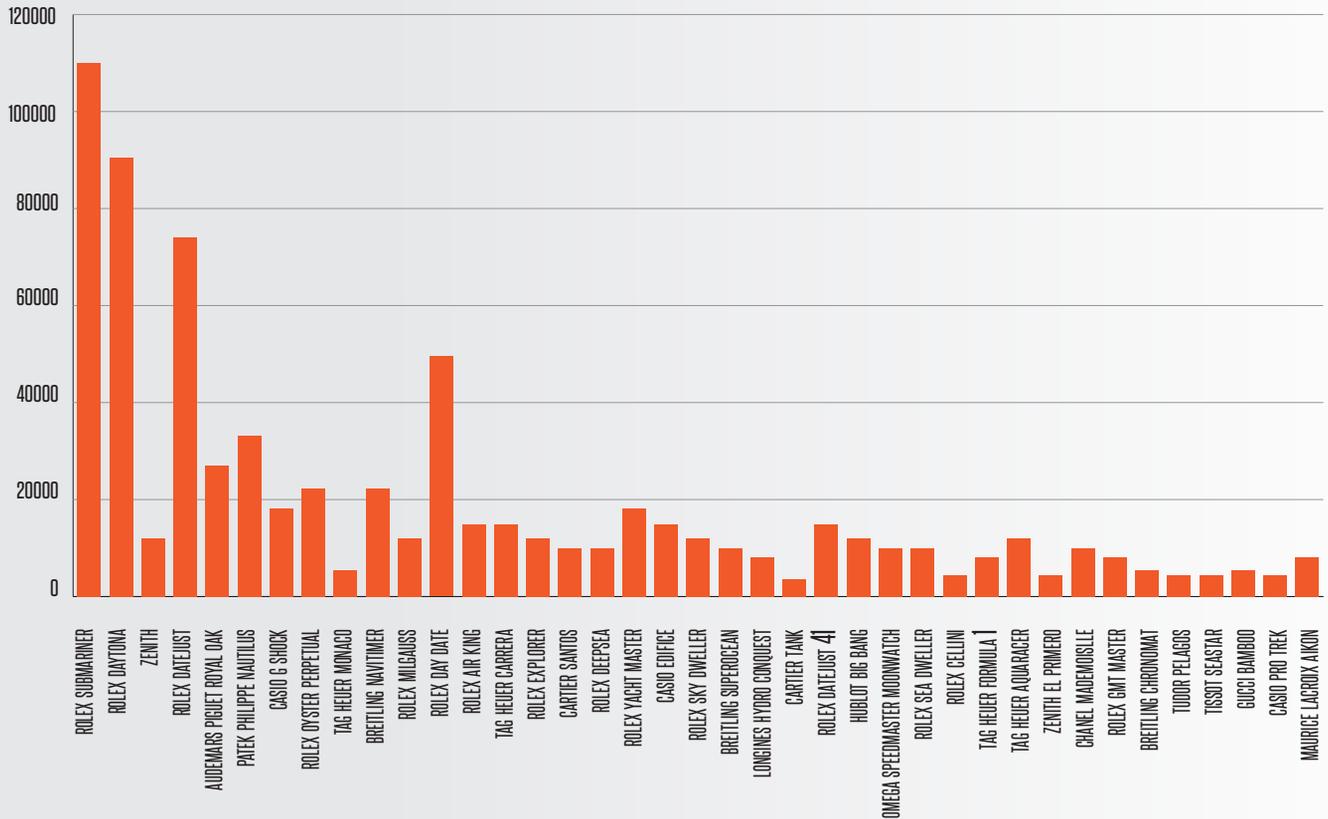
- CHRONEXT offers the highest standards of quality and security. CHRONEXT sources pre-owned watches from private sellers and official retailers. Every watch is checked on authenticity by one of the CHRONEXT in-house watchmakers
- Every single watch is opened by CHRONEXT's in-house master workshop and each component is checked for authenticity and quality by certified watchmakers. If necessary, a partial or full revision will be done. CHRONEXT only work with original parts from the manufacturers.
- CHRONEXT CPO watches get a like-new label, because all the watches are processed in our professional polishing department. Vintage models are not polished to preserve their natural patina and original case shape which makes them unique.

### WHAT THE AUTHENTICATION PROCESS LOOKS LIKE IN OUR CERTIFIED WATCHMAKING ATELIER



- In the last step the CHRONEXT certificate is added that provides customers with a 24 month warranty and even after the purchase, the company are still there to support the customer. For example, if a customer wishes to speak to a watchmaker, a Zoom call can be arranged.

## Searches on Watchfinder by collection in Germany



From the data supplied to WatchPro from both CHRONEXT and Watchfinder, Rolex dominates searches and sales at both companies. Patek Philippe's Nautilus and Audemars Piguet's Royal Oak are the only non-Rolex collections listed in the top five searches on Watchfinder in any of its major markets. Only in France, did AP's most popular reference make the top three of searches over the past year on Watchfinder.

CHRONEXT's business model has evolved over recent years as it has invested more in its workshop and service department to both check watches being sold on consignment, and also to service and refurbish older watches before issuing them with a new 2-year warranty. Shifting the balance from selling brand new watches to certified pre-owned is welcomed by the watch brands because they really only want new watches sold through their authorised dealers or direct to consumers through their own stores and ecommerce. CPO is considered more respectable, and watch maisons are more likely to work with those retailers, giving them the opportunity to have their workshops accredited, which in turn means they will have access to spare parts.

CHRONEXT's Mr Man says the ratio of

new to pre-owned watches is already tilting. "We still see an increased interest in certified pre-owned. We expect that the share of CPO as well as the total amount of sold CPO-luxury watches will continue to increase at an even faster pace in the years to come. In Austria and France the acceptance for CPO is the highest. We expect that markets like Germany will catch up soon. United Kingdom is already on its way," he reveals.

2020 was a fascinating year for the secondary market. The pandemic pushed far more customers to shop online for luxury watches and, once people are on the internet and away from the seductive embrace of a sumptuous authorised dealer's showroom, they are just a click away from the secondary market players where they can score unicorn watches they have zero chance of finding in the official dealerships. Those red hot watches may be selling at massive mark-ups to their recommended retail prices, but at least they are available. Or, the customer might look for a bargain and find watches that were over-supplied being offered at significant discounts.

The overwhelming majority of customers for luxury watches still choose the authorised dealer route, but there are considerable

upsides to seeking out certified pre-owned specialists with top notch workshops, as Mr Man explains. "There is often a price advantage. A CPO watch is always the better deal in terms of price, and no one will see that it's a used watch. Unlike other items of daily use, a watch can be restored to its original mint condition decades after it was made," he suggests.

"There is a better selection," Mr Man continues. "The CPO market provides access to an almost infinite selection of references, since many watches are no longer produced in certain variants. "And watches advertised are always available, unlike the listings on an authorised dealers' site where watches with intolerable waiting lists are displayed. CPO watches are always immediately available, meaning customers can skip the wait. Especially for the very popular Rolex sports watches, availability in the traditional retail market continues to be an issue. Luxury watch lovers search for direct availability and an uncomplicated buying experience. This is why more and more buyers turn to the online market as the best place to find the luxury watch they were looking for. Waiting lists and long term pre-orders are no option for them," he concludes. ↴