

ebay
& WatchPro
AUCTION REPORT

VOLUME 03

**TRUST, CONFIDENCE
& SUSTAINABILITY**



With vaccination rates rocketing and infections falling across the hardest-hit Western world, we can now be cautiously optimistic that this summer will see a return to freedom and a new normal emerging across our personal and professional lives.

It is a good time to take stock of what has been forever changed by the virus and what behaviours will snap back once certainty and confidence return.

Digitization of the luxury watch business looks irreversible. There are very few brands that still prevent their watches from being sold online, and even the likes of Rolex, Patek Philippe and Audemars Piguet are using digital marketing like never before. Their retail partners are just as familiar with the power and influence of Instagram, WhatsApp and YouTube.

Customers have crossed the Rubicon on buying expensive watches online without ever seeing them in the metal, and they will never again be fearful of the process, even if they still prefer to sit down in a sumptuous salon to try on several timepieces over a glass of champagne.

The details of how this transformation of the retail landscape took place is of secondary importance to the trust and confidence that underpins it. Technology will continue to improve, services will be developed and the pre-owned market will fracture in some areas and consolidate in others. There will be those that thrive and those that flounder as the sector continues to evolve, but it will continue to grow as long as trust and confidence among businesses and consumers continues to flourish.

Here at eBay, we have been working for 25 years to make sure we constantly delight buyers and sellers. A relentless focus on trust, confidence and convenience is critical to that mission.

This is why last year we introduced the Authenticity Guarantee for any watch sold for over \$2,000 in the United States, and have begun extending the offer to other countries, starting with Japan. This has proved incredibly successful, with both buyers and sellers loving the reassurance it gives them that a watch is just as it is described.

The launch of our escrow service is another valuable step. Now, for any watch sold for over \$10,000, escrow allows buyers and sellers an added convenience via trusted third party Escrow.com holding funds securely until the transaction is complete.

We are not alone in working to improve trust for trading watches online. The biggest names in the luxury business are staking their own hard-earned reputations on creating confidence for pre-owned goods. Trust takes decades to develop and a moment to lose, so investing relentlessly yet thoughtfully is paramount to success.

*Tirath Kamdar,
GM of Luxury, eBay, Inc.*

TRUST, CONFIDENCE AND SUSTAINABILITY

INVESTING IS ALWAYS ABOUT A BALANCE BETWEEN RISK AND REWARD. TEN YEARS AGO, THE RISK OF BUYING EXPENSIVE WATCHES ONLINE WAS FAR TOO GREAT FOR THE VAST MAJORITY OF CUSTOMERS, PARTICULARLY GIVEN THE FACT THAT VERY FEW REFERENCES WERE LIKELY TO RISE IN VALUE. THAT SITUATION IS TRANSFORMED TODAY WITH INCREASING NUMBERS OF WATCHES RISING IN PRICE ON PLATFORMS LIKE EBAY AT THE SAME TIME SERVICES LIKE AN AUTHENTICITY GUARANTEE AND ESCROW ALLOW FOR ADDED CONVENIENCE TO BUYERS AND SELLERS. DIGITAL PLAYERS ARE SETTING THE PACE IN THIS RAPIDLY GROWING MARKET, BUT TRADITIONAL AUCTIONEERS ARE ADAPTING FAST AND BIG MONEY FROM THE LIKES OF RICHMONT, KERING, BUCHERER AND THE WATCHES OF SWITZERLAND GROUP IS DEMONSTRATING HOW MUCH CONFIDENCE THERE IS IN THE FUTURE OF LUXURY PRE-OWNED WATCHES AT RETAIL AND AUCTIONS.

With physical sale rooms forced to close over the past year, traditional auctioneers ramped up their online offering at a speed more associated with Silicon Valley than Bond Street's historical houses.

The transition to digital sales meant the likes of Phillips, Sotheby's, Bonhams, Antiquorum and Christie's could continue trading, but overall sales still dropped by 19% to CHF 316 million (including fees) including physical and online auctions held around the world.

Across the big five auctioneers, there were 189 sales last year, up from 66 in the pre-pandemic world of 2019, with the increase in frequency entirely down to more online auctions.

2021 is looking like a year of transition back to some sort of normality, but no major auction will take place without the ability to bid online, and the days when serious collectors could only raise their hands in a sale room are gone.

Also confined to history is a sort of snobbery or at least sniffiness that labelled online players as somehow inferior to

auctioneers teeming with horologists, archivists, historians and other experts. The market for the best vintage or contemporary luxury watches is so hot right now, that collectors will relentlessly scour the internet for a key piece for their collection or an opportunity to acquire a watch for a little under market value.

While venerable auction houses rushed to digitize, Silicon Valley's finest (and their contemporaries in Europe, Asia and the rest of America) have invested heavily to build the sort of trust that customers need if they are to part with five, six or even seven-figure sums online.

eBay's Authenticity Guarantee, which launched last year, is just one example. It was introduced first in the United States, and was so successful it was described as a key highlight of a record year for the auction and marketplace platform in the 2020 end of year financial report for the entire enterprise.

Authenticity Guarantee covers watches sold for more than \$2,000 and sees each piece undergo a physical check by experts on its way from a seller to a buyer. The service has already been extended to Japan, and the corporation is promising additional

markets will roll out this year.

"In the US, the new experience is driving material growth. The company's luxury watch category experienced a double-digit increase from Q3 to Q4," eBay's full year report for FY 2020 described.

That has continued into this year with luxury watch sales growth accelerating from 16% in Q4 to 38% in Q1 in the US. Data shared exclusively with WatchPro reveals that for the first quarter of 2021, sales of all luxury watches priced at over \$2,000, and therefore covered by the Authenticity Guarantee, grew by 35% year on year.

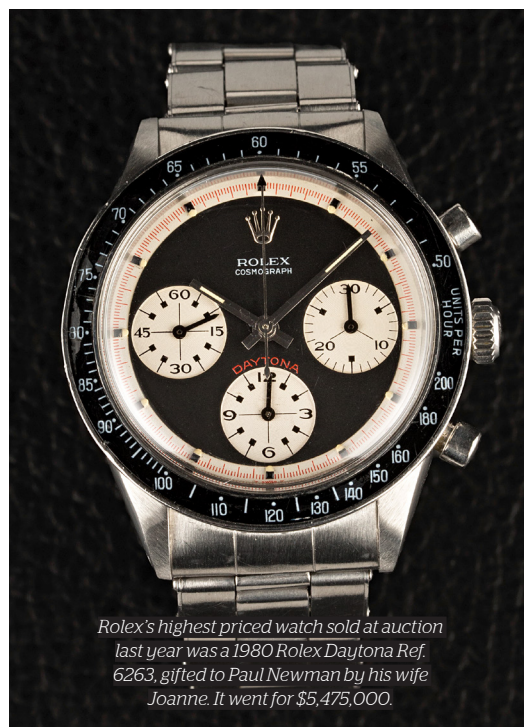
Over the same period, sales of watches worth over \$2,000 increased by 37% for Rolex watches and by 19% for Panerai pieces.

Authenticated watch inventory is driving high customer satisfaction levels, driving watch sellers to list more items and see higher price realization, and buyers are visiting eBay more often and spending more, the company says.

With eBay's additional layer of trust and confidence, sales of less expensive watches that are not covered by the Authenticity Guarantee increased. Sales of Tissot watches



The highest price paid in 2020 was at the Geneva Watch Auction XII, where a Patek Philippe Ref. 2523/1 pink gold dual crown watch with guilloché dial sold for CHF 4,991,000.



Rolex's highest priced watch sold at auction last year was a 1980 Rolex Daytona Ref. 6263, gifted to Paul Newman by his wife Joanne. It went for \$5,475,000.

priced between \$500 and \$1,999, for example, increased by 72% in Q1 of this year compared to the first three months of 2019.

"As you saw in our results, we are seeing strength in the luxury business. Authenticity Guarantee has been extremely important to us as part of a broader program of additional services that improve the customer experience," says eBay general manager for luxury Tirath Kamdar.

Trust is only part of the equation when it comes to improving performance for eBay and is just one tool in a relentless pursuit of rising customer satisfaction.

"We send out a customer satisfaction survey to every customer that has bought a watch and ask them how their experience was and what we could do better. We look at those surveys on a weekly basis, because we want to improve instantly, all the time. I can tell you that our customer satisfaction scores improved from before we launched the Authenticity Guarantee to afterwards. That shows us that we are doing something right," Mr Kamdar suggests. "eBay has been going for 25 years, but what you are seeing

now is a very new eBay, particularly with watches and the wider luxury category. What excites me most is that we are only at the start for this new eBay," he adds.

A close cousin to trust is confidence, and it is confidence that has been the greatest catalyst for growth in the pre-owned market in recent years. A decade ago, only the rarest and most complicated vintage timepieces had significant investment potential. Now people are feeling confident they can make money on scores of references.

The pre-owned watch market is often likened to the used car sector, but when it comes to the influence

of confidence, it is more like the stock market where shares rise in value based on how a business is expected to perform in the future. Confidence in stocks of a particular company is normally (not always) based on meticulous research into past performance and how much the market believes forecasts for the future. This type of information was impossible to find a decade ago, but transparency, at least on past performance, is a click away today and even armchair experts can get an instant feel for the market value of popular models by browsing prices online.

The infrastructure, expertise and data required to create a trusted market for tradeable timepieces will continually improve, but it is good enough today for watches to be considered a robust asset class for investors.

This trusted market is stimulating demand even more, and leading to innovations in the watch industry that have been commonplace in other sectors for many years. Fractional ownership, for example, is beginning to emerge for watches, according to Mr Kamdar, who thinks

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the opportunity will attract even more people to the market because the cost of entry will be lower. "More and more people are realising the investment potential of watches and other rare collectibles, which is why you are seeing the emergence of concepts like fractional investments, so people can buy into funds that are acquiring pieces with the potential to rise in value," he explains.

"The trading cards market is one that has benefited greatly from this. In the past, it would not have been possible for somebody to buy a fraction of a \$100,000 card, but now we have a world where companies offer fractional investment opportunities so people can buy, hold and resell at a profit," he adds.

Funds for fractional ownership of watches ought to be managed by experts who will study the market for news that will affect the value of watches in the future. This can dramatically improve the performance of a fund if, for example, they invest in watches like the blue dialled steel Nautilus 5711 before it is discontinued.

"Luxury is starting to really take off, and watches are a big part of that because we have seen values skyrocket. Look at what happened earlier this year with the Nautilus 5711. We saw its value shoot up as rumors were confirmed that it would be discontinued. That is just one example. There are a lot of watches that collectors have bought in the past and might want to sell, but there is only a small market for expensive pieces that are twenty, thirty, fifty thousand dollars. Fractional investment could open up the market for these watches because individuals might only need to commit \$500 or \$1,000 to part own a watch or a bunch of watches," Mr Kamdar predicts.

Fractional ownership can be an enjoyable hobby. Just look at the horse racing market where thoroughbreds are often owned by syndicates who do it as much for the love of the sport as for the return on their investment. This should be true for watches. "It is far

EBAY PROTECTS PAYMENTS ON LUXURY WATCH TRANSACTIONS OF OVER \$10,000

Close to 8 million luxury watches were listed for sale on eBay in 2020, the company has revealed. eBay sold more than 200K luxury watches in 2020, 7K of which were priced above \$10K.

The entire Swiss watch industry exports around 20 million watches per year.

Rolex is thought to make around 1 million watches per year. eBay has 1.2 million daily live listings of luxury watches.

You get the idea. eBay's luxury watch operation potentially dwarfs every other retail group or watch brand in the world, and it is not done yet.

Last year the company launched an Authenticity Guarantee in the United States and Japan, which means every watch priced at over \$2,000 will be physically checked by experts on its way from a seller to a buyer.

This week it has added escrow to marketplace payment options for luxury watches selling for over \$10,000, holding funds securely until the transaction is complete.

At checkout, if a shopper decides to purchase a qualifying luxury watch using escrow, they will be directed from eBay to escrow.com's website where they will receive step-by-step instructions for creating an account. Both buyers and sellers must have an account in order to send and receive payments; it is a one-time process and all data is privately shared between Escrow and the buyer or seller.

The buyer funds an account via wire transfer or ACH electronic check, which is

managed by escrow.com as an intermediary. Funds are released by the third party to the seller once the item is received by the buyer in the condition described in the listing and terms of the transaction agreement are met to the satisfaction of both parties. In the case of a return, this allows sellers five days to inspect the merchandise and release funds to customers if the merchandise matches the original condition.

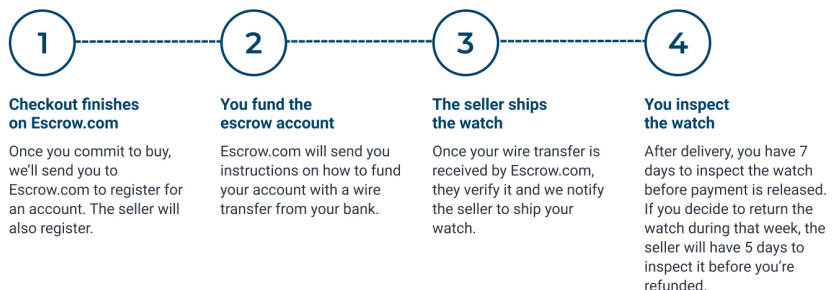
After receiving their watch from the authenticator, the buyer will have up to seven days to inspect and examine the watch before accepting the item. Once accepted, or if the seven-day inspection period has passed, returns will not be available. In the event of a return, the watch is shipped back to the third party for verification and funds are then released to the customer if the merchandise matches the original condition.

"We are changing the way people buy and sell luxury items on eBay," says Tirath Kamdar, general manager of Luxury at eBay. "When it comes to high value watches and other significant purchases, consumers expect additional assurances. eBay is committed to providing the best experience, from start to finish, and our new offerings will continue to deliver on that promise."

Since launching its Authenticity Guarantee last year, more than 7,000 luxury watches priced at more than \$10,000 were sold on eBay.

Nearly 80,000 new, pre-owned and vintage watches are marked with the Authenticity Guarantee badge on eBay.com.

How it works



more fun to combine their passions with their investments. If they are passionate about watches they can bring together a love of collecting with an opportunity to invest and make money. This is one reason why the market is growing so fast for collectible goods," Mr Kamdar suggests.

Giant luxury businesses like Richemont and Kering once viewed the secondary market for their prestigious brands to be a wild, unregulated and undesirable part of the market. That has been turned on its head in recent years with money pouring in from these groups, partly as rational investment in a fast-growing sector, but also as a way of accelerating their knowledge for a market they had until recently shunned.

Richemont's acquisition of Watchfinder is the most obvious example, but we have also seen Kering, parent company of Gucci, Giarard-Perregaux and Ulysse Nardin, buy a foothold in the space with a \$216 million investment in French

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luxury resale site Vestiaire Collective. This followed an undisclosed sum invested into secondary market platform GOAT in January. Kering has also been active with The RealReal through an official partnership

between the platform and Gucci. "Pre-owned luxury is now a real and deeply rooted trend, especially among younger customers," said François-Henri Pinault, CEO of Kering. "Rather than ignoring it, our wish is to seize this opportunity to enhance the value we offer our customers and influence the future of our industry towards more innovative and more sustainable practices. This fits naturally with our entrepreneurial spirit, our pioneering sustainability strategy and our modern vision of luxury," he added.

Retailers are also piling in. Only a few years' ago, most stores would have accepted trade-ins as part exchange for new watch sales, but had little interest beyond that. Now, pre-owned is mainstream, particularly in the United States where the likes of Tourneau (owned by Bucherer) say second hand watches are their second biggest earners after Rolex.

That has encouraged Bucherer to invest heavily in pre-owned in Europe. An entire floor of its Geneva flagship is devoted to buying and

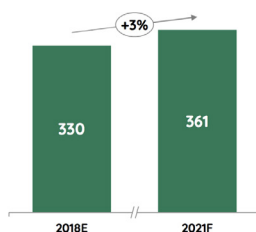
MILLENNIALS DRAWN TO SUSTAINABILITY STORY OF SECOND HAND LUXURY

A professionally managed pre-owned component to a watch business is a valuable way to engage with new, often younger, customers. Rather than feel threatened, brands and retailers should recognize pre-owned luxury as a valuable customer acquisition channel. 73% agree or strongly agree that they buy more expensive brands in the second hand market (up to 74% in Young Millennials and 81% in Older Millennials). Moreover, 65% agree or strongly agree that they discover new brands through the 2nd hand market (up to 70% in Young Millennials and 75% in Older Millennials).

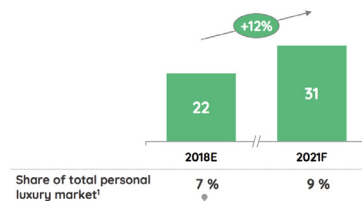
Brands have options for participating in the pre-owned market: 70% of consumers

Luxury 2nd-hand market estimated at 22 B€ and growing faster than overall personal luxury...

Total personal luxury market size (B€)



2nd-hand luxury market size (B€)



would like to purchase pre-owned products directly through brands, 68% would like to products in mono-brand stores and 74% would like brands to certify second hand products.

Purchasing new luxury goods is not the only way consumers engage with the luxury market. 16% of consumers have rented a luxury item in the last 12 months,

25% have purchased a second hand luxury item and 33% have sold a pre-owned luxury item, according to Boston Consulting Group and Altgamma True-Luxury Global Consumer Insight Survey. "We expect all of these trends to rise over the coming years, even if they might be halted temporarily by recent events linked to Covid-19," the study suggests.

selling watches, and the group's newest store in London's Covent Garden also has an area dedicated to pre-owned. Prestons, which has four UK boutiques dedicated to Rolex and Patek Philippe, just opened a dedicated pre-owned boutique in Leeds.

The Watches of Switzerland Group acquired vintage watch specialist Analog Shift last year and Hodinkee bought Crown & Caliber. These represent bets worth tens of millions of dollars in the future growth of pre-owned.

LVMH, parent company of Bulgari, TAG Heuer, Zenith and Hublot, has so far taken a watch and wait approach, but this could be the year it gets active. "It's an economy that exists, that's growing in importance, so we're looking at it carefully," LVMH's head of communication, Antoine Arnault, told Vogue Business back in December.

Transitioning from a small number of physical auctions per year to hundreds of online sales throughout the pandemic is creating markets within markets for the venerable auction houses. Everything can be bought online, but high frequency timed auctions are emerging as a high growth opportunity for less expensive watches while the wealthiest collectors of the rarest and most prestigious watches in the world still look forward to bidding in person at sale rooms in Geneva, Hong Kong, London and New York. There are signs that the major spring and fall auctions this year will be the biggest yet since many of the most exciting watches were held back last year.

Christie's Hong Kong is expecting to smash the world record for a single watch auction held in Asia this month when its optimistically titled Auction of the Decade takes place on Saturday, May 22. Six Patek Philippe watches, alone, have valuations of well over \$1 million.

Christie's has split its Hong Kong auction into afternoon and evening of May 22 events. The more exclusive evening sale, titled Legends of Time, has 18 watches that are expected to generate total sales of over \$25

million. "Asia is poised to witness a new record for the watch market in the region. The evening sale, with 18 fabulous lots that are true 'Legends of Time,' will be the auction event of the decade, and a once-in-a-lifetime opportunity to see some of the most remarkable watchmaking creations ever," says Alexandre Bigler, vice president and head of watches, Christie's Asia Pacific.

Trust, confidence, high finance and stratification are all signs of the pre-owned retail and auction market reaching a new level of maturity. There is a long way to go before this settles down, and the pandemic year has created even more choppiness.

However, professional collectors, enthusiasts and investors can now safely assume we are past the Wild West phase when missteps can be fatal, and into a period where a reasonable level of research will protect most people from losing their shirts.

Investing more safely does not mean guaranteed profits. That takes more of an expert eye for watches that are undervalued now and will rise in price over the coming years. Vanity Fair's On Time watches publication is a useful source for tips, with auctioneers giving advice on watches to buy, sell or hold.

Jonathan Darracott, world-wide head of watches for Bonhams suggests buying from boutique brands that are yet to rise but are producing true in-house watches; Stefan Muser, owner of German auctioneer Dr. Crott, is expecting vintage tool watches from producers like IWC and Zenith because they have not yet risen in price; Julien Schaerer, managing director of Antiquorum Geneva, thinks there is value in modern complications from Breguet, Cartier and Patek Philippe.

Several of the experts on the Vanity Fair panel appear to think the bull run on today's hottest watches may have plateaued.

It is time to sell F.P. Journe, Patek Philippe's Nautilus 5711 and tool watches from Rolex, they suggest, not because prices are set to fall, but



ONLY WATCH 2021

The ninth edition of Only Watch, which auctions unique timepieces to raise money for research into Duchenne Muscular Dystrophy, will take place at Christie's on Saturday, 6 November 2021.

The biennial auction has raised €70 million for the charity since 2005 while becoming one of the most keenly awaited events on the international horological calendar, particularly after setting a new world record price of \$31 million for a unique Patek Philippe Grandmaster Chime.

Fifty leading watchmakers are designing one of a kind references for the auction, and often boost their desirability with money-can't-buy experiences alongside the watches.

This year's Only Watch auction is being run by Christie's under the patronage of Prince Albert II of Monaco. It is organized by its founder Luc Pettavino, president of the Association Monégasque Contre les Myopathies, which is researching for treatments for Duchenne Muscular Dystrophy, a condition that took the life of his son Paul, who passed away in November 2016 at the age of 21.

because they may have reached their peak.

2021 is shaping up as a record year for luxury watches at auction and on the wider secondary market. Digitization has not displaced sales through retail or auction, but augmented it. Details of the watches lined up for the major spring auction season show collectors and the industry are ready to start selling the very best pieces after a year's hiatus, and that is before we get to the biennial Only Watch charity auction, which takes place on November 9. The last Only Watch event in pre-pandemic 2019 set a new world record of \$31 million for a unique Patek Philippe Grandmaster Chime. ↕