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INVISIBLE HAND How Top Watchmakers Intervene in Auctions

Luxury Timepieces Get Pumped Up in Bidding; 'It's a Bit Dangerous'

By STACY MEICHTRY October 8, 2007; Page A1

GENEVA -- In the rarefied world of watch collecting, where Wall Street investment bankers and Asian millionaires buy and sell at auctions, a timepiece can command a higher price than a luxury car.

Watch magazines and retailers hailed the sale, at an auction in the lush Mandarin Oriental Hotel on the River Rhone. Omega trumpeted it, announcing that a "Swiss bidder" had offered "the highest price ever paid for an Omega watch at auction."

What Omega did not say: The buyer was Omega itself.

Demand and prices for expensive watches have been surging, fed by global economic growth. But there's another factor behind the prices: an alliance between watchmakers and a Geneva auction house called Antiquorum Auctioneers.

Antiquorum sometimes stages auctions for a single brand, joining with the watchmakers to organize them, in events at which the makers often bid anonymously. This is a technique of which Patek Philippe and other famous brands, as well, have availed themselves.

"It's an entirely different approach to promoting a brand," says the cofounder of Antiquorum, Osvaldo Patrizzi, "Auctions are much stronger than advertising." Mr. Patrizzi worked with Omega executives for two years on the auction, publishing a 600-page glossy catalog and throwing a fancy party in Los Angeles to promote the event. "We are collaborators," he says.

But now there's ferment in the world of watch auctions. First, they're starting to raise ethical questions, even within the industry. "A lot of the public doesn't know that the biggest records have been made by the companies themselves," says Georges-Henri Meylan, chief executive of Audemars Piguet SA, a high-end Swiss watchmaker. "It's a bit dangerous."

More unsettling, Antiquorum's Mr. Patrizzi, who essentially founded the business of watch auctions, is under fire by the house he cofounded. Its board ousted Mr. Patrizzi as chairman and chief executive two months ago -- and hired auditors to scour the books.

The business of auctions for collectibles is not a model of transparency. The identities of most bidders are known only to the auction houses. Sellers commonly have a "reserve," or minimum, price, and when the bidding is below that, the auctioneer often will bid anonymously on the seller's behalf. However, the most established houses, such as Christie's International PLC, announce when



Auctioneer Osvaldo Patrizzi, president and cofounder of Antiquorum, left, and Stephen Urquhart, president of Omega, at the Omegamania auction in Geneva on April 15.

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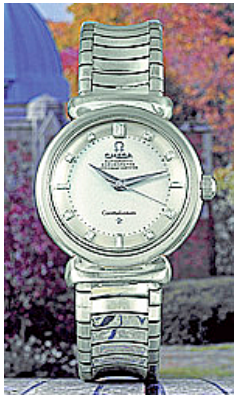
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the seller of an item keeps bidding on it after the reserve price has been reached.



Omega

Omega's president, Stephen Urquhart, says the company is not hiding the fact that Omega anonymously bid and bought at an auction. He says Omega bought the watches so it could put them in its museum in Bienne, Switzerland. "We didn't bid for the watches just to bid. We bid because we really wanted them," he says. Omega's parent, [Swatch Group Ltd.](#), declined to comment.

Through the auctions, Swiss watchmakers have found a solution to a challenge shared by makers of luxury products from jewelry to fashion: getting their wares perceived as things of extraordinary value, worth an out-of-the-ordinary price. When an Omega watch can be sold decades later for more than its original price, shoppers for new ones will be readier to pay up. "If you can get a really good auction price, it gives the illusion that this might be a good buy," says Al Armstrong, a watch and jewelry retailer in Hartford, Conn.

Niche watchmakers have used the auction market for years to raise their profiles and prices, mainly among collectors. As mainstream brands like Omega embrace auctions, increasing numbers of consumers are affected by the higher prices.

Omega and Antiquorum got together at the end of 2004. The watchmaker was struggling to restore its cachet. Omega once equaled Rolex as a brand with appeal to both collectors and consumers, but in the 1980s, Omega sought to compete with cheap Asian-made electronic quartz watches by making quartz timepieces itself. Omega closed most of its production of the fine mechanical watches for which Switzerland was famed, tarnishing its image.

A decade later, Omega tried to revive its luster by reintroducing high-end mechanical models. It raised prices and signed on model Cindy Crawford and Formula 1 driver Michael Schumacher for ads. When this gambit failed to lure the biggest spenders, Omega turned to a man who could help.

Mr. Patrizzi, 62 years old, had gone to work at a watch-repair shop in Milan at 13 after the death of his father, dropping out of school. He later moved to the watchmaking center of Geneva, at first peddling vintage timepieces from stands near watch museums.

He founded Antiquorum, originally called Galerie d'Horlogerie Ancienne, in the early 1970s with a partner. At the time, auctions of used watches were rare, in part because it was hard to authenticate them. But Mr. Patrizzi knew how to examine the watches' intricate movements and identify whether they were genuine.

At first, prominent watchmakers were wary. Mr. Patrizzi approached Philippe Stern, whose family owns one of the most illustrious brands, Patek Philippe, and proposed a "thematic auction" featuring only Pateks. The pitch: Patek would participate as a seller, helping drum up interest, and also as a buyer. A strong result would allow Patek to market its wares not just as fine watches but as auction-grade works of art.

The first Patek auction in 1989 featured 301 old and new watches, with Mr. Patrizzi's assessments, and fetched \$15 million. Mr. Stern became a top Patrizzi client, buying hundreds of Patek watches at Antiquorum auctions, sometimes at record prices. The brand's retail prices soared. Over the next decade, the company began charging about \$10,000 for relatively simple models and more than \$500,000 for limited-edition pieces with elaborate functions known in the watch world as "complications."

Patek began promoting its watches as long-term investments. "You never actually own a Patek Philippe," ads read. "You merely look after it for the next generation." Mr. Stern says he bid on used Patek watches as part of a plan to open a company museum in 2001. Building that collection, he says, was key to preserving and promoting the watchmaker's heritage, the brand's most valuable asset with consumers. "Certainly, through our action, we have been raising prices," he says.

Auctions gradually became recognized as marketing tools. Brands ranging from mass-producers like Rolex and Omega to limited-production names like Audemars Piguet and Gerald Genta flocked to the auction market with Antiquorum and other houses. Cartier and Vacheron Constantin, both owned by the Cie. Financière Richemont SA luxury-goods group in Geneva, have starred in separate single-brand auctions organized by Mr. Patrizzi.

"Patek opened a lot of doors for us, but we also opened a lot of doors for Patek," he says.

Brands began to vie for his attention, sending Mr. Patrizzi watch prototypes to assess and, they hoped, occasionally wear. They hired his assistants at Antiquorum as their auction buyers, cementing ties. "He was a kind of spiritual father for me," says Arnaud Tellier, who worked under Mr. Patrizzi before becoming Patek's main auction buyer and director of the Patek museum.

Friends describe Mr. Patrizzi as a rare intellectual in a market with many coarser types. Guido Mondani, a book publisher and watch collector who met Mr. Patrizzi two decades ago, says he was charmed by the auctioneer's encyclopedic knowledge of watch history. Mr. Patrizzi began advising the publisher on which watches to add to his own growing collection, and wrote volumes on collectible watches that Mr. Mondani published.

Mr. Patrizzi discovered a rare defect in a Rolex Daytona owned by Mr. Mondani: Its dial was sensitive to ultraviolet rays and could change color. The result was a sensation in the collector's world, with the price of what became known as the Patrizzi Daytona reaching nearly 10 times its retail price. Last year, Antiquorum auctioned Mr. Mondani's Rolex collection for about \$9.4 million at current exchange rates.

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Mr. Patrizzi himself amassed a collection of antique cuckoo clocks and grandfather clocks, which grace his home in Monaco. He recently built an Alpine chalet near the chic French village of Megève and filled it with clocks dating as far back as the 15th century.

When he spoke to Omega executives at the end of 2004, Mr. Patrizzi felt that an Omega-only auction might be what the brand needed to revive its image. There was one problem. Antiquorum couldn't vouch for the authenticity of watches that are mass-produced; since they are worn more, their watch movements have often been opened and tampered with in the course of repair. So in an unusual arrangement, Omega agreed to guarantee the authenticity of all watches sold at the auction, and refurbish those needing it beforehand. Omega supplied vintage timepieces from its own collection for the sale.

To build interest, Mr. Patrizzi and Omega officials traveled to 11 cities, hosting events such as a flashy party at the Beverly Wilshire Hotel with celebrities such as actors Charlie Sheen and Marcia Gay Harden. Antiquorum and Omega joined in publishing the huge, glossy auction catalog. When the sale, dubbed "Omegamania," took place in April, it was shown on jumbo screens at the BaselWorld watch fair and streamed live on the Internet for online bidding.

It brought in \$5.5 million. Besides the \$351,000 platinum watch, Omega outbid collectors on 46 other lots, including many of the most expensive. Mr. Patrizzi estimates Omega bid on 80 lots in all, out of 300.

A Singaporean collector, told of Omega's role, called it "heinous." Melvyn Teillol-Foo, who bid over the Internet and bought a few pricey watches, added: "If it turns out they bid against me and got me to \$8,000, I would be ticked off."

The auction is boosting retail demand just as Omega is introducing pricier models, says a Seattle retailer, Steven Goldfarb. He says his top-selling Omegas used to be \$1,400 models, but Omegas costing three times that are selling now. "Customers are conscious of the fact that an Omega watch sold for \$300,000," he says. "They have no idea who bought it."

But just as Mr. Patrizzi basks in one of his big successes, his position in the industry is at risk. On Aug. 2, as he vacationed during a traditional holiday time for the industry, Antiquorum's board met and voted him out as chairman and chief executive of the auction house he cofounded. Mr. Patrizzi, who owns a minority stake in the firm, says he learned of his ouster from lieutenants who were locked out of the company's Geneva headquarters the day of the meeting, and later fired.

Named interim chief was Yo Tsukahara, an executive at ArtistHouse Holding, a Tokyo company that owns 50% of Antiquorum. ArtistHouse then formed a different Antiquorum board. Mr. Tsukahara hired auditors from PricewaterhouseCoopers to scour Antiquorum computers, financial records and inventory. Pricewaterhouse wouldn't comment.

Mr. Patrizzi's "thematic auctions" for a single brand of watches weren't an issue, Mr. Tsukahara says in an interview. They were a "win-win situation," he says.

Mr. Patrizzi's relations with ArtistHouse had been worsening for a year. One issue was his resistance to adopting more rigorous accounting in compliance with the Tokyo Stock Exchange. Mr. Patrizzi opposed an ArtistHouse push to replace Antiquorum's accountants, according to Leo Verhoeven, a Patrizzi ally and an executive at Habsburg Feldman, a Geneva company that owns 43% of the auction house.

Mr. Verhoeven adds that when Mr. Patrizzi stuck to the watch industry's summer holiday schedule of mid-July to mid-August, he caused a timing issue for ArtistHouse, which landed on a Tokyo Stock Exchange list for companies that don't report earnings promptly enough. Mr. Tsukahara blames the delay on Antiquorum, saying that auditors were unable to account for several high-priced watches during an inventory check, forcing ArtistHouse to write off their value.

Mr. Patrizzi denies watches were missing. Giving Mr. Patrizzi's version, Mr. Verhoeven says two watches were consigned to retailers and two were sold in private sales that hadn't yet been booked because of an accounting backlog. Messrs. Patrizzi and Verhoeven say they have sought preliminary injunctions in a Geneva civil court challenging the legitimacy of Mr. Tsukahara's newly created board.

Mr. Patrizzi says that days before his ouster, he sensed trouble was brewing. The line of antique cuckoo clocks on the wall of his Alpine chalet went "a bit out of whack," he says. "One was 10 minutes too fast. Another was 10 minutes too slow. I said, 'Oh God, something is about to happen.'"

Going Once ... Going Twice ...

Some examples of the timepieces that have gone at auction



1939 Patek Philippe Platinum Minute Repeater*, sold at an Antiquorum auction for **\$1,658,730**.
BUYER: Philippe Stern, owner Patek Philippe



1923 "Officier" gold Patek Philippe wristwatch sold for **\$1,918,387** at an Antiquorum auction.
BUYER: Middle Eastern Collector



A 1930s Patek Philippe platinum wristwatch sold for **\$228,900** at an Antiquorum auction.
BUYER: Philippe Stern, owner Patek Philippe



Eugène D. Hirsch Patek Philippe wristwatch sold at an Antiquorum auction for approximately **\$350,000**.
BUYER: Philippe Stern, owner Patek Philippe



Triple date Patek Philippe wristwatch sold at an Antiquorum auction for **\$1,169,555**.
BUYER: Philippe Stern, owner Patek Philippe



Patek Philippe 18K gold wristwatch sold by auction house Phillips de Pury & Co for **\$1,911,770**.
BUYER: Philippe Stern, owner Patek Philippe



1950s Omega watch sold for **\$351,000** at auction at Antiquorum last month.
BUYER: Omega

Photos: Patek Philippe Museum unless otherwise noted *NOTE: Picture does not depict original platinum band

--Miho Inada in Tokyo contributed to this article.

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