

WATCHES AND JEWELRY

## Luxury watchmakers lead the way in owning pre-owned business

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*Omega has launched a Certificate of Authenticity program for vintage watches. Image courtesy of Omega*

By SARAH JONES

A growing number of watchmakers are launching brand operated secondhand services and sales, taking ownership of a piece of the booming market for pre-owned watches.

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While certified pre-owned retail is a common practice in the automotive industry, it is expanding to personal luxury goods as watch houses debut authenticated vintage timepieces. As watchmakers embrace secondhand luxury, is there a potential for other categories to follow their lead?

"There's a big demand for true certified pre-owned programs sponsored by the brands because of the growing secondary market for watches," said Reginald Brack, watches and luxury industry analyst at [The NPD Group](#). "It's a huge, growing, ever expanding marketplace, and I think just like the car business evolved into having their own brand-sponsored certified pre-owned, I think we'll see that evolution with watches as well."

"No one thinks twice to look and see that used car dealership right next to the new one," he said. "A lot of times it's two separate customers."

### Certified pre-owned

According to Bain, the secondhand jewelry business makes up the lion's share of the pre-owned personal luxury goods market, which has grown about 9 percent each year since 2015. In 2018, watches and jewelry accounted for 80 percent of the total \$24 billion secondhand market, compared to fashion's 20 percent.

"The secondary market represents a substantial revenue opportunity for the major brands, who up until now have given away this revenue to independent, non-affiliated companies and jewelers," said Fred Reffsin, president of [Brandgrowth](#), a New York-based brand strategy firm. "This market is somewhat unique to the watch category given the appreciation at the higher end, limited production of in-demand brands, an extensive collector after-market business and the ability to restore products to close to their original quality."

"Over the past years as the economy has impacted luxury brands overall, the secondary/used market for other categories may have grown, but this has been more about individual products than brands as a whole," he said.

Given the growing demand for pre-owned timepieces, luxury brands are taking ownership of some elements of the secondhand sale journey.

Most recently, Omega has debuted a pre-owned authentication service for vintage timepieces. Announced on Oct. 14, the program centers on Omega watches that are at least 30 years old.

Consumers can take their watch to Omega's headquarters in Switzerland or 12 Omega boutique locations around the globe. From there, the watch will be sent to the Omega Heritage Team, which will inspect the timepiece and provide a Certificate of Authenticity if the watch qualifies.

The service costs 800 Swiss francs, or about \$800 ([see story](#)).

According to Mr. Brack, Omega's choice to focus on timepieces that are at least three decades old makes the program complementary rather than competitive with watches it is currently selling.

Previously, other brands have sought to provide a level of transparency surrounding vintage or pre-owned watches.

Vacheron Constantin also offers a certification process for vintage watches. In addition to inspecting and providing proof of authenticity, the watchmaker has begun to retail heritage watches through its Les Collectionneurs collection.

"It's not just about the aesthetics, it's actually the mechanics of the watch as well," Mr. Brack said. "So many times over the watch's lifetime, parts of the movement have been replaced with incorrect parts, and maybe the functionality is not operating as it should.

"So once you buy that certified pre-owned from that brand, that manufacturer, it just takes the guesswork out of it," he said.

Since May 15, Vacheron Constantin has been making blockchain identification available to owners of its Les Collectionneurs collection timepieces.

The digital identity enables clients to anonymously prove that they own a particular watch, helping with actions such as insuring the timepiece or reselling it. They can also use the blockchain to identify the watch as lost or stolen ([see story](#)).



*Vacheron Constantin is using blockchain to authenticate vintage watches. Image credit: Vacheron Constantin*

F.P. Journe's Patrimoine program similarly retails models that are no longer in production. The watchmaker repurchases timepieces, restores them and sells them to consumers.

Standing behind the pre-owned watches, F.P. Journe provides a three-year warranty on Patrimoine purchases.

"When [watchmakers are] only dealing with their own brands, there really isn't that much risk because they're putting something back into the marketplace that they vetted, that they originally sold," Mr. Brack said. "And so if it's a vintage customer who's buying it who may not look at new products, at least you're keeping that customer excited about your brand. I think it's a way to keep customers close and to not turn away business."

According to a report in [Reuters](#), Swiss watchmaker Audemars Piguet began piloting secondhand sales at a store in Geneva with plans to roll it out to more of its Swiss locations in 2018. If the Switzerland test is successful, Audemars

Piguet plans to expand its secondhand sales to the U.S. and Japan next ([see story](#)).

"The secondhand market is a customer acquisition tool," Mr. Reffsin said. "It exposes the brand to a new group of potential customers, give brands the flexibility to offer lower and/or more accessible price points without impacting brand equity.

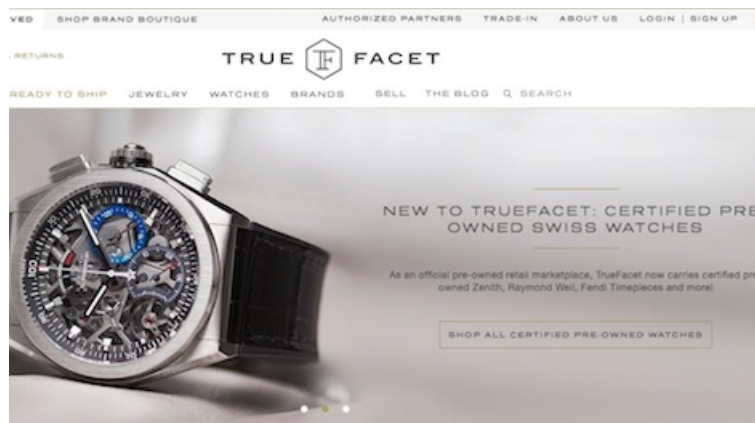
"From the consumer's standpoint it provides assurances that the watches are authentic and if any work was necessary it was done by brand-trained technicians," he said. "This category also goes hand in hand with brands selling directly to consumers either online or from their own boutiques as it creates a new source of revenue they otherwise would never have realized.

"On the other hand, the downside is the risk that the secondhand market cannibalizes sales of new, higher-margin products. One can easily see demand growing more quickly than supply, forcing brands to become more active buyers. From an operational standpoint it may also require more watchmakers to refurbish these products, and training staff on the workings and pricing in the secondhand market."

There are also physical constraints to secondhand watches, further creating a challenge to watchmakers.

"Watches can only be polished so many times during their lifetime until you start losing metal, you start changing the shape," Mr. Brack said. "So if a watch hasn't been maintained properly, many times it's not salvageable."

Beyond direct-operated brand initiatives, some houses are partnering on resale operations.



*TrueFacet extends certification to pre-owned goods. Image credit: TrueFacet*

Online watches and jewelry marketplace TrueFacet ushered brand certification into the pre-owned ecommerce industry, working directly with heritage brands as houses seek more control in the secondhand market.

These certified pre-owned timepieces and jewelry will act as their own category, with seven brands signed on to give their official stamp of approval. The sales of these products will include the warranty from the original manufacturer.

Zenith, Roberto Coin, Raymond Weil, Fendi Timepieces, Faberg, Frederique Constant and Ernst Benz were the first to sign on as official brands for TrueFacet's certification offerings ([see story](#)).

"Luxury watches are often highly durable with timeless designs, meaning that they can remain desirable for decades," said Chris Wisson, knowledge director at [Altiant](#), London. "Indeed, these can be passed down through generations or sold in pawn shops a long time after they were first made.

"Patek Philippe's advertising slogan 'You never actually own a Patek Philippe. You merely look after it for the next generation' has leveraged the enduring quality of its watches as a key selling point.

"The secondhand luxury market is showing encouraging signs of growth, with a recent Altiant study finding that a quarter of affluent/HNW respondents purchased pre-owned luxury jewelry and watches within the past year," he said. "Luxury watches are particularly well suited to secondhand as many watch models hold their value, or even increase, over time.

"Whereas categories such as designer fashion or accessories may be more susceptible to changing tastes and trends, a luxury watch from a brand like Omega or Rolex is likely to retain its prestige and timeless appeal over a long period."

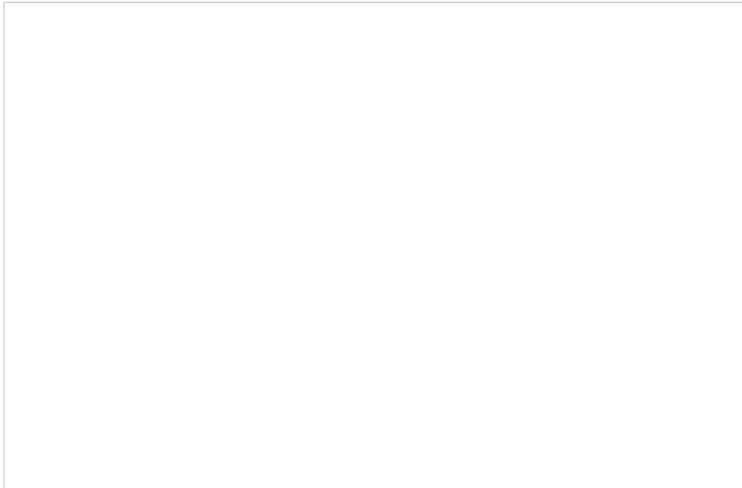
Secondhand support

While watchmakers are increasingly embracing secondhand sales, fashion labels have not been as keen to take up pre-owned operations.

On the whole, fashion does not perform the same as watches, with resale values typically below the original prices. One exception is Herms' Birkin bag, which has seen record sales of pre-owned purses and price consistency in the resale market ([see story](#)).

"Vintage fashion goes in and out of style," Mr. Reffsin said. "However, with fewer truly iconic fashion products it would appear to be difficult to sustain a business long term.

"I believe the opportunity is also limited for 'soft-goods' and by the fact that fashion by design is all about new and in the moment," he said. "The Birkin bag, for example, may be a reasonable analogy, but that would be the exception."



*The Birkin retains its value. Image credit: Christie's*

Some luxury brands including Chanel have fought legally against resellers with claims that goods being sold secondhand are actually inauthentic.

"Authenticity is understandably a key consideration when consumers are buying luxury goods secondhand or renting them," Mr. Wisson said. "In fact, authenticity followed only cleanliness among the factors which deterred luxury consumers from renting luxury goods.

"Certification should be something which all luxury brands should want to do if they are considering secondhand activity. Manual authentication ensures that the brand retains control over its quality and image, even at the lower price points," he said. "Without such certification, copycat products and ubiquity could ultimately lead to serious possibly irreparable damage to a brand's premium image."

Luxury brands have an opportunity to own more of the circular economy either through partnerships or directly operated services, as consumers open up to secondhand goods and alternative ownership.

During LuxeCX/AMCX 2019, two executives from Altiant shared research that shows that three quarters of shoppers show an interest in being able to sell products back to luxury brands, pointing to further potential for luxury brands in the circular economy.

The stigma around secondhand luxury has dissipated, with only 16 percent believing that there is shame in wearing pre-owned goods. Additionally, only a third say that luxury brands' images are tarnished via the lower prices accessible via secondhand retail ([see story](#)).

"There are significant opportunities for luxury brands to embrace pre-owned goods by taking greater control of the agenda," Mr. Wisson said. "Our research has shown that luxury shoppers appreciate the security and reassurance which comes from shopping with luxury brands directly.

"Despite the increased complexity and work required, authenticating secondhand products enables luxury companies to have better control over their brand equity while also tackling potential counterfeit products," he said.

"It is currently unclear how far luxury brands are willing to embrace secondhand. Understandably, these brands are sometimes reticent to guide customers towards lower priced versions as they would ideally like brand new sales.

"However, there have been some tentative successful partnerships between the brands and resale platforms, and we

expect to see many more of these in the coming years. In doing so, the brands keep a degree of control over their products in the secondhand economy, but also retain some independence from the actual sale."

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