

PETER MACHLUP

# When fashionably late – blame it on the Rolex



**P**PETER MACHLUP is not only a compulsive collector of fine wristwatches, but time is also for him quite literally money. A jewellery manufacturer by profession, he has turned his passion into a business – as the only South African dealer in new and second-hand collectable watches.



Peter Machlup... on watch.

“A good watch is a stamp of achievement in a way a suit or a car can never be,” says Machlup.

Around 85% of fine wristwatches are bought by men. “Men are limited in the range of jewellery they can wear – and a watch fulfils that role. It can be for status or snob appeal, and can also match the personality of the wearer. It can be macho or sporty, or a classy, refined watch.”

Women, who have a far broader range of accessories to choose from to wear, view watches as purely functional and seemingly don't share men's fascination to the same extent.

Almost all men are partial to watches, says Machlup. However, there is a class of man for whom watches go well beyond partiality. To them, a gold Rolex watch is not only a symbol of their achievements but also an obsession.

They upgrade their watches the way others upgrade their cars, but much more frequently.

Upgrading once a year is commonplace; upgrading every couple of months is not unheard of. Machlup says that he's seen the same watch cross his desk up to eight times during the 10 years he has been trading watches – and that each time its value has been more than the previous year.

“It's all about a person spoiling himself, often after having achieved some significant goal. They enjoy the purchase, so one tends to see the best side of people in this business,” says Machlup.

He guarantees 80% of the purchase price on resale of second-hand watches, but tries his best to give the seller his money back.

Internationally, it's big business. Whether Mumbai or New York, a Rolex trades at exactly the same price. And unless you're selling a US\$4m platinum Patek Philippe, there's always a trader like Machlup willing to make a market. While Machlup may be the only trader in Johannesburg, there are 50 like him in New York and 30 in London.

Though there's no dealers' price list published each month, the price of a fine watch is as predictable as that of a late-model used car.

“I deal within very narrow criteria in the top 10 brands – mainly Rolex, Patek Philippe, Jaeger-LeCoultre, Cartier, Breitling, IWC, A Lange & Söhne and Officine Panerai, which are watches of very high quality and which hold their value,” says Machlup.

“Watches are fixed in price to the penny – there's a buy and sell price to just about everything based on its latest auction price. This sets the price internationally and is immediately available via the Internet,” he says.

With the price anchored, the trick to dealing is in seeking out price and currency arbitrage opportunities. Price differentials and market anomalies emerge in certain markets worldwide and with-

in days or even hours watches flow to or from that market until the differential closes.

International dealing requires an encyclopaedic knowledge of the value of the most important brands. And it's a market full of quirks.

There's an almost inverse relationship between the time-keeping ability of a watch and its interest value. The true collector views a watch as jewellery rather than a tool.

“There's a 'coolness' about a watch which is an imperfect timekeeper. If you want a watch that keeps good time buy a R20 plastic flea-market special,” says Machlup. Some of the most valuable wristwatches have to be adjusted every month and keep far less accurate time than the cheapest.

Today, to-the-microsecond quartz movement watches are almost ignored by serious collectors. The Swiss watch-making industry, which seemed to be on its deathbed in the Seventies and Eighties, really acquired its mystique when its technology became obsolete. An article in *Forbes* magazine compared this phenomenon to the fact that “obsolescence made horses and fountain pens into status symbols”. (*Forbes*, 18 September 2000).

Collecting fine watches is not a hobby just for the rich, nor is every expensive watch a good investment.

“What makes a watch collectable is a mixture of tangible qualities, such as quality and design, and intangibles, like history, heritage, rarity and status value.”

Fine watches are examples of the highest standards of craftsmanship. “They also reflect and define their times. The big brands have colourful histories, which add to their personal and monetary value,” says Machlup.

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# History of the wristwatch

**T**HE history of the wristwatch is a relatively recent one. Before 1935, pocket watches were the more commonplace version of a man's timepiece.

Rolex, formed in 1905 in Switzerland, designed a wristwatch as accurate as the world's finest pocket watches just in time for the First World War. Officers found that a wristwatch was much easier to use than a pocket watch in the trenches and by the end of the war wristwatches became an accepted accessory for men.

By the Thirties various innovations had been made, including the hermetically sealed winding mechanism, the waterproof watch and the self-winding mechanism. The date window was introduced in 1945.

After the explosion in quartz movements that nearly put an end to mechanical watches, the Eighties saw resurgence in the Swiss watchmaking industry. What was once a fragmented industry of 110 independent manufacturers has in recent years consolidated into a handful of companies.

One of the most famous of Swiss watch brands is Rolex, a company that has remained independent as so many of the other large brands have been bought by luxury goods conglomerates such as Richemont and LVMH.

The Rolex company is a not-for-gain organisation. Profits

are ploughed into research and development and go towards funding a great number of programmes and charities.

Richemont has been making inroads into Rolex's market share with its brands: the 250-year-old Cartier, Baum & Mercier, IWC, 160-year-old Jaeger-LeCoultre and A

Lange & Söhne.

A few years ago, Johann Rupert, of the Rembrandt conglomerate (which owns a number of fine watch companies), wanted to make cigarettes called Cartier. The company refused – so he bought it. Rupert completely revitalised the watches manufactured by Cartier, slashing the number of outlets, improving design and marketing and refining the Cartier watch into a highly valuable collectable item.

The Swatch group owns the brands Omega, Blanc Pain, Breguet and Rado. LVMH owns Tag Heuer, Ebel and Chaumet.

Almost all the royals of the past century have owned a Patek Philippe, which has added to the company's allure. The most expensive watch ever sold was a 1945 Patek Philippe Worldtime, which gives the time in 24 different time zones. It was knocked down for US\$4m at auction a couple of years ago. ■

## Time is money

**A** WRISTWATCH chosen with care can be a sound investment and potential heirloom. This quality is emphasised by the well-known advertising campaign for Patek Philippe: the message is that you never own a Patek Philippe, you are simply a custodian for the next generation.

The same quiriness of watches that gives them colour as an accessory also drives their investment value.

For example, Omega once made a square shaped wristwatch marketed as being waterproof. "However, the watch was a dismal failure under water," says Peter Machlup. Today, it's that very failure which makes it a rare and highly sought-after collectors' item.

But it's the ever-dependable Rolex that makes up the bulk of the market for quality wristwatches.

"The Rolex is the Mercedes-Benz of the industry – easy to buy, maintain and sell. It's an extremely robust watch," says Machlup. "It's beautifully marketed for its durability, quality and longevity. This makes it one of the world's finest products."

Machlup distinguishes between fakes

and imitations. Though he can spot a fake immediately "there are some near perfect imitations available in the East that even I have to use a microscope to verify". Yet someone who knowingly buys an imitation is a potential client of the future. "A person who wears an imitation aspires to own one – and will eventually do so."

While Machlup doesn't encourage collecting watches purely as an investment – they're so much more fun than share certificates – he acknowledges that men often have to justify the expense by emphasising how remarkably well they hold their value as an investment.

"They're an excellent rand hedge, because they have a hard, asset-based value which is basically the same all over the world."

For example, a Rolex Gold 18-carat day date watch retailed for R32 500 in 1989. That same watch today retails for R214 000 – a 550% increase. An accept-

able second-hand price is half the retail value.

"Clever operators do make good money on watches – but that's not a watch's primary purpose. I don't sell an investment – I sell the fun and passion of wearing a quality watch," Machlup says.

There's a wide price range within which you can buy a fine watch: categories range from R10 000 to R20 000; R100 000 to R200 000; and overseas there's a R3m to R4m market.

Machlup points out that many people may have inherited a watch but, unaware of its value, have simply locked it away in a bank vault or left it to gather dust at the back of a drawer. If it's one of the brands that hold their value he encourages people to find out what it's worth. "You never know – you may be sitting on a sizeable investment." ■

