



# The Luxury Watch Market: Unveiling the Drivers of Premium Pricing

MSc in Marketing and Sales  
4<sup>th</sup> Semester  
Leonardo De Stefani  
Group 5

Jochen Reiner, Supervisor  
1<sup>st</sup> June 2024

Characters: 112,245 (including spaces)

## ABSTRACT

This thesis explores the unconventional market dynamics of the luxury watch market, specifically focusing on the factors affecting the positive price difference between the retail price and the secondary market price of luxury watches.

The study begins with an introduction to the main players dominating the luxury watch industry and introduces the potential factors affecting the premium prices in luxury watches through a conceptual framework. Then, employing a mixed method approach the research combines quantitative data analysis to identify patterns common among watches trading over their retail price. Additionally, qualitative insights collected from a survey proposed to collectors and an interview with a secondary market dealer.

The findings from this empirical research are anticipated to assist collectors and industry specialists on the consumer's behavior and their preferences, but also lay down groundwork for further comprehensive studies.

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# 1 INTRODUCTION

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The market for luxury timepieces has experienced significant growth in recent years, both in the primary and secondary markets, accompanied by strong market fluctuations that have led the industry to unprecedented interest with the formation of a market bubble, inflated by the difficulty of availability in the primary market, which has driven watch prices to unprecedented levels. The peak of this price trajectory was reached in April 2022, and it was followed by gradual decline.

The price escalation attracted a new segment of customers who were driven by the prospect of speculation – buying watches from the primary market, from boutiques or authorized dealers and reselling them on the secondary market for a profit. The interest in luxury watches manifests in the form of extensive waiting lists at the watch stores, specifically for brands like Rolex, Audemars Piguet and Patek Philippe. The lucky customers who receive sought after watches at retail price are able to sell them to the secondary market for an instant profit to secondary market dealers or to other enthusiasts who are willing to pay a premium to bypass the waiting list.

Traditionally, the purchase of luxury watches significantly above retail was uncommon. Historical data indicates that luxury watches were often purchased with discounts from the authorized dealers, reflecting a stable market environment. In contrast, the limited supply from the official stores together with the high demand have completely changed the industry landscape and fueled the secondary market.

This phenomenon increased the exclusivity of owning a luxury timepiece but also sparked a surge in the demand for luxury watches and unlike the general trend in consumer markets, where items depreciate over time when used, high-end timepieces are an exception.

Moreover, the intriguing market dynamics of these waiting lists also reveal insights on how customers value their time: clients would rather spend a premium price to get their hands on the desired watch without waiting time. It reflects the willingness to pay extra for instant gratification, bypassing the long waiting list imposed by the primary dealer's scarcity of watches.

A selection of luxury timepieces shows an increase in value when they transition from the primary to the secondary market. This observation appears to be a consistent trend for some brands and models which achieve a resale value higher than the retail price. With these insights and industry description, the research aims to understand and dissect the mechanisms at play, addressing the following question in light of the lack of studies on the factors behind why one watch has added value over another in the secondary market and the intriguing dynamics driving demand:

What factors contribute to the premium pricing of luxury watches in the secondary market above their original retail value?

The study aims to be an academic pursuit but also holds interest for collectors, who want insights on luxury markets dynamics or simply want to be equipped with knowledge to make informed decisions. For investors, who want to diversify their portfolio and learn about a new potential asset class. Also, for industry professionals, who want to know more about what are the factors that drive prices in the market, this could help produce better products and marketing campaigns.

## 2 PROBLEM ANALYSIS: THE LUXURY WATCH MARKET

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To better understand the market dynamics of the luxury watch market, this chapter will start with an introduction and overview to the main players of the luxury watch market, what is a luxury good, and the characteristics of luxury markets will be provided through the existing literature. Finally, the research will present some similar cases in the luxury industry, specifically in the automotive and fashion industry.

### 2.1 MARKET PLAYERS

In today's world luxury watches are not necessary or indispensable but the luxury watch industry continues to grow each year. Interest remains strong and numbers continue to grow. To have an overview of the market and who are the main players, the research starts with a brief market analysis.

Morgan Stanley and LuxeConsult, in their report "Swiss Watch Industry Report for 2023" provide a complete analysis of the Swiss Watch market, highlighting the industry growth. In 2023 the industry achieved a remarkable growth with export value reaching CHF 25.5 billion, an increase of 7.6% from the past year. The export value is a positive indicator of the industry's strength even taking into consideration a year-to-year inflation of 6% in December 2023.

Retail sales surpassed the CHF 50 billion mark, up 4.2% from the previous year. The volume of units sold also increased by nearly 7% from the previous year, totaling 16.9 million units.

By revenue, four brands alone dominate, owning more than 50% of the market share. The market leader is Rolex, surpassing the 30.3% share in 2023 and a turnover of more than 10 billion CHF. Cartier and Omega are respectively in second and third place in the ranking with a turnover of 3.1 and 2.6 billion CHF. Following, Audemars Piguet and Patek Philippe with about 2.3 and 2.05 billion CHF.

The largest part of the industry is owned by four main groups that hold together 75.9% of the market share by retail sales value. Most of the brands belong to one of few of groups.

Under the Swatch group, there are 17 active brands including Breguet, Harry Winston, Blancpain, Jaquet Droz, Glashütte Original and Omega which are the most expensive in the group. Less expensive brands include Hamilton, Tissot, Mido, Certina but also Swatch Flik Flak and Calvin Klein which can be considered fashion watches.

The Richmont's groups not only owns brand producing watches but also a range of brands that make other luxury goods. There are 11 watch brands including for example Lange & Söhne and Vacheron Constantin, Panerai, Jaeger-LeCoultre, IWC and Cartier.

The LVMH group owns about 75 brands including a few watchmakers – Hublot, Zenith and Tag Heuer.

Rolex and Tudor are part of the Rolex Group, which is a non-profit organization, and achieve 32% of market share. The average price for a Rolex rose to 12,220 CHF meaning the most sold watches are in the price range of steel or steel and gold. Tudor's turnover in 2023 decreased by 4% for the first time since 2017. Following the Rolex group, the Swatch group takes second place with 19.4% of the market share, losing 0.4% from the previous year. Swatch, as a brand continues to grow especially for their "Moonswatch" launch in collaboration with Omega which brought their turnover from 400 to 660 million CHF. Omega alone represents 60% of the group's operating margin.

Third in the ranking in the Richemont group that lost market share from the previous year going to from 19.4% to 18.7%. Lastly, LVMH takes the fourth place with 5.8% market share with a contraction in turnover from Hublot and Tag Heuer.

In 2022, Chrono24 released the "State of the Global Watch Industry" report, giving insights on many aspects of the watch market on that year. Initially the watch market saw demand overcoming supply which led to a spike in prices of iconic models such as the Rolex Daytona, Patek Philippe Nautilus, and Audemars Piguet Royal Oak. Chrono 24 4% increase in sales transactions and a 43% surge in sales volume compared to the previous year.

The report highlighted a significant interest among young watch collectors aged 18 to 34, who showed a higher preference for luxury brands like Richard Mille, Hublot, and Audemars Piguet.

It is also highlighted that 41.45% of watches sold are from Rolex, followed by Omega with 9.13% and Patek Philippe with 7.10%. Another insight is that the watches are mostly sold in used condition (78%) and new watches are sold for 22% (Figure 1).

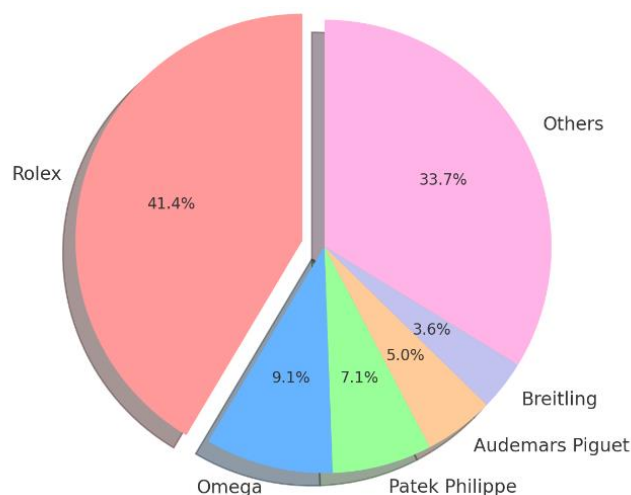


Figure 1 - Brand Distribution of Sales Volume on Chrono24 (2022)

Geographically the consumers of the online marketplace are located 18% in the United States, followed by Germany with 16%, Italy at 9%, and France at 7%. The other countries are part of the 50% left. Swiss watch exports saw growth across different price segments: watches priced under CHF 200 increasing by 23.5%, and those over CHF 3,000 growing by 11.0%. The average price of watches on Chrono24 increased by 76% from early 2020 to mid-2022 due to the high demand in the market. Figure 2 represents the geographical

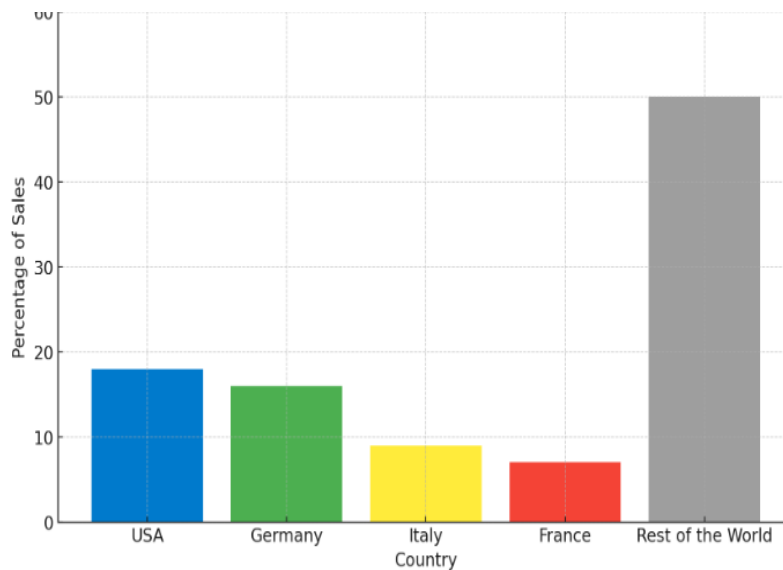


Figure 2 - Geographical Distribution of Sales on Chrono24 (2022)

distribution of sales.

In 2023, the Federation of the Swiss Watch Industry FH published an extensive report on the global watchmaking industry. The key insights for the industry start from the Swiss watch exports in 2023 which outperformed year before. The exports were distributed across various continents: North and South America showed a growth of 6.7%, totaling 19% of total exports. Europe and Asia displayed increases of 6.8% and 8.2%, with Asia making up almost half of the export market.

Regarding materials: Steel watches represent more than half of the watches exported with a slight growth both in

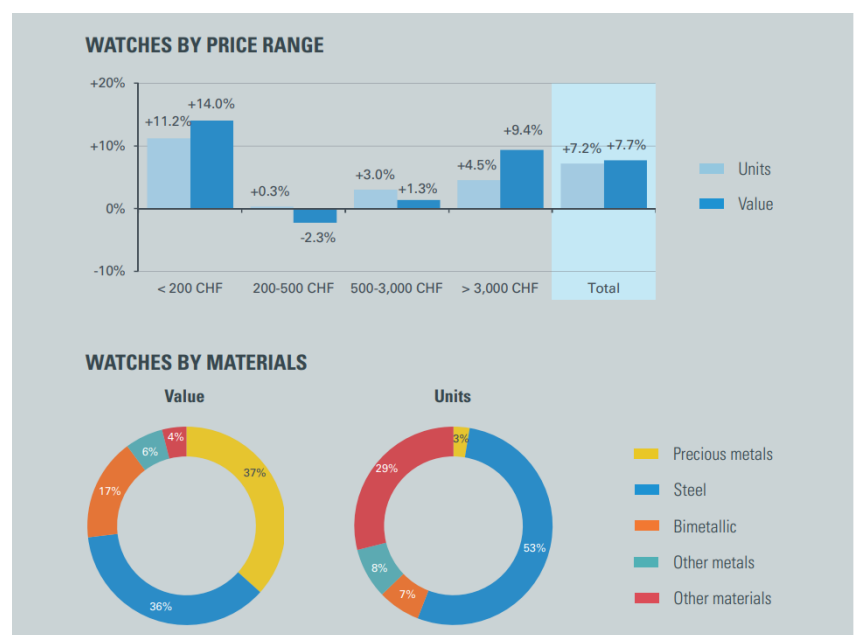


Figure 3 - Exports by Price and Material, Federation of the Swiss Watch Industry FH (2023)



volume and value. Watches made in precious metals instead have seen a growth of 9.2% over the previous year. The bimetal watches instead increased exports by 11.2%. All the other materials including carbon, ceramics and more grew by 28.1% (Figure 3).

In the last report the Federation of the Swiss Watch Industry FH. (2024) in “Swiss watchmaking in March 2024” present a significant decline in export values, specifically 16.1%. This was significantly impacted by markets such as China and Hong Kong. Steel watches experienced a more severe drop of 28.2% in value and 23.2% in units. Precious metals exports declined by 11.6% (Figure 4) while bimetal watches declined by 6.6%.

#### 12 months moving average

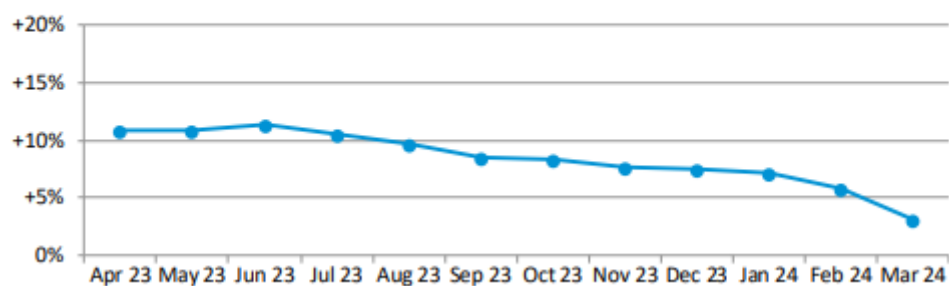


Figure 4 - Swiss Exports decline, Federation of the Swiss Watch Industry FH (2024)

Pricewise, the mid-priced (CHF 500 to CHF 3000) watches were the ones who fell the most, by 38.2%.

Another article from Thomas Hendricks (2023) called “Watch Collection Report – Part I” gives more insights about people’s collections. To collect data for this research, it was used the “Watch Collection” function of the Chrono24 websites, where collectors can add and track the financial performance of their watches. The dataset of people’s collections includes 3.7 million watches registered by 1.3 million users, for a total value of €46.6 billion which represents nearly 7% global value of all watches, which is estimated of being €700 billion by LuxeConsult. Despite the recent downturn in the market where collectors saw a

	Country	Ø Watches in Collection	Total Return	2022 Return	Median Collection Value ▼
1	Hong Kong	7.2	38%	-9%	77.572 €
2	Japan	6.4	40%	-8%	64.245 €
3	United Arab Emirates	6.9	33%	-8%	63.590 €
4	Singapore	7.4	35%	-7%	58.611 €
5	Malaysia	7.5	35%	-7%	47.840 €
6	Switzerland	6.4	40%	-7%	45.473 €
7	Italy	6.2	35%	-9%	40.524 €
8	United Kingdom	6.1	30%	-7%	39.554 €
9	United States	6.2	31%	-4%	35.905 €
10	Germany	6.2	25%	-5%	35.349 €
11	Austria	6.3	26%	-4%	32.561 €
12	Denmark	5.2	29%	-6%	31.013 €
13	Australia	6.0	29%	-3%	28.653 €
14	France	5.7	28%	-4%	27.992 €
15	Canada	5.9	30%	-3%	27.630 €
16	Belgium	5.8	26%	-3%	27.487 €
17	Norway	5.2	27%	-5%	26.780 €
18	Netherlands	5.4	24%	-3%	26.208 €
19	Spain	6.4	31%	-3%	23.834 €
20	Sweden	5.1	30%	-3%	22.668 €

Figure 5 - Watch Collection Distribution by Country, Watch Collection Report - Part I (2023)

decrease of 5.3% in the value of their collection, in the long run, on average collectors have made a 31% return from owning the watches (Figure 5).

The data highlights the different regional differences in investments returns, with collectors from Japan, Switzerland, and Hong Kong with returns of 40%, 40% and 38% respectively. Germany follows with 25% increase. The most collected brand is Rolex, which dominates the collections and some more specific brands

## Chrono24 - Watch Collection Report

Brand-share of watches in Collections per Country

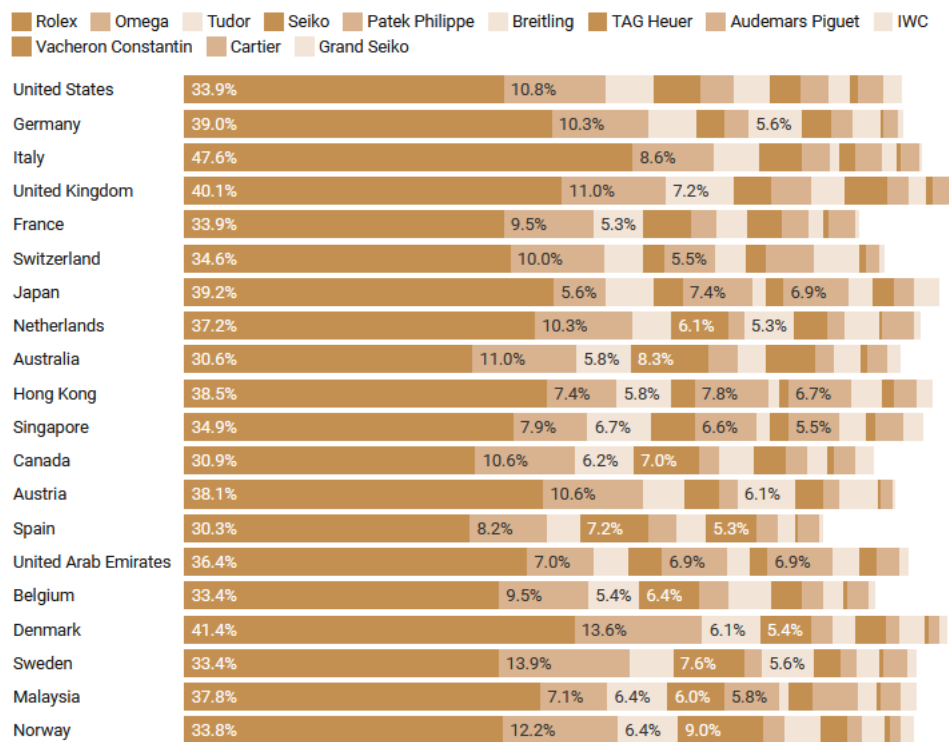


Figure 6 - Brand share of watches in collections per Country (2023)

are preferred in different countries: in Germany, NOMOS, in Taiwan there is a special affinity for Panerai and the French favor Bell & Ross. Scandinavian countries instead prefer Omega (Figure 6).

In their study, "The Global Market for Luxury Watches and Asset Pricing," Köstlmeier and Röder (2023) undertakes an analysis of the luxury watch market from 2010 to 2022, using an empirical asset pricing technique to showcase the investment characteristics of luxury watches. The findings reveal that they outperform traditional assets such as gold, bonds and commodities when considered alternative investments. The study also introduces an index of the watch market that shows a monthly gain of 0.64%. This article enriches the literature about watches with empirical data but does not cover the factors that influence the consumer's decisions.

In their analysis included in the book "Technology and Business Model Innovation: Challenges and Opportunities," Semenkin et al. explore the factors influencing online purchase intentions of luxury watches

among German consumers. The sample included 302 participants, 177 males and 125 females across different age groups. The conclusions are that trust plays a crucial role in purchases: among the participants 25 opted for payment before delivery, 145 after delivery and 132 third-party delivery providers. Most of them paid full price upfront and 30 chose installments payments.

The study employed a multiple regression analysis to test the relationship between perceived usefulness, perceived ease of use, subjective norm, and trust on purchase intentions. Three out of four were statistically significant – perceived ease of use, subjective norm and trust accounted for 45.5% of the variance in purchase intention. The study with its conclusions provides insights that can help develop better marketing strategies with empirical data.

In the BCG article about the secondary watch market the authors Dupreelle, Willersdorf, Llinas, Schuler, and Brennan recognize four types of consumers in the market: the first consumer is the “Classic Timeless” who invests in traditional financial markets but appreciates durable products. They look for watches with strong brand heritage and tend to be low frequency who are less likely to engage with the secondary market. The second type is the “fashionable professional” which are the youngest of the types. They purchase with higher frequency than the previous and are more engaged with the secondhand luxury market. They are likely to buy a watch in the next 2 years. The “luxury watch hobbyist” finds pleasure when hunting for a special item and prefers to buy technically complex watches with strong brand heritage in the super luxury category where the value of the watch is expected to increase. Finally, the “Collector / Investor” is the most active group, they represent 44% of watch buyers Three quarters of them bought a secondhand piece in the past 24 months. The authors also highlight the investment factor that pushes people to buy watches with more confidence.

## 2.2 AN INTRODUCTION TO LUXURY GOODS

The term luxury comes from the Latin term “Luxuria” which means exuberance and excess. Depending on the country luxury is perceived differently depending on the socio-economic situation. On the other hand, *luxus* means sensuality and splendor.

The first definition of luxury goods comes from the book by Adam Smith, *The Wealth of Nations*, where he defines them as items that are not necessary in daily life. These goods are characterized by their exclusivity and high price stretching beyond their functional utility, embedding within them a rich tapestry of social symbolism, heritage, and personal satisfaction (Truong & McColl, 2011).

Unlike traditional consumer goods, which are driven by necessity and value for money, luxury goods thrive from their ability to signify and show status as Veblen suggests with the notion of conspicuous consumption, which also involves comparison with others. In fact, consumers showcase what their actual status (what they

have in that moment) and their aspirational status, so the status they want to achieve (Fitzmaurice, 2015). The definition of luxury has also evolved, moving from exclusive possessions of the richest to symbols of aspiration accessible to a broader audience, yet maintaining their core attributes (Wei, 2022).

The marketing of luxury brands diverges from the traditional practices, since they leverage a mix of heritage and exclusivity to create a narrative that aims to fulfill consumers' desire for distinction. As in the world of watches, for 20 years Patek Philippe used this famous quote as one of his advertisements: "you never actually own a Patek Philippe, you merely look after it for the next generation". This kind of storytelling appeals to the customers' emotions rather than just the practical needs (Wei, 2022). Intrinsic motivations, including superior quality and self-rewarding experiences also play a role in luxury consumption and they differ from the extrinsic that are focused on social signaling and status.

Moreover, luxury watches are an example of Veblen goods, a concept introduced by Thorstein Veblen, which challenges the traditional economics models, sustaining that some goods become more desirable as the price increases (Investopedia, 2023) and as Currid-Halkett (2018) elucidates, the consumption of such goods is intrinsically tied to their social implications, with individuals leveraging these possessions to assert their place in society and to affirm their identity. This is echoed by Du and King (2022), who showed that low social class individuals seek more for status when perceived income inequality increases. The definition of Veblen goods runs counter to the case where when prices rise, demand falls.

A paper from Yeoman and McMahon-Beattie, "Luxury markets and premium pricing," provide a framework to understand the evolving nature of luxury in modern society: the key societal and economic factors are the increased disposable income, the cultural shift to personal fulfillment, the experiential luxury, and the changes in demographics. These are some of the identified reasons noted in the framework that drive the price up.

Another concept to be introduced is the scarcity principle, which is related to pricing theory. According to this principle, the price for a scarce good should rise until an equilibrium is reached between supply and demand (Investopedia, 2020). In the world of luxury watches, since the supply is controlled, the price of timepieces continues to rise since the demand stays up. When instead, the supply of a good is greater than the demand for that good, the price goes down. So, a product is more likely to be expensive when the offer is low. Additionally, consumers place a higher value on goods that are scarce rather than abundant, contributing to why some brands trade over retail.

Consumers are attracted to rare and hard-to-obtain items, so the exclusivity factor is a key driver in the luxury market, where the limited availability of products adds to their allure and prestige (Desai, D., 2024). Finally, act of owning and buying luxury products also involves emotions such as happiness and pride,

consumers with items such as precious timepieces develop deeper connections with the products where the act of buying becomes a reflection of achievements and personal journey (Desai, D., 2024).

## 2.3 SIMILAR CASES IN THE LUXURY INDUSTRY

In order to understand the luxury watch market and how luxury works, it is insightful to explore the same phenomena within parallel markets. This will serve to identify the common patterns between luxury brands in different sectors, offering a broader view of the luxury landscape and seeing the strategic approaches they use.

The first company taken into consideration is Ferrari, founded by Enzo Ferrari in 1939, which is one of the most important companies in the automobile sector. The strategy of brand can be summarized through a citation to the CEO: “Ferrari will always deliver one car less than the market demand. This is well summarized what Enzo Ferrari, our founder said, and I can assure you that this will never change.” CEO, Benedetto Vigna. This strategy of intentional scarcity is important to maintain exclusivity and brand’s allure. Moreover, there are waiting lists for specific Ferrari models, like the luxury watch market. That’s why some Ferrari models are offered in a secondary market more expensive than the retail price.

In the fashion industry the prestigious brand Hermes controls the supply of their known bags, mainly the Kelly and Birkin models. Every year there are higher retail prices for the bags, and there are years of waiting lists to acquire a bag. The waiting time and the secondary market prices, as well as the demand can change depending on the characteristics of the bags: size, type of leather and color.

According to Corbin (n.d.), there is a concept called “pre-spend” which is defined as: “what amount a given client spends on other items *before* being offered their desired bag”. This sales tactic favors the clients who spend money not only for the desired bag but also in other departments, and by doing so builds a “trust relationship” with the store. So, this brought these sought after bags to be sold in the secondary market for a premium. The premium is considered the cost of being offered the bag.

The mechanics of international scarcity used by Ferrari and Hermes have similarities with the luxury watch market, where brands such as Rolex and Patek Philippe manage the supply to maintain a high demand and exclusivity. In all the three sectors, the consequence is a secondary market where the consumers are able to purchase the desired product without waiting time, but for a premium on top of the original retail price. But there are also some differences between the markets.

In the automotive industry, represented by Ferrari, the barrier of entry to enter the market is generally high due to the high costs of the supercars. Hermes instead, represents a unique case in the fashion industry

since most brands prefer to sell as much as they can, and generate more profits, which can be a strategy that benefits more in the short term.

On the other hand, in the luxury watch industry, there are a few brands that prefer to maintain the brand allure by controlling supply, just to name a few: Rolex, Audemars Piguet, Patek Philippe and Richard Mille.

A difference between these markets is that watches are also used by criminals as a currency. According to Matheson and Saker-Clark (2024) there has been a rise in the value of stolen and lost items related to luxury watches. The value escalated to £1.5 billion. The Watch Register also reported a 236% increase in the number of watches stolen or missing. This increase is fueled by the booming secondary market which allows thieves to sell the watches easily for cash.

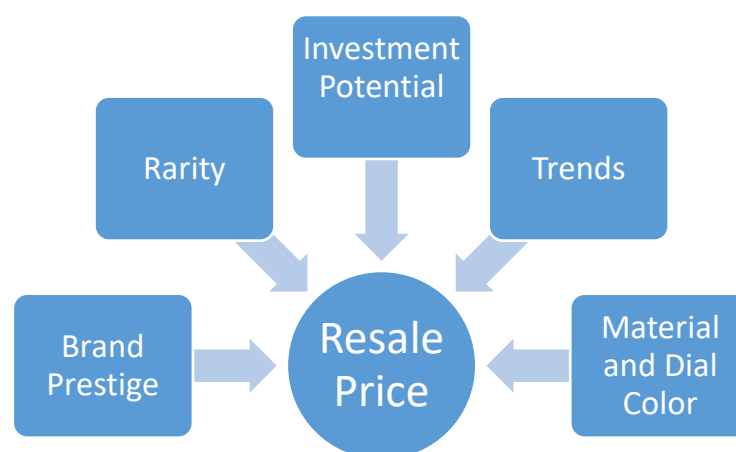
Additionally, watches are easy to take across borders from one country to another. Criminals, instead of using cash, bring watches since they became a proper currency.

These characteristics and sales strategies make the market very complex and challenging at the same time.

### 3 CONCEPTUAL FRAMEWORK

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This chapter presents a conceptual framework that underpins the investigation into the factors that influence the resale price of luxury timepieces on the secondary market. The framework is designed to identify the interactions between the factors that might influence the premium pricing of luxury watches. The variables included are brand prestige, rarity (meaning limited availability), investment potential, trends, material and dial color,



*Figure 7 - Factors affecting resale price of luxury watches*

material and dial color (Figure 7).

To have a clear understanding of each factor, the research will delve into each one:

- 1) Prestige is defined as: "a subjective evaluative judgement about the high social status of people or inanimate objects such as brands... The basic antecedent of prestige judgements is the perception of a positive and outstanding accomplishment that can be deferred to" (Dubois & Czellar, 2002). More specifically, brand prestige, in the context of luxury goods refers to the reputation and perceived value associated with a brand. It shapes consumer behavior and buying decisions, driving the desire for status elevation and the socio-psychological benefits of acquiring a luxury good. Luxury goods enhance social identification and offer emotional and psychological satisfaction (Dhaliwal, Singh, & Paul, 2020).
- 2) The second factor included in the framework is "rarity" which refers to the scarcity and limited availability of some watches, which cannot be obtained at retail price. Scarcity, in fact is a driver of desirability – which can be created by being in control of the distribution of a price (Fionda & Moore, 2009).
- 3) Investment potential is also a factor that influences the resale value of watches, since there are certain collectors and category of buyers who see watches as proper investment assets, both for a short-term range of time and long-term appreciation over years.
- 4) Trends refer to current fashions that impact the desirability of specific watch models, materials, dial colors or brands. According to Lipovestky (2007), they are convergences of desires and taste, characterized by cycles of varying duration and rapid modifications.
- 5) Material and dial color are part of the aesthetics of the watch, which are fundamental for a successful product. A watch other than being functional must reflect good taste.

Some hypotheses will be proposed and discussed in the following chapters:

- 1) The resale price of luxury watches is influenced positively by brand's prestige. The higher the brand recognition and reputation the higher the willingness to pay of consumers will be. Prestigious brands often command higher prices due to their heritage and status they confer to owners.
- 2) The scarcity of luxury watches in the primary market, and the limited offerings on the secondary market enhance the consumer demand for specific models. Exclusivity makes buyers willing to pay a premium to obtain hard-to-get models.
- 3) If a luxury watch shows an historical increase in value, consumers will be more likely to choose that specific timepiece over one that decreases in value. Watches that appreciate over time, buyers are more likely to buy that specific model.
- 4) Watches that are aligned with current fashion trends will trade over retail price. Trends are influenced by exposure on social media and endorsements by celebrities.
- 5) The premium materials fetch higher prices in the market as well as unique dial colors.

The conceptual framework integrates multiple dimensions that determine the resale value of luxury watches. Hypothetically, all the factors considered influence each other. In fact, the prestige of a brand can enhance the perception of rarity. Trends can influence materials and dial colors: for example, a big social media exposure for a certain model or material / dial color can influence and increase the demand. The consequence is the price increase in the secondary market. Also, trends can enhance the prestige of a brand, potentially leading to higher resale values. Finally, rarity is linked with investment potential, the rarer a watch the higher the timepiece will fetch in the market.

## 4 METHODOLOGY

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The following chapter presents the methodological considerations made for this research. It includes the research strategy employed and the data collection, which will dissect the steps of the process behind the study.

### 4.1 RESEARCH STRATEGY

The research adopts a mix-method approach, blending quantitative and qualitative to achieve a comprehensive perspective on the luxury watch market. This dual approach allows us to have both an objective analysis while capturing the subjective customer preferences and perceptions. The quantitative component serves as the foundation of the study, focusing on pricing, an element that requires empirical data and statistical analysis.

All the information about the watches was carefully collected from a reputable source and then analyzed to find some patterns that could answer the research question. This research method provides a solid empirical basis to evaluate the pricing dynamics.

On the other hand, to complement the analysis, a survey was conducted to have a better understanding of consumer choices and decisions. Moreover, an interview with a secondary market dealer integrates the findings on the factors affecting the premium pricing on the secondary market.

Combining quantitative data and qualitative data offers a comprehensive understanding of the market, where qualitative data can be used to provide context to the quantitative data and vice versa. Quantitative data gives access to numbers that help identify relationships between variables, price points and market differences between timepieces from an empirical point of view.



Qualitative data instead sheds lights on another perspective of watch collecting that numbers can't show such as the personal motivations about consumer preferences and motivations that numbers don't explain, so to have a complete view on the market, a mixed approach is used.

## 4.2 DATA COLLECTION

The data collection chapter is fundamental for the analysis of the luxury watch market. This section delineates the procedures employed in this study. This section will include the data sources and how was extracted and used in detail both for the quantitative and qualitative information.

### 4.2.1 Quantitative Data Collection

To have a deeper and empirical groundwork for the research, quantitative has to be collected. The main source of data is the leading marketplace for luxury watches, Chrono24, which has more than 400,000 timepieces for sale as of today. This website serves as a resource to track the current market trend and prices, making it a reliable source for data.

The selection includes a sample of 119 timepieces from the most top-ranking watch brands in the world according to the yearly report from Morgan Stanley and LuxeConsult for 2023 including Rolex, Cartier, Omega, Audemars Piguet and Patek Philippe.

The collection procedure commenced by accessing the Chrono24 platforms through the researcher's credentials, granting access to a personal section labeled "Watch Collection" which facilitates the tracking of the watches for the research.

The second step was selecting the relevant watches, entries were selected from the section "Popular watches – Daily Updated" and carefully listed my brand, model, and reference on an Excel spreadsheet.

Each entry has different characteristics to encompass a wide range of variations and have a representative sample of the market. So,

there are entries in gold but also steel, with complications and not.

One of the criteria was that the watches were still in production to have a reference for the retail price.

### Estimated worth

Currently	Min./Max.
\$ 66,671	\$ 63,434 - \$ 69,909

#### How is the estimated value calculated?

We calculate the estimated value based on various price data. These include prices from actual sales over the last 365 days and current listings on Chrono24.

Figure 8 - Estimated Worth Example. Chrono24

After that, other than brand, model and reference number, new columns were added to include new information useful for the study. The other factors for the dataset include the retail price, minimum and maximum price, the average price on the secondary market, number of listings, alongside exterior characteristics like dial color, case material and diameter.

To collect all the information about each watch, each entry was added to the “Watch Collection” section to have an organized list for the dataset,

The retail prices were all searched on the official websites of the brands, for some watches prices were “on request”, meaning it was needed to contact a boutique in order to get the information.

The minimum and maximum prices were directly computed by Chrono24 and were directly accessible with an “estimated worth” (Figure 8). Under the section titled "How is the estimated value calculated?" It is stated that the estimated value is derived from a variety of price data sources.

These sources encompass prices from real sales conducted over the past 365 days as well as current listings available on Chrono24. This comprehensive approach to estimating value incorporates both historical sales data and current market listings, providing a robust basis for analysis.

The next step was to list the number of listings of each watch, also considering the material, the dial color, and case diameter.

## **4.2.2 Qualitative Data Collection**

This subchapter will shed lights on the reasons behind the choices of choosing a survey and an interview as qualitative methods to collect data.

### **4.2.2.1 Survey**

As explained at the start of the chapter, an additional qualitative method to collect data is necessary to have a better overview on what collectors and customers want. Among other qualitative methods the choice of an online survey is driven by some specific motivations that make it the best choice for this research. The first reason is that an online survey allows to reach a wide demographics without geographic constraints, so this allows to reach and target watch collectors worldwide meaning having a range of enthusiasts from various regions of the world.

A survey is also useful to have a balance between objective and subjective data, in order to capture trends and market statistics through numbers but also to have deeper insights on the consumers thoughts and emotions, which play a big role in watch collecting.

Moreover, it is anonymous, which can encourage more honest responses from participants. In fact, talking about luxury items could be a barrier to some people, who could feel judged or in danger. Lastly, the accessibility is another factor that justifies the choice, as participants can choose a time to answer questions and use any devices that can access the internet, which is an advantage.

The survey was conducted through a Google Forms, which is renowned for its cost-effectiveness and ease to use from a researcher's perspective and for a participant. The website allows customizing surveys and offers a wide range of options such as multiple choices, open questions, scales, and dropdowns and allows supports images and videos to enhance the appearance of the form. Additionally, it is easily accessible and allows the research to connect to form to a Google spreadsheet that enables real-time visibility of response without any limitations regarding the scale of the survey. includes various types of questions.

The choice of including both closed and open-ended questions was driven by the need to achieve a complete overview of the consumers thought and have questions that can be analyzed with statistics and quantitative methods and other open-ended questions which give more space to the consumer's fantasy, so this was fundamental to add a critical interpretive layer to the statistical outcomes of the study.

The questions developed for this study are highly specialized and occasionally specific to seek insights into purchasing habits and preferences among people deeply invested in this passion. The average person, lacking interest in watches would find difficult to answer meaningfully a big part of the questions, that's why the survey's participants are mainly watch collectors themselves, this gives the survey more reliability, since answers come from knowledgeable enthusiasts who are active in watch communities. Focusing on this target group gives more valuable data and quality answers.

In addition to leveraging online survey tools, the survey was distributed mainly through telegram enthusiast chats. The app is known for its privacy features and its communities of enthusiasts of different passions. So, the survey was sent to an active audience and mainly to a single community, where members have a high level of trust between each other and are more likely to answer research activities.

In the process of designing the survey, it had been made sure that the questions were relevant and that could lead to the right way to answer the research question. To assure this, preliminary feedback was asked to a small sample of collectors to make the last adjustments before sharing it. This helped to also enhance the relevance and clarity of the questions, to avoid ambiguities. The outcome of the questions is a combination of open-ended and closed-ended questions.

Due to the extensive nature of the survey data, the complete results can be found in the supplementary document.

Please allocate 100 points according to the relative importance of the factors that determine the resale value of a luxury watch in the secondary market, with more points corresponding to higher importance.

Total points must be 100.

This first question is effective for understanding how different attributes weigh against each other from the participant's perspective. It assesses the relative importance of various factors that determine the resale value of a watch in a quantitative method while giving space to qualitative preferences. To answer this question the question requires respondents to think how to distribute 100 points, leading to more reflective responses. The 100-points must be distributed between five favors: brand, because the resale value of watches can be associated to the prestige and reputation of certain brands. Trend, because the novelty or temporary trend can influence the desirability of the timepieces. Investment potential, since luxury watches and specifically some brands are known to be good stores of value and have been steadily increasing for decades. Rarity, which should be interpreted as limited availability, which increases the item's value due to high demand and low supply. Lastly. Material and color, which are aesthetics factors, are also present in the Chrono24 data collection and can affect the market demand. Google forms doesn't have the function to create a "100-point allocation" question, it was created with a matrix where participants could allocate points with rows and columns where columns represented the factors and in rows, the points from 10 to 100.

The second question is:

*"On a scale from 1 to 7, where 1 indicates a strong preference for aesthetics and 7 indicates a strong preference for functionality, how would you rate your preference when choosing a watch?"*

The purpose of the question is to capture the trade-off between aesthetics and functionality when collectors consider when buying a watch. It allows to have a glance in the consumer's mind, understanding the general priorities.

*"Have you ever sold a watch above the retail price?"*

The third question only allows either a yes / no. It is interesting to know the proportion of respondents who were able to sell a watch higher than the retail value, to understand the number of collectors / enthusiasts who, at least once, sold a watch for profit. Also because one of the factors affective the positive price difference between the retail price and the market price could be the investment side of the industry.

*"Do you think the dial colour can influence the resale value of a watch in the secondary market? How significant is this influence on a scale of 1 to 7?"*

Material and dial color are two of the factors noted on the Chrono24 data collection. To have additional information to compare, the survey asked questions about both factors. Understanding perceptions of dial color's influence on resale value helps to identify why some watches are more valuable on the secondary market. Some dial colors in fact are trending and more valuable in respect to others. The question finally allows to capture both quantitative impact of dial color with qualitative impact, enabling a more complete understanding of how aesthetic feature contribute to the value of watches.

*"Based on your experience or observations, which watch dial colours are currently most popular in the secondary market?"*

The next question is designed to identify the current market preferences of customers regarding dial color with a multiple-choice question that gives the chance to select between: blue, rhodium, skeleton (transparent), green, white, black, and turquoise. It also allowed respondents to add another color if not listed. The options include a range of color traditionally popular in the market and the information can be crossed with the quantitative data collected from Chrono24.

*"If you had to choose just one material to wear, which would you use?"*

The survey then dives into materials and the first question aims to identify what materials are preferred by collectors if they had to choose only one. It is a closed-ended question (single-choice) with a wide range of materials to choose from: Steel, yellow, rose and white gold, combination of gold and steel, platinum and titanium. This could help understand if there is a match between the quantitative and qualitative data, so if the higher price differences match the choices of the consumers.

*"Based on your experience, which types of metal are currently most popular in the secondary luxury watch market? What trends have you noticed regarding material preferences, and why do you think this is?"*

The open-ended question is designed to recognize or shed light on the trends of the types of metals that are currently more popular on the market and the reason that motivate the choice. The open-ended format allows respondents to express their opinions without any constraints, providing a richer amount of data to analyze. From the answers, many aspects can be discovered like future trends and much more, than can be

then integrated with other data. The insights could include also the factors influencing their preference such as aesthetics, durability of a certain material, cost of social significance.

*"If you could purchase a watch at the retail price with a budget of 20,000 EUR, which one would you choose?"*

The following question is designed to see if there are some common patterns between the choices of respondents regarding specific brands or models, or some aesthetics characteristics of some timepieces. Budget is fixed at 20.000 EUR. The information can be useful to be compared with other data collected.

*"What is your preferred watch diameter size? Select the option that best describes your choice."*

The question is designed to capture the preferences in the sizes of the watch through a closed-ended multiple choice question, with options ranging from 26mm to 44mm which covers the most common measures. The result can be helpful even for professionals who want to develop their own project and are uncertain about the perfect diameter for the watch build. The result could vary depending on if the participant is a man or a woman, since men would probably prefer a bigger size while women measure under the 36mm mark.

*"If you had to choose just one category of watch to wear, which would you choose?"*

The question is formatted as a single-choice query plus the "other" option which allows participants to input their favorite choice. It aims to understand which is the preferred type of watch of collectors.

The answers include six fixed categories including a time-only watch, , a chronograph, a GMT, dress watch, dive watch and a complicated watch. A time-only watch displays just the hour, minute and second hand. A chronograph features a built-in stopwatch with push bottoms that start, stop, and reset the mechanism. Then, the GMT functions allow you to track more than one time zone at the same time, and it often includes an extra hand and a rotating bezel. A dress watch can be worn in a more formal context, and it's mostly made of a precious metal, with a slim case. Finally a dive watch can resist greater depths and resist high pressure and a complicated watch refers to any feature beyond simple timekeeping, so features like moon phases, minute repeaters or tourbillons.

*"Among the following Rolex models, which do you prefer and why? Please include details like specific features or attributes that influence your choice."*

This question compares two models from Rolex which differ in their bezel color. The GMT “Pepsi” which features a red and blue bezel is more appreciated on the market and the GMT “Batman” as collectors named it, can be found for less. Both models are very hard to get at retail price, and this question helps to understand if collectors appreciate the aesthetic features of the more expensive watch.

*"Why?"*

This question is the follow-up of the previous one. It gives space to the respondent to express the reasons of choosing one or the other model. The reasons could be simply for the aesthetics of the watch or because of the resale value of the market.

*"When you think of a diving watch, which brand/model comes to mind?"*

*"When you think of a chronograph, which watch comes to mind?"*

*"When you think of a time-only watch, which model comes to mind?"*

These free questions are presented in an open-ended format to give full freedom of choice to the respondents. The responses can provide a measure of brand recognition and top of mind awareness for dive watches, chronographs and time-only watch. The data can be compared with the quantitative data collected on Chrono24 to see if there is a match between consumer choices and market appreciation.

*"Do you think social media influence the choice when buying a watch?"*

This question is important to understand the perception of social media influence between watch collectors. It's an open-ended question and answers could include some specific insights on the influence on the decision-making process when buying a watch.

*"Where do you typically follow news and gather information about watches?"*

The last question aims to identify the sources of information of collectors with an open-ended answer. This could include online and offline sources, from watch forums to official stores and watch events.

#### **4.2.2.2 Interview with an industry professional**

To further understand the complexity of the watch industry and examine why certain models and brands trade over their retail price driven by the high demand, further qualitative data is collected through an asynchronous interview by email. The insights that an interview with a professional can give can't be obtained in any other way since in the consumer's buying process there are a lot of emotional factors that

numerical data can't fully explain. The conducted interview allows the interviewee to have the flexibility to answer the questions at his own pace, which is advantageous when discussing complex topics. In fact, it allows a higher level of detail that can be crucial to have better insights. This also allows the researcher to analyze the answers and integrate them with the other data collected.

The rationale behind choosing an industry expert as an interviewee is led by the factor that a professional working in the secondary market brings knowledge and experience grounded by years of experience in the business of watches. The answers may also share perspectives that are not available to a collector or simple research. Moreover, the interview can enhance the interpretation of data set and can provide a clearer picture of the market dynamics. Lastly, an expert brings real life examples and experiences so that theories become practical.

Given the influence that an interview can bring to this research, the choice of the interviewee was made carefully, considering it had to be someone who had a global view of the industry and had a successful past in the business.

The interviewee selected for this study is Roman Sharf, CEO of Luxury Bazaar, who is a highly respected businessman in the luxury watch industry thanks to his experience and knowledge. Starting from his basement in 2001, Roman grew his company to generate over \$130 million in annual sales selling watches and jewelry. Also, he is one of the first to leverage online platforms to reach a global audience to expand his business. Roman Sharf owns a YouTube channel with more than 400,000 subscribers where he shares information about luxury watches and documents his activities in the business through videos.

The experience in the industry and the insights collected from the answers contribute to answering the main research question of this thesis: what factors influence the positive price differences between the retail price and the secondary market price in luxury watches?

After the selection of the expert, the researcher reaches out on his social media channels and by email. Established initial contact, a formal request for an interview was sent, highlighting the purpose of the interview and how the information was being used. The initial communication also put emphasis on flexibility and respect to the interviewee, proposing a format that would be convenient and effecting for both.

Upon receiving the positive response, a list of specific questions was shared by email. The answers were provided in the form of a video, which was then transcript and attached in the Appendix. The questions are crafted do dive deeper on some aspects of the watch market:

The first question is:



*"In your experience, what factors most influence a buyer's decision to choose one luxury watch brand over another?"*

The first question aims to delve into the factors that influence consumer decisions, and the attributes that make certain brands more desirable than others. The answer can help identify the drivers of price premiums: quality in terms of materials, the limited availability that makes the watches more desirable, the investment potential and also the social influence that impacts buyers' decisions.

"In your opinion, what characteristics make a watch become highly desired in the market?"

The second question aims to discover the attributes that increase a watch's desirability demand which, as we seen, leads to prices higher than retail prices. The possible answer to this question could include: the aesthetics including a specific material like a precious metal or dial color, functionality and innovative features, brand history or once again the limited availability of the pieces.

*"What motivates customers to purchase watches on the secondary market, even when they are aware that they might be paying more than the retail price?"*

The third question aims to uncover the factors that make buyers spend a premium on the secondary market. This helps delineate the complexity of the consumer's mind. The answer is directly connected to the research question to understand the motivations behind the economic behavior in the watch industry. Hypothetically, the answers are related to the limited supply for certain models that create a sense of urgency, the investment consideration since some watches increase value over time and the impact of market trends and behavior or other collectors which can influence buying decisions.

*"From a value retention perspective, which materials do you consider most appreciated for luxury watches, and why?"*

The topic of the questions now is materials which not only impact the aesthetics of the watch, but also the market value and desirability on the market. In fact, certain materials like precious metals are generally more costly than steel, even if it's not always the case. The response from Roman Sharf will shed light on the current market trends of the industry, on which are the most appreciated material by collectors. The possible answers to these questions could be rose gold yellow gold or mainly steel.

*"Regardless of the type of watch, which dial colour do you think is the most appreciated, and why do you think this is the case?"*

To get further data regarding dial colors, this question aims to see if there are any more appreciated colors in the market. The information from Roman Sharf response will help identify any potential patterns that can be useful for industry professionals and for companies, to align offerings with consumer preferences. The colors could be green, blue but also transparent, which are currently very popular.

*"Do you recognise any factors or common patterns between the watches that trade over retail?"*

The next question proposed allows for a broad exploration of various factors that affect the market. It leads to the main research goal which is to discover the factors that influence the positive price difference between the retail price and the market price. It allows the interview to cover many aspects: from branding to technical features, to market trends and preferences that influence pricing in the secondary market.

## 5 ANALYSIS

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This chapter aims to uncover the patterns that justify the positive price difference between the secondary market price and the retail price.

Utilizing the dataset obtained from Chrono24, an authoritative source for secondary market data for luxury watches will be useful to address the main research question of this study. To proceed and analyze the data, a multifaceted approach will be employed. The platform provides very detailed data and listings that present a broad spectrum of the market from high volume to more exclusive pieces.

Starting off with a descriptive analysis to establish groundwork for furthermore complex research.

The second analysis will dissect and compare the number of listings of each brand in the dataset to see which one's trade over retail. To go even deeper, the model analysis will present the most appreciated models.

Then with the correlation analysis, the study will identify the relationship between two variables and finally a regression analysis to examine the relationship between one dependent variable and other variables.

After examining the relationships and the possible patterns between the factors considered, the research will delve into the examination of the results of the survey and the insights from the asynchronous interview with the industry expert, Roman Sharf.

### 5.1 DESCRIPTIVE ANALYSIS

The objective is to provide a foundational understanding of the dataset to establish the context within which further analysis is conducted. This statistical measure helps to describe the central distribution shapes of the key variables of each entry including prices, listing frequencies and the exterior characteristics of the watches, also utilizing a variety of graphical representations.

### 5.1.1 Dataset Composition

The data set comprises 119 watches from 23 different brands as presented in Figure 9. The watches are further categorized into 89 unique models showcasing different functionalities and design suited for different customer preferences and tastes. Additionally, the diversity is highlighted by the presence of 17 different dial colors and 10 types of case materials.

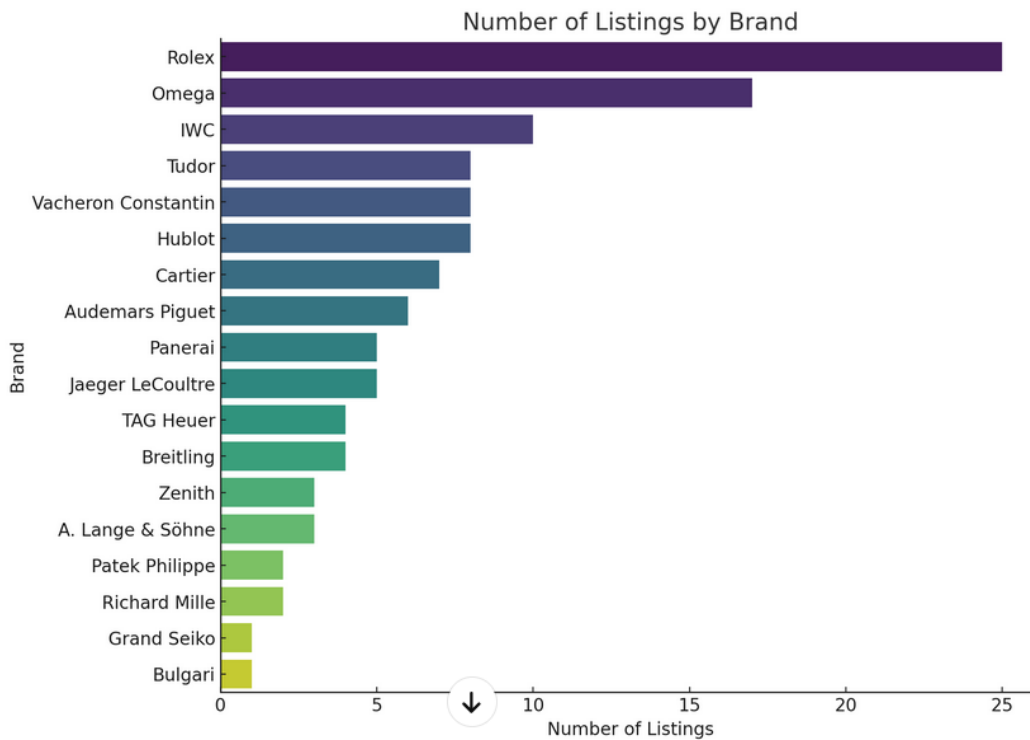


Figure 9 - Number of Listings by Brand

### 5.1.1.1 Dial Color and Material Distribution

The graphic representation 10 presents the distribution of dial colors across the dataset. The most common color “Black” is the one who prevail with 46 listings. It is followed by “Blue” with 24 listings and then “White” with 17, and “Silver” with 12 entries.

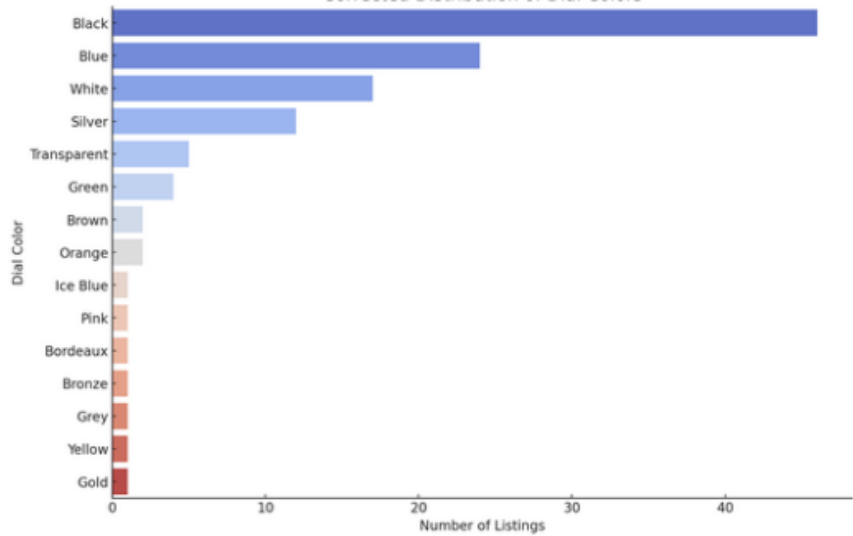


Figure 10 - Dial Color Distribution

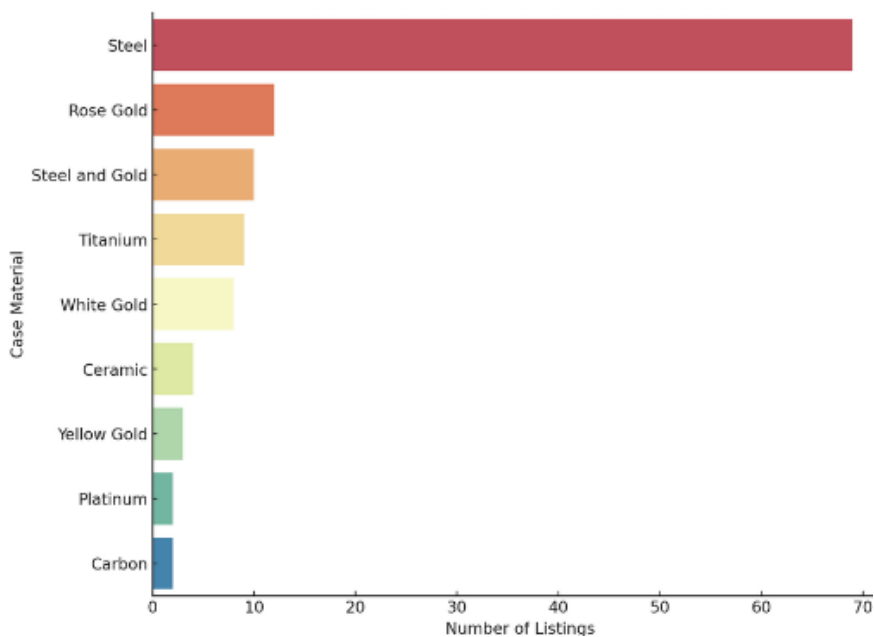


Figure 11 - Case Material Distribution

Figure 11 represents focuses on case material distribution. “Steel”, dominates because of its versatility, durability, and cost, with 69 listings. Then “Rose gold” with 12 listings and “White Gold” with 8 entries, followed by the combination of “Steel and Gold” with 10 entries. Less popular although innovative materials are represented by “Carbon”, with only 2 listings.

## 5.2 PRICE ANALYSIS

The average retail price of the entries is approximately €23,877, with a considerable standard deviation of €34,598.

To explain further, a low standard deviation means that the data points (retail price) tend to be very close to the mean, indicating that most of the watches have retail prices near the average price.

A high standard deviation as in this case, suggests that the data points are spread out over a wider range of values. This result indicates variety in the prices of the timepieces, which range from the most affordable options at €2,450 to the more expensive options, like Richard Mille with a retail price of €270,000. So, this result reflects the heterogeneity of the watch market.

On the secondary market, the average price of the watches is €28,986. This result surpasses the initial retail pricing, suggesting a market willing to pay premiums for certain models. The high standard deviation of €61,249 also reflects the dispersion of prices influenced by factors such as the brand, model and exterior characteristics. The maximum observed resale price is €528,431 for the Richard Mille 35-03, almost double the boutique price.

### 5.2.1 Listings and Price differences

The average number of listings for each watch stands at 121 with a high standard deviation of 211, showcasing different supply of watches or degree of rarity.

Finally, an important aspect of the descriptive analysis is the price difference between retail and secondary market, with an average difference of €5,110, with a substantial standard deviation of €31,951, suggesting that some entries can be sold with a very low premium while others with a very high one. The extremes range from a decrease of 68.2% to an increase of up to 295.8%.

## 5.3 BRAND ANALYSIS

To deepen our understanding of market dynamics, a brand analysis will further dissect the dataset. The graphical representation (Figure 12) compares the number listings for each brand and the proportion of

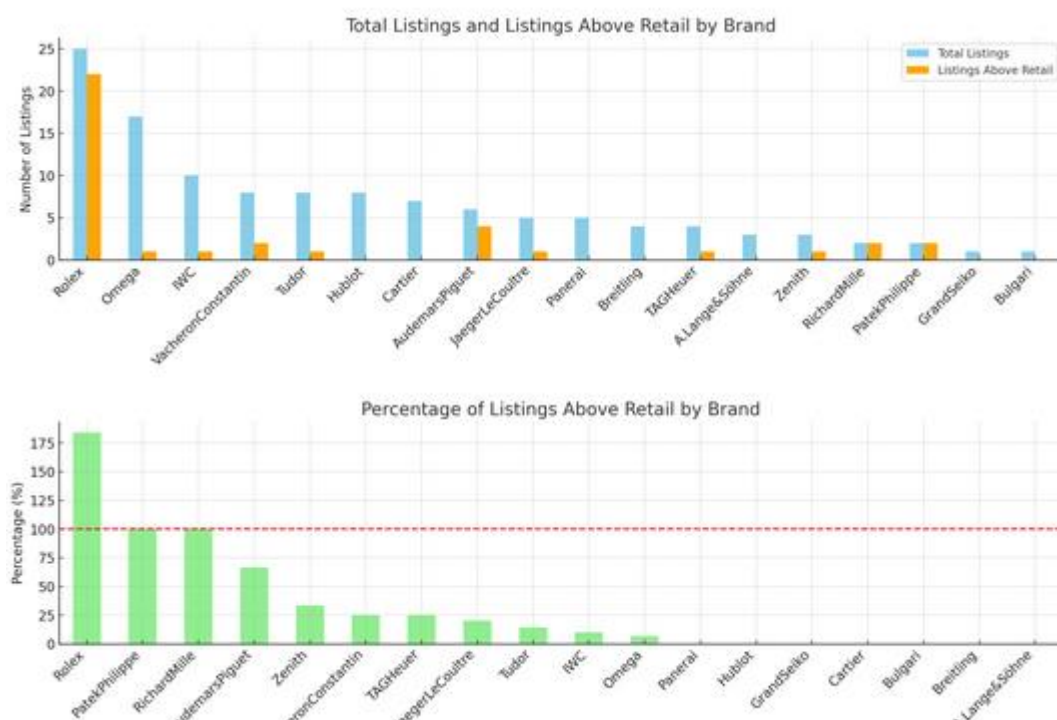


Figure 12- Listings Compared to Listings above Retail by Brand

these that sell above the retail price, which serves as an indication of the desirability of some brands and their potential to be sold at a premium.

The first two brands are Richard Mille and Patek Philippe that show a 100% rate of watches selling above retail. It should be noted that in the dataset only two entries for each brand are included. This suggests that the brands are desired, but the limited data underlines the need for cautious interpretation.

Rolex instead stands out for the number of listings, and the robust market performance with 22 out of 25 listings selling above the retail price. This indicates a consistent demand for Rolex and strong appeal in the market.

Audemars Piguet also shows a significant portion of its listings (66.7%) selling above retail.

## 5.4 MODEL ANALYSIS

To further refine the analysis, this section examines the different models within the dataset to identify the most appreciated in the market.

The Rolex Daytona and the GMT Master II from Rolex are the most present in the dataset. Out of 6 entries, 5 Rolex Daytona's are selling above the retail price, with an average price difference of €36,585. The GMT Master II has 5 entries in the dataset, all above retail which indicates a strong demand for these models.

The Audemars Piguet Royal Oak also performs well in the market with 100% of entries above retail, and an average price difference of €26,692.

Finally, the Patek Philippe Nautilus, present with only two entries is also appreciated in the market.

The analysis is presented with a visual representation (Figure 13) by a graph displaying the number of listings

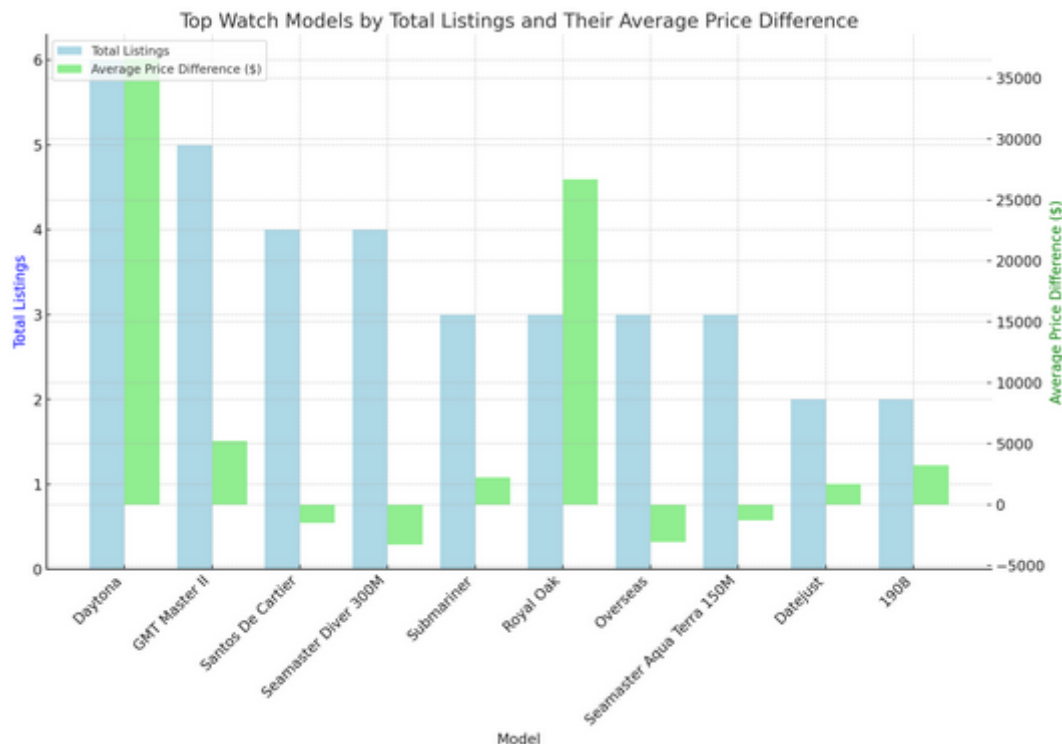


Figure 13- Top Watch Models and Average Price Difference

in blue bars and the average price differences in green bars for each model.

As noted, before, the Daytona has the most notable price difference between retail and secondary market.

The results highlight the importance of some product lines and how they are more appreciated by collectors.

## 5.5 CORRELATION ANALYSIS

To dive into the factors that influence the premiums above retail prices, the study provides a correlation analysis. This statistical technique identifies the direction between two variables.

The correlation in fact measures the association between two variables: the result can be positive or negative. A positive correlation means that when one variable increase even the other one increases, On the other note, a negative correlation means that as one variable increases, the other one decreases.

To quantify the relationship between the variables and the resale variables, the Pearson correlation coefficients for numerical variables are employed. The coefficient is a measure of the linear correlation that goes from -1 to 1.



The first relationship analyzed for the study is between the retail price and the average price on the secondary market. A strong positive correlation between the two variables can be observed, ( $r=0.93$ ). This suggests that watches with higher retail prices tend to also have higher prices in the secondary market.

A positive correlation of 0.69 emerges from the relationship between the retail price and the price difference in absolute terms, which again suggests that higher priced watches increase the most when entering the secondary market.

A further confirmation is given by the positive correlation between the average selling price and the price difference ( $r=0.91$ ), reinforcing the observation.

The relationship between the price difference and secondary market price in euros and percentage show positive correlations with the average selling price in the secondary market. This indicates that watches with larger price differences tend to sell for more on the secondary market. The answers are respectively ( $r=0.84$ ), ( $r=0.72$ ).

The price difference in percentage, representing the relative increase from retail price to secondary market price, show a moderate positive correlation of 0.53 in relationship with the average selling price, and a lower positive correlation of 0.29 with the retail price. This translates in the value appreciation not only uniformly favor only the most expensive pieces in the dataset. So, a watch with a high retail does not necessarily mean that it has a proportionally high increase in its resale value.

The number of listings shows a negative correlation with the retail price of ( $r= -0.13$ ) and a very small correlation with the average selling price on the secondary market ( $r= -0.11$ ). This answer suggests that fewer listings do not necessarily correlate with higher prices on the secondary market and that the most expensive watches could be less frequently listed because collectors do not resell those timepieces, or because of rarity and long waiting lists.

Regarding the diameter, the size of the watch does not influence its retail or performance in the secondary market.

#### **5.5.1 Impact of non-numerical variables on price differences**

The research dives into the non-numerical variables such as dial color and case material to see the relationship with the numerical variables. By examining these variables, the study offers a detailed examination of how specific attributes correlate with price variations.

The most appreciated dial color is "Transparent" or as called by collectors, "Skeleton" dial with a average price difference of €60,003.40 followed by the dial color "Brown", averaging €56,416.

The price difference in percentage also varies, with the “Brown” dial having a substantial average increase of 52.52% and ice blue dials showing a 45.54% increase, indicating higher value in the secondary market for some colors.

Regarding materials, the average price difference shows that “Carbon” case watches have the highest price difference at €164,197 and a increase in percentage of 64.34% in the secondary market.

The relationship between dial colors and case material and their collective impact on price difference gives insights on the factors that influence the positive price differences:

After grouping the dataset by dial color and case materials, the research analyses the average and median price differences for the combinations of the two variables. This research will shed light on the patterns and combinations that are more appreciated in the secondary market.

The first combination to be noted is the “Transparent” dial with “Carbon” case watches, with a price difference of €164,987, even if the data only includes two watches with these characteristics.

“Black” dials with “White Gold” case present a positive price difference of €76,038 followed by “Blue” dial and “White Gold” case, with an average premium in the market of €35,063. This means that a combination of classic colors with precious metals is favored.

There is a moderate price difference in “Blue” dial with “Steel” cases with an average difference of €3,724 across 16 listings, showing a positive market reception. “Black” dials with “Titanium” cases also suggest a solid appeal with a premium of €3,420 across 5 listings.

As steel watches are the most sold and popular in the market, the research will dive deeper in the non-numerical preferences:

“Blue” dials are the most appreciated, followed by “White” dials, with a positive average price difference of €1,387 across 11 listings.

“Black” dials with “Steel” cases with 23 listings, present a negative average price difference of “369”, indicating that the market could be saturated for this combination.

Lastly, a more considerable negative price difference is seen with “Green” dials and “Steel” cases, with - €1,186 across 3 listings possible due to the less demand or market preference.

Other combinations show less consistency in achieving a positive price difference, such as silver dials with “Steel” cases and “Blue” dials with “Rose Gold” cases, with an average price difference of -€4,943 across 4 entries which could translate in oversupply or simply less demand.

## 5.6 REGRESSION ANALYSIS

The goal of running a regression analysis helps determine the relationship between a dependent variable, in this case the price difference, with one or more independent variables in the dataset. This statistical analysis allows to create a model to predict the secondary market prices based on the characteristics of the timepiece. This is a valuable method to answer the research question but also for collectors and stakeholders to make informed decisions.

The first two variables considered are the retail price and the price in euros. The coefficient for retail price is approximately 0.672 which means that with every 1 increase in retail price there is an expected increase of 0.672 in the secondary market, so as noted before, higher retail prices tend to be associated with higher



Figure 14 - Relationship between Retail Price and Price Difference

market prices. This relationship does not explain the complexities affecting the positive price differences.

The visual representations (Figure 14) show the actual data points in blue which reflect the retail prices of the timepieces included in the dataset, which are dispersed and varied. The red line represents a hypothetical model illustrating how retail price is expected to influence the price difference in the secondary market.

To extend the model and understand how the other features impact the dependent variables, multiple independent variables will be included. The dependent variable remains the price difference in the

secondary market, the predictors instead will be: brand, model, dial color, case material and diameter in order to see if these factors are driving the price.

Including both numerical and non-numerical (categorical) variables shows these answers: The R-squared value is approximately -0.054 suggesting that the complex model does not explain the variance in price difference.

To take a different approach, the dependent variable is the monetary value between the secondary market price and retail price while the independent variables include retail price, average selling price, number of listings. The coefficient of the regression analysis has some specific meanings – if the retail price has a negative coefficient, it has an inverse relationship with the price difference. A positive coefficient for the average selling price in the secondary market suggests a direct relationship with the price difference. A small negative value for the number of listings indicates a inverse effect on the price difference and lastly coefficient for each brand explains how the presence of a specific brand impacts the price difference compared to the base line.

The results for the coefficients are respectively:

Retail Price: -34,452.25    Average Selling Price (Secondary): 60,991.11    Number of Listings: -0.000226

The intercept is a theoretical baseline that represents the expected value of the dependent variable when all independent variables are 0. It means that if all input variables were zero, hypothetically, the price difference would still be 5109.49.

To summarize the findings, the quantitative analysis highlighted that brands such as Richard Mille, Patek Philippe and Rolex consistently achieve significant premiums on the market but also some detailed insights on the patterns or characteristics that are recurrent on these watches.

Among the non-numerical variables, dial color and case material emerge as a significant factor affecting the resale price.

Rank	Dial Color	Case Material	Average Price Difference	Number of Listings
1	Transparent	Carbon	€ 164,987	2
2	Black	White Gold	€ 76,038	2
3	Blue	White Gold	€ 35,063	2
4	Blue	Steel	€ 3,724	16
5	Black	Titanium	€ 3,420	5
6	White	Steel	€ 1,387	11

*Figure 15 - Case Material and Dial Color Combinations*

In examining the combinations between dial colors and materials, transparent dial with carbon case watches fetches the highest premium followed by black dials with white gold cases and blue dials with white gold cases. Figure 15 displays the ranking of the combination between case material and dial color with the relative number of listings in the dataset.

However, it is important to note that across a larger number of listings, the most consistent combination to be taken into consideration is blue dials with steel cases, which appear in 16 listings across the dataset, and fetch € 3,724 premium on average. Steel cases also perform well with white dials.

These findings reflect a broader trend in the luxury watch market, where innovation in materials plays an important role in driving up the market value. At the same time, the popularity of steel aligns with the preference for practical watches that offer status.

## 5.7 SURVEY ANALYSIS

"Please allocate 100 points according to the relative importance of the factors that determine the resale value of a luxury watch in the secondary market, with more points corresponding to higher importance."

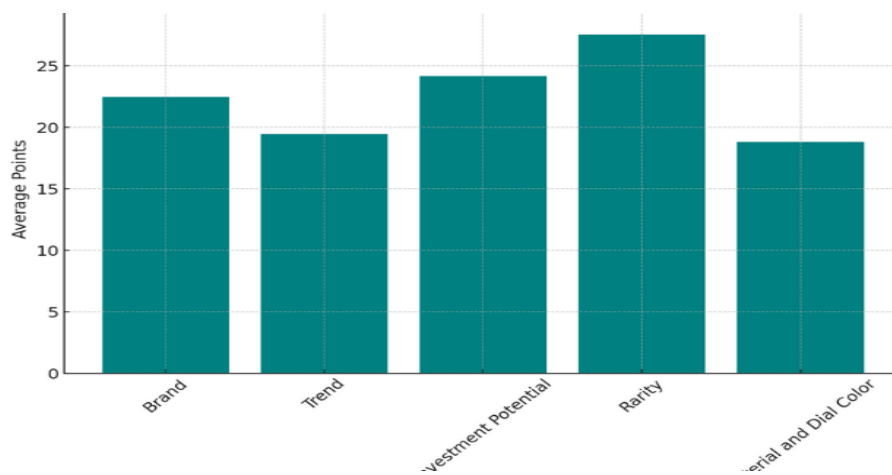


Figure 16 - Average points affecting the resale value of luxury watches.

From the analysis of the collected data, all the factors have a certain weight in the mind of consumers. The more critical factor which has the highest average point is rarity, which refers to the limited availability of some models that trade over the retail price. The score obtained is 27,53 on average. This result means that participants give the most attention to the fact that these watches are hard to get, and since they are not easily available, they become more desirable. The second factor is investment potential with a score of 24,17, which indicates that watches are seen by many as a proper asset class or a way to preserve capital. Third, branding displays the importance of brand prestige in the watch industry. Finally, trend and material and dial color, with respectively 19,45 and 18,78 according to respondents, are the factors that influence the resale value the least. The results are represented by Figure 16.

"On a scale from 1 to 7, where 1 indicates a strong preference for aesthetics and 7 indicates a strong preference for functionality, how would you rate your preference when choosing a watch?"

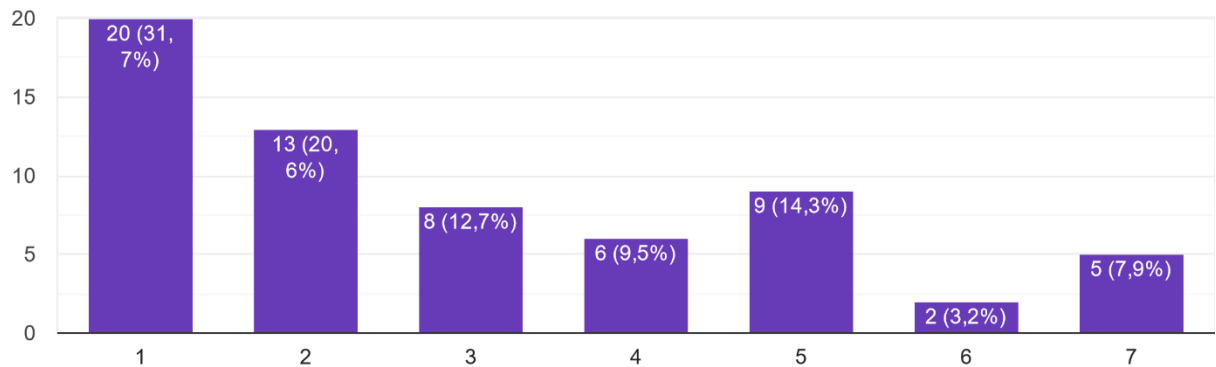


Figure 17 - Distribution of results 1 Aesthetics / 7 Functionality

The chart (Figure 17) shows the distribution of responses among 63 respondents where each bar represents the number of respondents who selected each point, from 1 to 7 on the scale. The graph also includes the number and the corresponding percentage. The majority favor aesthetics over functionality, with the highest number being 1, with 20 ratings (31.7%). The preference then starts to decrease as we move towards functionality, with the fewest votes at point 6 which in percentage has 3.2%.

The answers suggest when it comes to luxury watches, the visual appeal might be more critical than the functional attributes, meaning most people care less about the mechanical side of the watch and more about the aesthetics. For brands and industry specialists, there should still be a balance between reliability of the movement and functionality and aesthetic pleasure.

"Have you ever sold a watch above the retail price?"

The pie chart (Figure 18) provides responses from the survey proposed to a group of collectors: the results are balanced between "Yes" and "No" with the blue segment representing most people with 55.6%. Out of 63 respondents, more than half sold a watch above the retail price, indicating a very active secondary

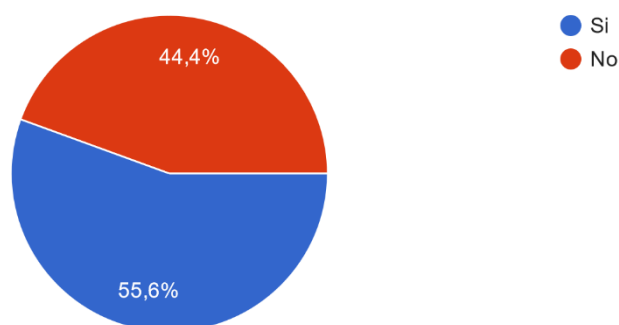


Figure 18 - Percentage of People who sold a watch over the retail price.

market. For further studies, the research goes into the details of the watches sold and at what price.

"Do you think the dial color can influence the resale value of a watch in the secondary market? How significant is this influence on a scale of 1 to 7?"

Following up, the bar graph (Figure 19) showcases 63 responses to the survey question which aims to see the perception of consumer of the dial color on resale value of the watches. Out of the total answers, only 3 respondents answered with 1, which is the lowest influence while 16 respondents answered with 7, so a high influence on the resale value of the watch. The higher clustering can be found at the higher end of the scale, 6 and 7, but on the lower end there is a grouping between 2 and 3, which covers almost 20% of answers. In the middle instead, respondents probably see dial color as influential but not the primary factors buyers consider when choosing a watch.

For manufacturers, offering a product with a distinctive and sought after color is fundamental to drive sales.

63 risposte

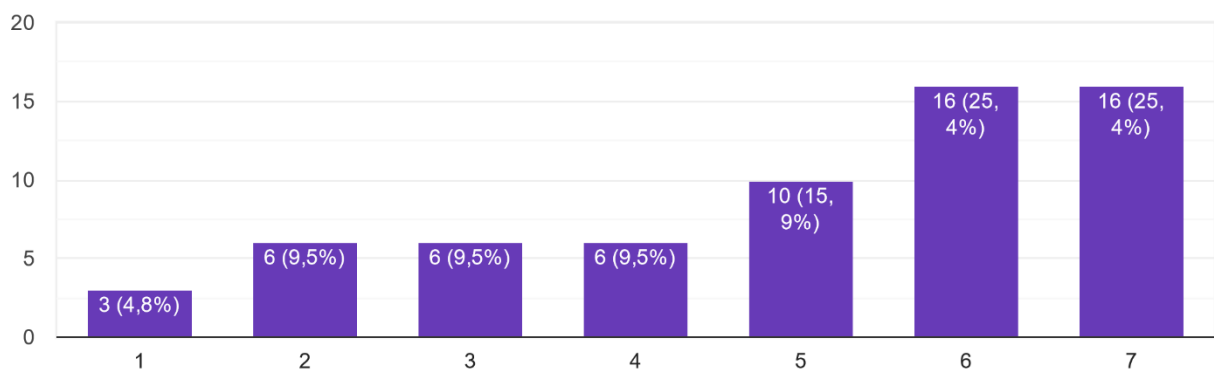


Figure 19 - Dial color importance for resale value from 1 to 7.

This is also proven by the fact that on the market the same watch with a different dial color can have very different prices, also because the brand might make one more limited than the other.

"Based on your experience or observations, which watch dial colors are currently most popular in the secondary market?"

This question is useful to identify trends in the market regarding dial colors. Among the selected colors, Blue dominates the survey, with 58.7% of responses, suggesting that blue is a highly sought after color in the market, probably due to its versatility.

The second choice is green, with a 41.3% of responses, which has been a trending color in the last few years, mainly for the famous Rolex Daytona in yellow gold with a green dial, which became very popular after a

video of John Mayer showcasing it in his watch collection. In 2022 this watch that retailed for about €35,000 at retail price, was trading on the secondary market more than €100,000 due to its limited availability and supply from the boutiques.

Another very sought after watch is the Patek Philippe Nautilus with a green dial which trades with a huge premium above retail.

The “Skeleton” dial, or “Transparent”, is placed at third place which is unique as the dial showcases the internal mechanics of the watch and it’s a statement for the brand to showcase its technical skills and craftsmanship. Following the third position, the “Turquoise” dial has been a trending color after Rolex released the Rolex Oyster Perpetual with this fancy-colored dial, which is still very discussed from collectors, as it was hard to get at retail and was trading for more than four times it’s retail price when it came out.

Following that, Patek Philippe released a Nautilus, with turquoise dial, which was sold in auction for \$6.5 Million. The same watch can be found with different dial colors for less than \$100,000. The other colors in the survey include black, white and meteorite which cover 25 answers together. As the luxury watch market is a dynamic industry, the results could change in a short amount of time if new trends appear, that’s why it’s important for brands to stay updated and track the secondary market.

"If you had to choose just one material to wear, which would you use?"

63 risposte

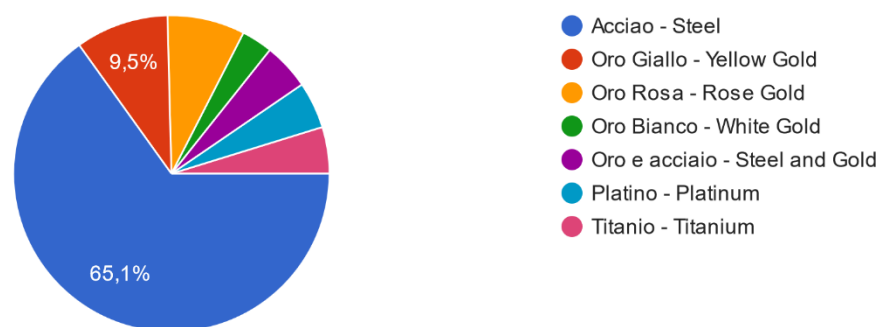


Figure 20 - Pie chart representing materials chosen by survey participants.

The question makes the respondents choose one out of a selected list of materials that are popular on the market. Figure 20 presents the results of the survey. Of the 63 answers, 65.1% chose steel as the only material they would wear if they only had an option. The strong preference is motivated by the practical attributes of steel and its durability.



Steel is less expensive than other materials and much more versatile for everyday wear, also for the weight of the watch. At the same time the second option is yellow gold which is traditionally a symbol of wealth and status.

Following these two, there is rose gold, the combination between gold and steel, platinum, and titanium. Platinum watches, very often, are offered as the most expensive watches at retail and also the one with the most prestige. The fact that not many respondents chose another material could be due to the cost and weight of the watch, which would not suit everyday use.

"Based on your experience, which types of metal are currently most popular in the secondary luxury watch market? What trends have you noticed regarding material preferences, and why do you think this is?"

The survey question was designed to give respondents the freedom to express their personal preferences on which materials they prefer and the trends they recognize on the secondary market. The answers provide a lot of value to the research, since there are no restrictions or a defined set of options. Some of the answers just specify the preferred material, others give a broader explanation and reasoning regarding individual experiences and practical consideration. The extensive amounts of varied responses highlight the trends in material preferences, particularly steel is the choice that prevails over the other materials. Counting specifically the number of respondents who chose steel, the answers are 38. For instance, one respondent emphasized the practicality of steel stating: "Steel, because it's easy to use and much more resistant compared to gold" which captures one of the advantages of steel. Another respondent notes: "steel watches are cheaper at retail so more people can afford them, meaning the request at retail are really high and waiting lists as well" reflecting that the since more people can afford them since they are cheaper than the precious metal watches, a lot more people chose them, and this makes the waiting lists longer than the ones of gold and other precious metal watches. Another answer reflects again the fact that it costs less and financially is a smarter purchase, and that it is the most popular, highlighting again that its harder to get at retail and cheaper.

Related to gold, another collector states: "L'acciaio mi pare la faccia sempre da padrone, vuoi per il costo, la portabilità. Ultimamente ho notato una grande ripresa dell'oro per il suo prestigio" ("Steel always seems to me to take the lead, whether it's for cost, portability. Lately I've noticed a big upswing in gold because of its prestige.") meaning that steel is always in the lead but, in his opinion, gold is coming back trending. Another respondent highlights that: "Oro giallo poiché più apprezzato a livello collezionistico internazionale" ("Yellow gold since most valued at international collecting level") meaning that specifically yellow gold is more appreciated at an international level and a more general statement: Very "high end materials like platinum with diamonds and special stones have better valuation overtime, since they are less bought and more expensive". Yellow gold has its traditional appeal and status symbol significance.

Other respondents appreciate the combination of steel and gold, and 1 person wrote titanium.

To summarize the points that emerge from the answers: steel is considered the more practical and affordable, allowing a broader range of people to access the luxury market, it maintains a good resale value due to the high demand, at least for certain brands. Gold is associated with luxury and prestige and appreciated by many collectors, platinum is more rare and denser giving it a more luxurious feel. Steel and gold represent the middle ground in pricing between the precious metals and steel, finally titanium is considered a more innovative material, appeals to those interested in modern technology who appreciate also its lightweight.

"If you could purchase a watch at the retail price with a budget of 20,000 EUR, which one would you choose?"

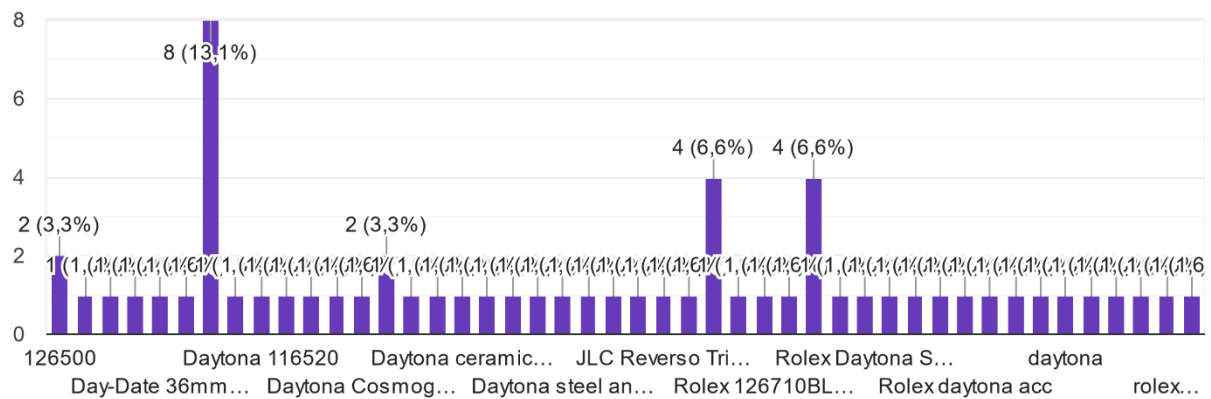


Figure 21 – Watches to buy at retail price chosen by participants.

This question aims to delve into the preferences of collectors, making respondents choose between a very wide range of watches under the budget of euros 20,000. The bar chart (Figure 21) presents some of the results of the survey. In exploring the answers, the results reveal a dominance of the Rolex Daytona, specifically the reference 126500, which was released in September 2023 and it's still a novelty.

Another part of responses doesn't specify the reference but just the model, without dial color or reference. The model is the most sought after in the Rolex catalogue and probably has the most extensive waiting lists to get it at retail price. Its popularity is due to the investment value of the watch, but also its iconic design and brand prestige, in fact Rolex is associated with reliability and status. Rolex is dominating in the choices, with also a presence of responses naming other models, like the GMT Master II "Pepsi", as collectors name it.

Other than Rolex, there are a few mentions to the Cartier Santos and JLC Reverso, indicating a niche interest in watches that offer historical significance and quality. The answers underscore the importance of brand heritage and potential value retention of watches. Moreover, the Oyster Perpetual, Day-Date, Datejust and explorer are mentioned, so a complete dominance of steel Rolex models.

"What is your preferred watch diameter size? Select the option that best describes your choice."

62 risposte

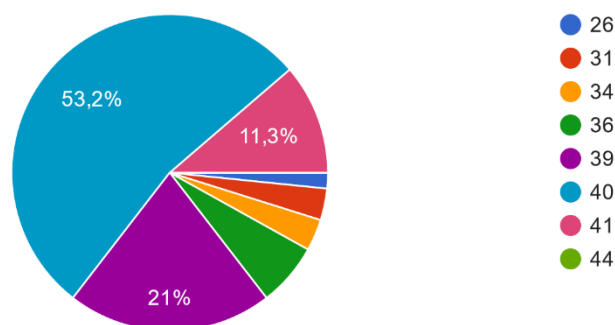


Figure 22 - Preferred watch diameter from survey participants.

The purpose of this question is to identify the most popular watch sizes among consumers, which can indicate also factors that influence the premium pricing above retail. The pie chart (Figure 22) showcases the results.

Between the choices, 40mm appears to be the most frequent in the responses, probably because it's suitable for most wrist sizes and among the 62 answers, it was the preference of 53.2%. The 39mm diameter and 41mm also appear frequently, with respectively 11.3% and 21%, suggesting these three sizes are the most popular. This is confirmed by the fact that most popular models, from the Daytona to the Royal Oak, are in between this range.

Another traditional size is the 36mm, which might be favored for its lighter feel and comfortability. The least chosen option is the 26mm, appearing twice, which is a size that fits more small wrists and are not too appreciated on the market. It should be noted that if you changed demographics like more women than men, the trend could be inverted, with smaller sizes being more popular.

"If you had to choose just one category of watch to wear, which would you choose?"

The survey results illustrate a diverse range of consumer preferences if they had to choose one single category of watch to wear. The options proposed to respondents are time-only, chronograph, dive watch,

GMT, complicated and dress watch. The results for certain watch categories can be motivated by connections collectors have with specific models. For example, the Omega Speedmaster, known as the “Moonwatch” carries historical legacies that can resonate with buyers. This could be one of the reasons why 36.5% of respondents chose chronograph as their first choice.

Also, the Rolex Daytona, which is also a chronograph represents an icon in luxury watch history and it’s connected to many famous personalities and brand heritage.

Moreover, as explained in the previous chapters, it’s one of the hardest to get and sought after watches in the market. In the survey, the preference for time-only watches is also significant, with 23.8% of choices, underlying several collectors who prefer simplicity rather than a more functional watch with features.

The third-highest preference among respondents is the GMT, such as the Rolex GMT Master II, which features a bi-color bezel and allows display two time zones at the same time.

"Among the following Rolex models, which do you prefer and why? Please include details like specific features or attributes that influence your choice."

The question aims to discern preferences between two distinctive Rolex GMT Master II models, with assorted color schemes – one named by collectors “Pepsi” for its blue and red bezel, and the other, named the “Batman” features a blue and black bezel. The objective is also to understand if higher market price for the “Pepsi” correlate with a greater preference for it among customers and explore the reasons behind the choice. Some people might prefer it for the color combinations, while others might prefer it for its value on the market. The direct responses help identify the reasons behind the choice. The market prices for the 126710BLRO “Pepsi” are €21,878.00 while the market price for the 126710BLNR “Batman” is €16,451.50.

Out of 63 answers to the survey, 63.5% favor the “Pepsi” and the rest favor the “Batman”. Among the answers to the survey, many cited the vibrant red and blue color combination: "Pepsi - better color combination and value on the market." And another: "I have the Batman, because the Pepsi is too hard to get." The answers reflect both the preferred color combination but also the fact that the favored watch is harder to get at retail price.

The less favored model, with a more subdued blue and black bezel is preferred mainly for its practical choice, especially for those who find the “Pepsi” too challenging to procure. The answers reflect not only the individual preferences such as more pleasurable colors but also how scarcity and demand influence the market. Something to consider is also the historical relevance of the GMT Pepsi, which was first released in 1954 while the “Batman” is a relatively new release to the Rolex catalogue.

"When you think of a diving watch, which brand/model comes to mind?"

When asked this question about choosing a brand or model, when thinking about a diving watch, there is some agreement between the respondents with the most answers proposing Rolex (25) as top-of-mind brand, and when referring to models, the "Rolex Submariner" has the lead. This particular model was one of the first dive watches introduced in 1953 and its distinctive design is an icon still today.

The positioning is supported by decades of endorsement and advertisements, together with technological advancements which place the watch as a top-of-mind model for many collectors.

Other than that, The Omega Ploprof is also named together with the Blancpain Fifty Fathoms, which is considered the first diving watch ever made.

62 risposte

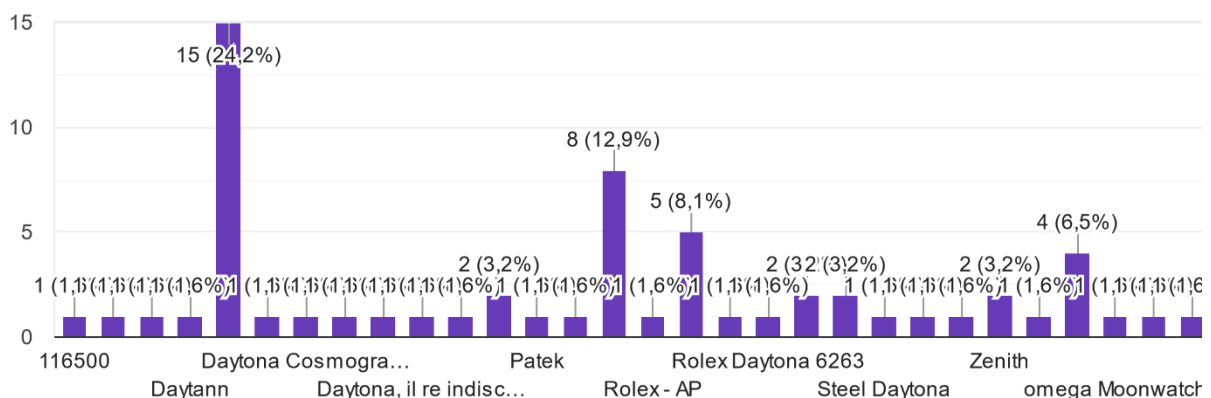


Figure 23 - Top-of-mind chronographs chosen by participants.

"When you think of a chronograph, which watch comes to mind?"

The survey results represented in Figure 23 highlight the Rolex Daytona as the favored chronograph in the mind of most respondents, underscoring the iconic status in the luxury watch market. The frequent mentions sometimes refer to specific references, such as the more modern 116500, featuring a ceramic bezel, or the manual wind vintage Daytona reference 6263.

Besides this model, the Omega Speedmaster, name the "Moonswatch" which carries a narrative of space exploration which adds to its allure, and the Zenith El Primero, celebrated for the brands' heritage and high frequency movement. From the answers, we can take that the high recognition and desirability are traits

that contribute to the secondary market prices, together with a rich history associated with events and famous figures, such as Paul Newman for the Rolex Daytona. Models like the Omega Speedmaster have stories that resonate with collectors, which enhance their value but are not always appreciated by the market. In fact, you can find most references below the retail price.

The insights from the survey also suggest strong loyalty to some brands and models, meaning that consumer demand plays an important role in creating this secondary market condition where the supply does not meet demand, pushing market prices above retail.

"When you think of a time-only watch, which model comes to mind?"

While considering the responses to the question, there are several models that stand out. First the Audemars Piguet Royal Oak, particularly the reference 15202. A specific answer states: "15202 anniversario, il solo tempo in tutta la sua definizione" considering it the perfect example of a time-only watch. This model is considered the first sports watch with an integrated steel bracelet in history, designed by Gerald Genta in 1972. The 15202's have an extremely limited supply and has been discontinued which enhanced the desirability of the watch. Similarly, the Patek Philippe Nautilus, designed by the same person, shares a parallel story of prestige and scarcity. In addition to this model, there are the Jaeger Le Coultre Reverso and A. Lange & Söhne Lange 1. The responses underscore the impact of historical significance and brand prestige, also the market reactions when a watch gets discontinued enrich the understanding of why these models stand out in the market.

"Do you think social media influence the choice when buying a watch?"

This question reveals a significant insight on the impact of digital platforms on consumer behavior: the survey respondents indicate a substantial amount of "Yes" accompanied by the acknowledgement that social media platforms shape their preferences and purchasing decisions. For example: "Decisamente. Video; post; ecc. influenzano pesantemente i miei gusti." Which underlines the fact that videos and social media posts influence heavily the choice while another underlines that the young demographic is the one that get influenced by social media the most: "Molto, soprattutto per un target di età" ("A lot, especially for some age group"). The positive answers stating "Yes" are 29, and on the other hand the negative answers "No" are 11. A good amount declares a partial influence of the social platforms.

"Where do you typically follow news and gather information about watches?"

Analyzing the last question responses from the survey, there is a multi-channel approach employed by the enthusiast in order to stay updated on new and information about watches. The answers reflect the

intersection of traditional media, watch enthusiasts' forums and social media platforms. The majority of rely on digital media, more specifically YouTube, Instagram, and specialized forms.

The platforms offer up-to-date information as well as a facilitated and interactive community where people can participate in discussions and appreciate visual content. Traditional media, even if less dominant, still plays a role, with some answering stating interest in magazines and books as sources of watch news which suggests that printed materials are still relevant to some collectors.

Additionally, there is a blend of formal and informal sources such as "amici" ("friends") and community meetups which mixes digital and personal interactions. All these sources of information empower consumers to make informed decisions and can potentially increase the willingness to pay a premium for specific models. Discussion and reviews on these platforms can also alter the preferences toward some specific models.

Moreover, social media can influence the hype around certain brands or watches, which can increase the resale price on the secondary market of certain timepieces.

To summarize the findings from the survey and consolidate the insights, the research will go into the main points affecting the resale price on the secondary market gathered from the answers. From the first question, it is evident that rarity and limited availability are the main factors affecting the premium pricing, increasing the demand for certain watches.

Second, many buyers see watches not just as personal adornments but also as investments. Brand prestige and recognition remain significant, and brand reputation contributes to the resale value on the secondary market. The aesthetic characteristics of the timepieces also play an important role, in relation to trend and dial color, which are less influential than rarity but have an impact on consumer choices.

The survey revealed that colors such as blue and green are particularly trendy, often commending higher prices due to their popularity.

As per materials, steel is the favored due to its durability and cost effectiveness, making it the most popular for buyers who look to optimize their purchase. Furthermore, the influence of social media on consumer choices has a significant relevance. The online platforms together with paid endorsements can shape the decision of consumers and create new trends. This affects mainly the younger demographics.

Finally, there is a preference for watches ranging from 39 to 41mm of diameter, with chronographs being favored.

## 5.8 INTERVIEW ANALYSIS

Roman Sharf, CEO of Luxury Bazaar is a successful businessperson as well as a key influencer in the luxury watch community. His insights are highly valuable, as in the interview, he dives into his experiences, exploring the factors that influence the positive price difference between the retail price and the secondary market price. Given his expertise and success in navigating the industry, the research will shed light on the aspects that determine the resale value of a luxury timepiece.

What factors most influence a buyer's decision to choose one luxury watch brand over another?

In the decision-making process of a collector in choosing one brand over another, what Sharf notices is the interplay between some factors: the first one is the financial capacity, as luxury watches can range four digits to millions of dollars. How much money you can spend on the watch already limits which brands are in the buyer's reach.

After that, the type of buyer, meaning that the decision-making process might be quite different between a new watch collector and a seasoned one. Experienced collectors in fact often develop a deeper brand loyalty to specific brands, influenced by past experiences.

A younger collector instead might look more at factors such as hype.

Brand loyalty does not involve only the aesthetics of the watch but even what the brand represents for the buyer.

In your opinion, what characteristics make a watch become highly desired in the market?

Roman Sharf, in the examination of the luxury watch market, articulates that the desirability of a luxury watch is, first, influenced by rarity, which is a characteristic that increases the watch's allure. The citation: "People want what they can't have," underscores the principle where scarcity enhances the perceived value from a buyer's perspective and favors the brands image (Sharf, 2024).

Even if, he points out that is not always true, as there are certain brands that make a very limited number of watches that are not always appreciated by the market.

The second factor he recognizes is hype, which shapes consumer preferences. In this period, social media influencers and "viral" content in the watch community can increase a watch's desirability. The phenomenon is tied to the digital landscape: strategic marketing campaigns can often be a driver that pushes prices up in



the secondary market. Additionally, celebrities on social media can further increase the watch demand since a specific model can be associated with notable and successful personalities.

Moreover, the aesthetics of a timepiece, which includes everything from the design to the finish, are fundamental for the watch success on the market since many collectors see luxury watches as pieces of wearable art.

Lastly, the combinations of all these elements - rarity, hype, celebrity endorsements and aesthetics – make the watch desirable.

What motivates customers to purchase watches on the secondary market, even when they are aware that they might be paying more than the retail price?

While the second question dives into the product's characteristics, this question, on the other hand explores the psychological factors that lead someone to pay a premium in the secondary market.

The first factor Roman Sharf recognizes is availability; the boutiques and authorized dealers supply watches only to a restricted number of customers, making the demand higher than the offer. The scarcity makes buyers turn to the secondary market where they can pay a premium to bypass waiting lists and achieve immediate ownership. This behavior is fueled by the instant gratification of owning an exclusive timepiece, which is a powerful motivation in consumer psychology.

Additionally, he sheds light on the less-discussed sales techniques used by authorized dealers in the luxury watch market which impacts the overall market pricing structure. According to Sharf, ads' exploit the demand for a watch that trade over retail by making their availability conditional among other purchases, for example, it happens that dealers offer a sought-after watch to consumers who also buy less desirable items, such as watches that are less requested or diamonds.

This technique manipulates the supply dynamic and leverages the desire for a specific watch. Furthermore, Roman Sharf discusses the "flex culture" today, where owning a luxury watch enhances a person's social status and is seen by many as a symbol of success.

Finally, before purchase consumers consider the investment aspect, and many consider these luxury watches like a proper asset class.

From a value retention perspective, which materials do you consider most appreciated for luxury watches, and why?

In addressing the significance of materials in the context of value retention, Roman Sharf considers material a secondary factor, and places more importance on rarity and exclusivity. He articulates that materials such as platinum have been valued for their intrinsic worth over the decades but what's important is: "it's the rarity of the watch, the popularity, it's a combination of the rarity of the watch and the popularity of the watch" that influences the timepiece's long-term value (Sharf, 2024).

He also states that, for instance, steel watches often fetch higher prices than their gold counterparts due to their limited availability.

The insights reveal that the true value of watches is not in the mere material worth but in their exclusivity. A watch can be any metal and still be desirable, for example in 1972, when the Audemars Piguet Royal Oak 5402 was released, it wasn't very requested, but today it's very requested as many times, in the 1960-1970s steel watches were made in less pieces than gold.

Regardless of the type of watch, which dial color do you think is the most appreciated, and why do you think this is the case?

Roman Sharf, in answering the question explains that dial color significantly influences consumer behavior and market price. He notes that traditionally blue dials have often been considered the most exclusive and appreciated. However, trends in dial colors are always changing, suggesting that, recently the new emerging color is green, a very appreciated color by enthusiasts and collectors.

The choice of dial color perceived as trendy or rare can command higher prices in the secondary market, demonstrating the impact of the dial color on the market price. The white. Black and blue have always been popular, but also salmon dials, which Patek Philippe reserves for platinum watches.

At the end, subjectivity also plays a big role, as people buy what they like.

Do you recognize any factors or common patterns between the watches that trade over retail?

The answer provides insights on the patterns that Sharf observed among watches that trade over retail price. As he pointed out from the last answers, the first is availability, which enhances desirability among collectors who prize exclusivity. Additionally, he highlights the impact of hype which can also increase the demand of a timepiece through social media exposure and celebrity endorsements. Lastly brand heritage, and historical significance of some watches appeal to many watches' collector. These factors make watches highly coveted in the luxury market.

Having explored each answer one by one on the various factors influencing the watch market, the research will provide a summary of the main points gathered from the interview. The choice of brand over the other depends first on all the financial capacity of the buyer, but also on how experienced the person as a watch collector is.

An experienced buyer might value more brand loyalty due to past experiences and a younger collectors might look for more hyped items. What influences the secondary market prices the most is rarity, since it increases the watch's desirability and perceived value, sometimes even enhanced by brands or retailers can create a higher demand on the market.

Hype is another important factor, which is generated by social media and celebrity endorsements also shapes consumer preferences and drives prices up. Consumers are motivated to purchase on the secondary market because of the limited supplies and Sharf also talks about the techniques used by dealers to keep demand high and make more margin.

Moreover, contrary to traditional views, intrinsic value of materials becomes less important in the market since rarity and brand narrative are more relevant when talking about value retention. About the dial colors, blue has been historically the most popular color, which some brands use only for certain metals, or like Audemars Piguet, only for boutique exclusives. White and black are also very popular colors. He states that trends can always change, and a new trend is green, considered the new blue.

Subjectivity is always important since people buy what they like. Finally, the common patterns observed between the watches that trade over retail are a strong brand heritage, limited availability, hype, and aesthetics.

## 6 DISCUSSION

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This chapter aims to synthesize and compare the quantitative and qualitative data that has been collected in the analysis, to provide a comprehensive understanding of the factors influencing the premium pricing in the luxury watch market, which is the main objective of this research.

To start discussing the findings, the research will start by dissecting the conceptual framework presented in

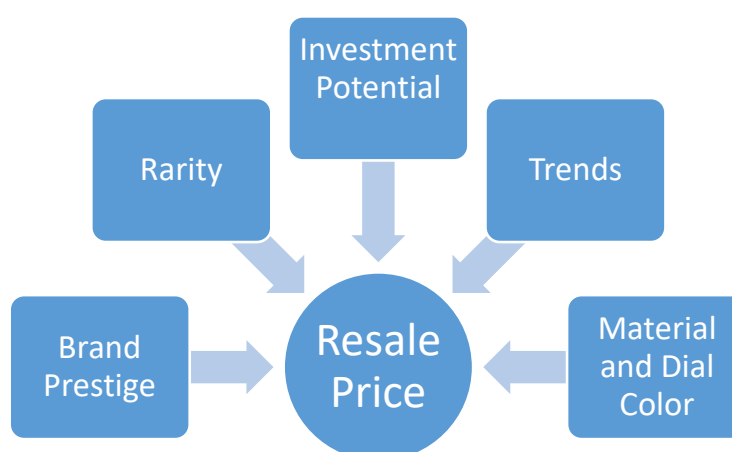


Figure 24 - Factors affecting resale price of luxury watches.

Chapter 3 (Figure 7).

Presenting the hypotheses introduced in Chapter 3 about the factors influencing the premium pricing of luxury watches:

*“The resale price of luxury watches is influenced positively by brand’s prestige. The higher the brand recognition and reputation the higher the willingness to pay of consumers will be. Prestigious brands often command higher prices due to their heritage and status they confer to owners.”*

The analysis of the data from Chrono24 demonstrated that brand prestige is one of the drivers of market value, by the fact that brands like Rolex, Audemars Piguet and Patek Philippe consistently fetch higher resale prices compared to retail price, this is driven likely by their longevity and established reputation. The survey responses (from the 1<sup>st</sup> question) indicate that brand prestige is the second factor that influences buying decisions, also reinforced by the strong presence of brands like Rolex in the respondent’s answers. Lastly, the interview insights reveal that the narrative a brand conveys significantly impacts consumer preferences and demand. The qualitative data highlights the emotional satisfaction that derives from owning a prestigious brand watch which transcends the functional value of the specific timepiece. All these factors contribute to the higher resale price of certain timepieces.

*“The scarcity of luxury watches in the primary market, and the limited offerings on the secondary market enhance the consumer demand for specific models. Exclusivity makes buyers willing to pay a premium to obtain hard-to-get models.”*

Rarity and scarcity of a luxury watch significantly elevates the desirability and perceived value. From the qualitative insights, it emerges that collectors value rarity more than anything and that people want what they can't get, meaning that if there were not waiting lists, the demand would surely drop. Exclusivity of certain watches leads to the economic scenario where limited supply and high demand results in higher prices. The number of listings present on Chrono24 is not a factor that influences the premium pricing.

*“If a luxury watch shows an historical increase in value, consumers will be more likely to choose that specific timepiece over one that decreases in value. Watches that appreciate over time, buyers are more likely to buy that specific model.”*

Investment potential refers to the fact that watches are considered as a proper asset class. The quantitative data reveals that a large portion of the watches considered in the dataset trade over their retail price which is one of the motivations that drives the demand. The qualitative insights confirm that enthusiasts would rather spend money on a timepiece that is worth more on the market and it's hard to get, rather than a depreciating one. Roman Sharf confirms that the investment factor is a driver of premium pricing in the watch market, since collectors are motivated by owning a prestigious watch and at the same time making a good financial decision.

*Watches that are aligned with current fashion trends will trade over retail price. Trends are influenced by exposure on social media and endorsements by celebrities.*

Trend plays a role affecting the market price, as celebrity endorsements and social media influence buyer's decisions and market prices. The preference for certain models or more specifically dials colors, if they become popular, they also increase in price. The qualitative data from the survey and interview shows that market hype, enhanced by social media creates higher demand and thus higher prices. To get a hyped watch people are willing to spend a premium on the secondary market.

*“The premium materials fetch higher prices in the market as well as unique dial colors.”*

Finally, dial color and material, which are part of the aesthetics of the watch, are heavily influenced by all the factors above. From the quantitative analysis, it emerges that carbon cases with transparent dials are the watches that fetch the highest premium over 2 listings, but on a broader number of listings (16) the preferred material combination is blue dial with steel case which attract a consistently positive price difference among the entries. From the interview green emerges as another color which has been called by Roman Sharf “the new blue”. This change is driven by hype and fashion influences.

The interviewee considers aesthetics important, but the intrinsic value of materials and dial color are less important because consumers are more interested in hype and rarity of the timepieces. From the survey it emerges that steel is the favored material, together with blue and green dial with a case diameter between 39 and 41mms. Respondents, as per favored watch type, voted for chronographs and would rather have a pleasurable aesthetics watch rather than functional.

The findings demonstrate that the interplay of factors such as brand prestige, scarcity, and consumer investment behavior together with some specific dial and material combination contribute to the premium pricing that is present in the luxury watch market. Each element present in the conceptual framework contributes to reinforce the perception of value and status, reinforcing the notion that luxury consumption is about consumer's personal satisfaction.

The research highlights that limited availability of goods can increase an item's desirability and unlike traditional market models, demand increases while the price rises. This is crucial for stakeholders to understand how product scarcity or controlled supply can shape market dynamics. Luxury watches seem less sensitive to price changes than other goods, so they can be considered Veblen goods.

The results give guidance to industry professionals who want to build exclusivity and develop new marketing strategies. The big brands of the luxury watch market can be used as an example to build successful brands in other sectors by focusing on building a strong brand heritage, exclusivity, and emotional engagement with the consumer.

For new entrants in the market, it's important to have an aesthetically pleasing product, built by following the market trends, which must be effectively marketed to transmit the company values and create an appealing storytelling for the brand. In the luxury watch market specifically, the adaptability should extend to aesthetic elements like material and dial color to assure that the product aligns with what is perceived as fashionable in that current time in the market.

Collectors using these insights from the research can have information on the market dynamics and factors influencing the premium pricing on the secondary market. Additionally, it's necessary, to make wise purchases to stay updated with market trends to make good financial decision, even though watches should be purchased for passion and not only as a financial asset.

## 7 CONCLUSION

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The findings from this quantitative and qualitative analysis underscore the intricate relationships between the factors influencing the secondary market pricing of luxury watches.

This investigation has demonstrated that the drivers of premium pricing have a strong prestige of the brand, scarcity, investment potential, prevailing trends, and specific aesthetic characteristics.

- 1) Premium pricing is influenced heavily by the prestige of the brand and what they represent. Brands like Rolex, Audemars Piguet and Patek Philippe command higher prices because of the narrative which resonates with collectors and long history.
- 2) All the watches that have a higher price on the secondary market are hard to get, and people want what they can't get. The limited supply is the main factors affecting premium pricing.
- 3) Luxury watches are seen as a safe investment, especially in the long term. This is also fueled by hype and fear of missing out. This makes watches a symbol of personal achievements but also sound financial decisions.
- 4) Trends are often amplified by social media and celebrity endorsements. Watches are sometimes associated with high-profile personalities which can influence the buyer's decisions. Trends can change, for example as the interviewee explains, green is one of the trending colors of the last year.
- 5) The aesthetic appeal of a watch is fundamental in having a successful product. The results, on a broader scale, show that blue dials with steel cases is the favored combination that is sold in the most number for a premium on the secondary market. From the qualitative analysis, collectors favor watches with blue or green dials, with a case diameter between 39 and 41mm and aesthetically pleasurable rather than functional.

## 7.1 LIMITATIONS AND FUTURE RESEARCH

Despite the rigorous approach and findings of this study, there are limitations that should be considered when interpreting the results and these observations are useful for further studies on the luxury watch market. The first limitation is the sample of data which could not represent the global watch market as only 119 watches were considered and from a single online platform.

Many times, the prices online do not match the actual market prices where watches are sold, meaning sometimes the values can be higher or lower than the actual market prices, even considering regional availability and market conditions.

Moreover, data does not consider other online stores and physical stores. The industry is dynamic and prices for watches are changing very rapidly, as well as trends and collector interests, this means that results could change in a short period of time. All the watches collected from Chrono24 are still in production to have a reference for the timepiece's retail price but to have a broader view of the market dynamics, research should be done considering discontinued models and with used watches.

Additionally, to examine an intricate environment like the luxury watch market, without advanced statistical methods the results might be useful for an initial analysis but not to understand all the complexities hidden behind the industry.

The presented survey was designed to include various types of questions including open-ended and closed-ended questions.

One of the limitations is that there is a potential for response bias, as respondents might have provided answers that are socially acceptable in watch forums. Some of the factors that affect market pricing of watches might have been left out or not analyzed not enough in depth.

To overcome the limitations, future research on the topic should consider the following approaches:

First, the research should include a larger number of watches from both online and offline stores, to create a more representative dataset also including the wide selection of watches that are out of production and count as a relevant part of the market, including discontinued and used watches.

A larger data set should be included considering in production and discontinued watches, but also used and new watches. To examine the dataset, employ more advanced statistical methods to discover different patterns that the research might have not been recognized.



Qualitative analysis could involve a larger and different type of demographic, from different cultures and backgrounds to provide a more comprehensive understanding of global consumer behavior and their preferences.

Finally, the research could involve data from authorized dealers which would give a deeper understanding of the marketing strategies adopted by the brands.

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## 9 APPENDIX

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### FULL INTERVIEW TRANSCRIPTION FROM ROMAN SHARF

So, I had a gentleman email me by the name of Leonardo, who's currently in school working on a particular thesis, and the thesis is about finding the factors that affect the positive price difference between the retail price and the secondary market prices.

First question, 'In your experience, what factors most influence a buyer's decision to choose one luxury watch brand over another?'

Now this is what, if you're doing a thesis, this is what you have to look at is the type of buyer, right, age. And by age, I mean age being a watch collector, right, you also, a lot of other factors are out there. The biggest factor out there is the money aspect of things, like how much money do you have to spend on a watch? Cause sky is the limit. You can spend \$100 or you can spend \$100 million, right? So, if you're looking at a seasoned collector for the most part, you have what's called brand loyalty, right? And certain collectors tend to stand loyal to certain brands. I'm a die-hard Audemars Piguet fan. I've been for years, so odds are, I'm gonna reach to an Audemars. If you look at some of the younger buyers or some of the younger collectors, I should say, it has nothing to do with age, we're strictly talking about time as a collector. You now start looking at things like hype, right? And what is the purpose behind buying that watch, right? Am I a hype person? Am I a horology person? Am I a vintage person, right? So it's not as cut and dry as you put it here, this is a very general question, one luxury brand over another. But, at the end of the day, I'm going to talk about what I'm going to talk about today. It comes down to A, what is hot right now? Who is making the better looking watches, which celebrities wear those watches? What's a good indicator is you go on Instagram, and you go on accounts that are dedicated to just posting watches. Not somebody that's selling watches, but somebody's dedicated to posting watches. And you can see the top five brands these people are posting because they're only going to usually post something that gets the most amount of money. clicks. That's the most popular. That's a good gauge, especially for a newer buyer, for that hype aspect of things. But then you also have people that will buy watches as an investment, right? That's when they'll probably go to those pieces that may not raise a lot of eyebrows but may be rare in a way where it's quite luxury, some vintage Paddocks and Rolexes and things of that nature. You have to work on listing out the factors which you think are going to influence the market, because each...one of those sorts of shelves that you break it down on is going to have different decisions when it comes to what you asked for, which is how do I choose one brand over another.

In your opinion, what characteristics make a watch become highly desired in the market?

In today's market, it's always rarity, right? People want what they can't have. Does that necessarily stand true for everything now? Sometimes there are brands out there, there are certain models out there that are made one or five of, and that's sometimes a bad thing because there is no market. You have this big elephant in the room, and that's the secondary market, that's us that tend to influence that. And you know what, if you come out there with some super exclusive watch that's only made to five pieces, and you sell them, and you put them on the wrist of clients right away, and they don't see the light of day, they don't get to the secondary market, nobody knows and nobody cares, right? If you're specifically... today's biggest

trick is again, supply and demand always has been, I mean it's not the newest trick, it's the oldest trick in the book, but supply and demand is usually one of those. But you have to find a right combination between supply and demand and the brand, the product, seeing the light of day, being out there, being on social media, being traded, being sold and resold a multitude of times over, right? But again, for the most part, people want what they can't have. People want what certain influences wear, be it celebrities, social media influences and things of that nature. Sports celebrities is a big deal. Identifying with a sport in general, right? People always make a fun of Hublot. Well, Hublot is the biggest for football lovers. We call it soccer here in America. So to say that, what one biggest character is it in today's market? is the hype, right? It's when there's a hype surrounding a particular model, a particular watch, and everybody wants it, there's not enough of them, that's what's going to make that watch highly desired.

What motivates customers to purchase watches on the secondary market, even when they're aware that they might be paying more than the retail price?

Again, people want what they can have, and if they can get on a primary market, i.e., through their AD, they're willing to pay more just to have it. Again, that flex culture, that FOMO is another big deal because usually things that are not readily available with ADs that tend to go up in value, we just saw that during COVID. Now the prices have come down, but they still came down over its retail, over its MSRP, making the watches unavailable at retail. Of course, you can read between the lines and also say, 'Hey, people will buy a Rolex watch.' and a second they're at one and a half to two extra retail value because if they do go into AD, they can buy that Rolex but they have to buy something else alongside with it. And usually when you do the math, the math doesn't work in your favor if you decide to dump the watch that you didn't want to begin with.

From a value retention perspective, which materials do you consider most appreciated for luxury watches and why?

It's a wrong question to ask because value retention is often not based on the material of the watch. It used to be that when you bought a Gold Rolex in the '70s and the '80s, you always knew that at least it had gold value that you can take off your wrist and melt. Unfortunately, a lot of that actually happened. People have literally scrapped their Gold Rolexes, some rare Gold Rolexes like Paul Newman's for its gold value because they weren't too expensive to begin with. Obviously, you'd lose based if you bought a Gold Paul Newman back in the day and then when it scrapped it, you would still be a losing proposition, but metal has nothing to do with value or value retention. It's the rarity of the watch, it's the popularity, it's a combination of the rarity of the watch and the popularity of the watch. Now, watch could be white gold, rose gold, yellow gold, stainless steel. In fact, a lot of the collectibles and advantage side of things are usually in stainless steel because they made a lot less stuff in stainless steel if you go back 60,70 years. Remember, the first luxury sports watch was an Audemars Piguet introduced by Gerald Genta for Audemars Piguet in 1972, right? The concept of a luxury sports watch. And back then, nobody really bought into it, to be fair. Now people are realizing that those are big collectibles and that kind of sticks. And now, even though they still produce a ton of stainless steel watches and guys like Rolex and AP for that matter, that still sticks. sticks in the back and the head of the collectors. That steel is collectible. Look at Onlywatch, the paddock that they made. Onlywatch, they made it unique because it's in stainless steel.

Regardless of the type of the watch, which dial color do you think is the most appreciated? Why do you think this is the case?

Again, this goes back to trends. Blue dial was always considered for the longest time. time, blue dial was considered that special dial. It was usually reserved for platinum watches. It was then later reserved for boutique-only edition, like the Audemars Piguet. The Royal Oaks with blue dials were boutique-edition only. And the ADs would get the white and the black. And therefore, again, we're raising that sort of a hype.

Green, for a little bit, has become the new blue. Right now, green is hype. Who knows, tomorrow it may be purple. purple, right? But I highly doubt it because, you know, purple is a bit more loud and not exactly an everyday watch, but white, the black, and the blue were always your basic color blue being a little bit more special. Salmon dials, especially in the case of Patek, right? Reserved for their platinum watches usually. Then you also have, again, this newcomer green, which stuck around for quite a bit. I mean, Vacheron just released green Vacherons in Geneva, right? Of course, I said, you know, there were a bit too late jumping on that bandwagon, but nevertheless, they're going to sell like hotcakes and people are going to be paying through the roof for those green dials. But, yeah, and then the last case is going to be, again, a rare watch. watch. If you're going backwards and you're looking at vintage watches and you'll say, 'Well, this particular Patek Philippe, they only made, you know, seven of them with a black dial with certain markers,' that is a completely different ballgame model that's on. But most appreciated is probably not the best use of words here because at the end of the day, you have to remember that people still buy them. what they like and there are some people that won't be caught dead wearing a blue dial. They only like white dial watches.

The last question was, do you recognize any factors or common patterns between the watches that trade over retail?

Yes, the most common factor is something that people can't readily get because that is what invokes the secondary market because the models that are not readily available, the models that the secondary market is going to go after and try. try and buy, sometimes back from the consumers to resell for profit, that is probably the most common. And again, popularity, you have to, a lot of people lost sight of what a watch is, right? Outside of being a horological marvel, it's also an accessory, if you will, right? A fashion accessory if I dare to say that, right? It's something that people put on for other people to see and for themselves. themselves to see. There are people out there that match their watches to their outfits. There are people out there that would only wear Uber complicated watches. There are people out there that would only wear a certain brand of watch, right? Aesthetics. Aesthetics is also very important. You can have the most limited production and, you know, best made watch, but if aesthetically it's just an ugly watch, people are going to be like, 'No, thank you,' right? Aesthetics, popularity. popularity, and of course supply and demand are going to be those three common factors that you want to consider."