

**SWISS**

# STYLE

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## **Oswaldo Patrizzi**

**President & CEO, Patrizzi & Co Auctioneers**

The phoenix rises ... from the ashes



# The phoenix rises

... from the ashes

After the drama of the last eight months, the clouds are finally clearing on the Antiquorum debacle. Claims and counterclaims continue, as inevitably there are still scenarios to be acted out. But blue sky, in the form of positive action on the part of Patrizzi & Co Auctioneers, is at last breaking through.

## So what was it all about?

Oswaldo Patrizzi founded the auction house Antiquorum SA in Geneva in 1974, and by promoting his passion for watch and clock collecting he managed to carve out a niche for the business. He is considered largely responsible for cultivating the watch-collecting trend worldwide by organizing historic sales of timepieces around the world.

Patrizzi, an Italian by birth, is single-handedly credited with developing online Internet bidding for auctions and with developing the very profitable "themed watch auctions". The first themed auction was "The Art of Patek Philippe", held in 1989, which established Patek Philippe watches as very collectable and set their marketing approach for years to come. To quote Patek's current advertising, "You never actually own a Patek Philippe. You merely look after it for the next generation".

Patrizzi's most recent themed auction, held while he was still with Antiquorum, was the heavily publicized "Omegamania" sale held in April 2007. This sale generated a total of



**Oswaldo Patrizzi**  
 Founder of Antiquorum and  
 Patrizzi & Co Auctioneers

CHF 6,536,911, (US\$ 5,540,000) including Buyers' premium, selling all 300 lots for three times their presale estimate and putting Omega on the map as a serious contender in the collectibility stakes.

With all of this innovation and experience behind him, it had long been accepted that Patrizzi had reached a point in his career when his actions were capable of establishing a watch brand as collectible.

During his tenure, Antiquorum realized the most impressive world records for watches at auction. The best result ever for a wristwatch was achieved by Antiquorum in 2002: CHF 6,603,500 (US\$ 4,026,524 / £ 4,585,764), which set the *all time auction world record* for any wristwatch (April 2002 auction, lot 608). 2002 was the best year in Antiquorum's entire history. All auctions included, a remarkable CHF 148,600,000 (US\$ 103,400,000) was achieved, of which CHF 25,000,000 was obtained by private treaty sales.

## Time for a change

By late 2004 and with a reported \$100 million turnover in annual sales – more than both Sotheby's and Christie's watch departments combined – and with the majority of the watch sale records to Antiquorum's name, Patrizzi decided it was time for a change. As he approached his 60<sup>th</sup> birthday – and without an heir apparent (though several would-be contenders within the company jostled to be noticed) – Oswaldo Patrizzi looked »»»



The OMEGA Speedmaster Antartika from Antiquorum's Omegamania sale which generated a total of CHF 6,536,911

to sell Antiquorum – not an easy task as everyone knew he would be a hard act to follow.

Word went out and finally, through the company's US lawyer Evan Zimmermann, Oswaldo Patrizzi was approached by Artist House Holdings, a publicly traded Japanese company operating mainly in the field of entertainment investment (music, films and publishing). In December 2005, Artist House Holdings paid

CHF 30 million for an initial 50% stake in Antiquorum. Patrizzi signed a promise to give Zimmermann 50% of his shares (with a long-term view to Zimmermann becoming the much sought after heir apparent), and he also agreed to stay on for three years to help with the transition.

#### Differences of opinion

Differences of opinion soon surfaced – some would say it was inevi-

table. One can imagine Business Schools using the scenario of what happened at Antiquorum SA as a typical case study of how things can go wrong.

All the ingredients were there: a very successful company, founded, built up, and run by an Italian who had a very defined vision for the company: a new 50% Japanese shareholder with no experience of the watch and auction business and from a culture 180° different to both Antiquorum's company culture and that of its founder – and, just to make the equation even more explosive, a team of ambitious heirs apparent, unaware of the Zimmermann promise and all hoping to be passed Patrizzi's golden baton.

In August last year things finally came to a head and Patrizzi was fired by Artist House. Antiquorum's COO Mark Schumacher and shareholder Habsburg Holdings' representative Leo Verhoeven were notably among the few who supported Patrizzi in the disagreements.

Claims and counterclaims surfaced and much energy has been diverted to prove and disprove actions on the part of Antiquorum and Patrizzi.

Antiquorum accused Patrizzi of taking two very valuable Calibre '89 pocket watches and transferring CHF 5 million from the company into his personal account – Patrizzi stating that this was done to buy watch collections for the company (something he was in the habit of doing – much to the chagrin of the company's CFO). For Antiquorum as a private company this was not a problem, but it could become one when a company has to be governed by the strict rules of a Nikkei quoted public company. For his part, Patrizzi states that he has never received his agreed salary from Antiquorum since the new owners came on the scene.

David Smith, Antiquorum's CFO from late 2007 until recently, is quoted by Nazanin Lankarani in the *International Herald Tribune* article of 2 April as saying, "Mr Patrizzi was a great man and built a great company. But the company eventually replaces the man ... the graveyards are full of indispensable people."

Clearly, Smith doesn't have much experience of how the watch industry and its allied services work. In the watch industry, the man at the helm is everything; even the Richemont Group are having difficulty overcoming this ingrained tradition. Imagine Girard-Perregaux without Macaluso at the helm, FP Journe without François-Paul Journe, and consider the hiccups Patek Philippe is experiencing in making the handover transition from Philippe Stern to his son Thierry – and Thierry Stern has been specifically groomed to take over the running of the company – the watch industry as a whole just doesn't like changes in management.

As Antiquorum's turnover and profits slide (reportedly by 10 – 15%), those who replaced Patrizzi at Antiquorum have themselves been replaced, and virtually all the staff who were there during Patrizzi's management have since been fired or, in frustration, handed in their resignation.

Things look decidedly gloomy for Antiquorum. Many customers and potential investors have opted for a "wait and see" approach, including the Davide Blei Rolex Collection Auction which has been cancelled. Artist House has written down its own shareholding by a massive 90%, many say due to the problems and investment made in Antiquorum – the jewel in its crown.

Claims and counterclaims continue. Artist House's board has been in direct contact with Patrizzi – cutting out Yo Tsukahara, the new CEO of Antiquorum, from the negotiations. Meanwhile, and throughout the time of this debacle, these contentious issues have been depleting the energies of all parties concerned – as they say, in such instances it is only the lawyers who win.

#### The phoenix rises

On 8 April 2008, just a year since the first murmurings of problems,

Oswaldo Patrizzi announced the founding of Patrizzi & Co Auctioneers. According to Patrizzi, "I sat in frustration and disbelief at what was happening at Antiquorum and, since I didn't seem to be able to resolve the problems, I decided that the only thing to do was to reinvent myself."



The famous Lot 608: Patek Philippe Worldtime wristwatch. The best result ever for a wristwatch achieved by Antiquorum in 2002: CHF 6,603,500, which set the *all time auction world record* for any wristwatch

"On that day," according to Mark Schumacher, COO of the new company, "Oswaldo sent a large bouquet of roses to the CEO of Antiquorum, Yo Tsukahara, and with them a note thanking Tsukahara for forcing him to drop the shackles of the past and start anew."

And what new start has Patrizzi made? Oswaldo Patrizzi, along with his associates, Mark Schumacher as COO and Leo Verhoeven as CFO, has formed what they believe to be a totally innovative and revolutionary form of auction house.

"Patrizzi & Co Auctioneers' new approach uses today's e-based solutions and new IT technologies," says Schumacher, "while at the same time, keeping the characteristics of more traditional auction methods. It has been designed to improve certain shortcomings frequently associated with online auctions and online bidding during more classic auction sales."

Patrizzi & Co Auctioneers will have its headquarters in Geneva, with offices in New York and Hong Kong as well as representative offices in Milan, Shanghai and, as of 2009, London. The

new company expects a turnover of CHF 50 million in its first year. Along with CFO Leo Verhoeven and COO Mark Schumacher, it counts several key players in the watch world as part of its founding team; in particular, in New York, Philip Poniz (also CEO of Horological Investments Inc) and

Edward Faber, both highly regarded horological experts, each with over 30 years of US market experience.

#### A logical progression

For those who have attended Paris' Hôtel Drouot auction sessions, Patrizzi's new approach will seem just a logical progression of standard auctions combined with state-of-the-art Internet bidding technology, but with several auctions taking place simultaneously both in real time and online.

You have a choice – the watch fanatics who just love the atmosphere and the camaraderie of a live auction room will still be able to attend live Patrizzi & Co auctions wherever they are taking place in the world. But, if you don't want to sit through a complete sale, an alarm signal can be set to alert you to the imminent sale of a specific lot (or lots), either on your mobile phone, computer screen or any Internet-linked device.

And if you prefer to enjoy the auction sale from the comfort of your own armchair or while working at your computer, you will be able to log on and participate in the simultaneous, »»»

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**Leo Verhoeven,**  
CFO, Patrizzi & Co

multi-session, multi-screen auctions online.

The multi-screen innovation (created in conjunction with Internet specialist Mascon Global Limited (MGL)), will, believes Patrizzi, make Patrizzi & Co auctions much more dynamic and exciting than their more traditional counterparts, while still preserving the magic of a traditional sale. Clients will be free to concentrate on a particular session – or timepiece, or thematic lot of their choice – while, for the capable multi-taskers, it will be possible to follow one or more parallel sessions simultaneously.

#### The benefits – for buyers and sellers

According to Patrizzi, this new approach will allow a greater number of lots (and consequently a greater variety of choice) to be auctioned in a considerably shorter period of time in comparison to current more classic auctions. In just one day, Patrizzi & Co reckon they will be able to auction up to 1,500 lots, as compared to an average



**Mark Schumacher,**  
COO, Patrizzi & Co

400 to 500 lots per day at current classic auctions. Their approach will most likely revolutionize auctioneering in other aspects as well:

- Zero buyer's commission

Current commission on purchases from the top auction houses range from between 20 – 25% of the hammer price. Patrizzi & Co is planning to charge buyers no commission – which evidently represents a considerable saving for the buyer. Buyers will be paying only for the price of the object they purchase. And how can Patrizzi & Co do this? Patrizzi reckons that ever-increasing buyer's commissions are due to the increasing costs of organization and catalogue expenses, so he is abolishing these long-held traditions, instead offering an Internet-based catalogue system.

- Guarantee of authenticity

Of course, if you cut overheads in this way buyers and sellers alike will be concerned that Patrizzi & Co is sacrificing service and the shared background information as well as the expertise of a

timepiece – something that has always been the hallmark of catalogues produced by Osvaldo Patrizzi. But, according to Patrizzi & Co, they are offering a five-year guarantee on pieces they sell.

This guarantee is associated with the *P&Co. Grading System™*, an evaluation method, conceived by Osvaldo Patrizzi, detailing the condition and overall quality of a watch as well as an accurate and very detailed description of each lot in the sales catalogue. "This guarantee," says Patrizzi, "eliminates, what is perceived by many to be the 'risk factor' in buying important pieces via an Internet auction."

#### Electronic Catalogues

Patrizzi & Co reckon that as a result of replacing traditional printed paper catalogues with online catalogues, more detailed and even better documented descriptions on the website will overcome the inherent limitations of traditional printed catalogues in terms of ability to update and restricted page space.

Clients will have the possibility to download the online catalogue onto either their computer or the new generation of e-Books. They can define and print a personalized copy by using the interactive options on the Patrizzi & Co website – [www.patrizziauction.com](http://www.patrizziauction.com).

The digitalization of the catalogue will also enable customers to better follow the auction, as the approximate time of a sale will be constantly updated and indicated on the site.

#### Acquiring timepieces

Of course it's all very well to talk of selling watches but it is equally important to have watches to sell. Patrizzi & Co plan to use two methods for acquiring watches. The first is to directly purchase the watches from the vendor via an continued on page 8 »»»

independent financial company. In this case, these lots will be offered for sale at the purchase cost. The second is for the vendor to consign the pieces for sale. In this latter case, Patrizzi & Co will offer the items at a reserve price (indicated in the catalogue) and will share with the vendor the amount between the reserve price and the hammer price.

These two options give the seller a choice between an instant sale and the chance to participate in the profit at the time of the auction. In either case, the sale of the lot will be carried out in complete transparency – the bidding starting at the “purchased price” or at the agreed “reserve price”.

#### And the future?

Patrizzi & Co’s first multi-screen auctions will take place in Geneva in the fall of 2008. They are planning four to six auctions annually, spread between Geneva, New York and Hong Kong. Traditional, thematic or event auctions, for which Osvaldo Patrizzi has earned an international reputation, are also planned, and in typical Patrizzi style, all auctions will be preceded by travelling exhibitions – he is not known as the man who never sleeps for nothing!

On 4 April 2008, Tsukahara resigned from the board of Artist House “to focus [on Antiquorum] and spend necessary time in Geneva.” He is

confident that his attempts to raise more capital for the company will be successful. In April, Antiquorum held a moderately successful thematic auction in New York: “Revolution: The evolution of the Rolex sports watch,” which marked the 100<sup>th</sup> anniversary of Rolex.

Time will only tell how the story finally pans out – but winners only bet on winning horses – and it seems that Patrizzi has won more often than lost. «««