

Liquid Assets



ⓘ Could an online auction market for second-hand watches and jewellery become the next major force in the luxury sector? *QP* speaks to Daniel Nissanoff, a man convinced the current eBay culture is revolutionising the way we shop for life's finer things. The author of *Futureshop*, Nissanoff is also the founder of *portero.com* - an eBay for the affluent, if you will. *Portero* has now teamed-up with the world's largest watch retailer, *Tourneau*, enabling customers to trade in and trade up towards new purchases. Is Nissanoff to be believed as a messiah of this new economy?

Claire Adler



Most people in the business of selling watches speak freely about the emotion that goes along with the purchase. But Daniel Nissanoff, serial entrepreneur and author of *Futureshop: How the New Auction Culture Will Revolutionize the Way We Buy, Sell and Get the Things We REALLY Want*, is far more clinical.

"Consumers are much more brand educated than they once were. Thanks to eBay, we are evolving into an efficient, temporary ownership society, where we're disconnecting emotions from our possessions," he reckons.

According to Nissanoff, a "paradigm shift" is taking hold of the market for fine watches and luxury goods in general. People are increasingly selling items that no longer excite them over the internet and this will change the very meaning of brand value. This trend is being driven by the ease of use of websites that provide profitable ways to get rid of things, he says. In 2005, 60 to 70 million dollars' worth of watches and jewellery were sold on eBay and Nissanoff believes this is just the start. Fine timepieces are leading the way in this phenomenon, he says, because they are small, valuable and branded objects - all of which imbue them with "high liquidity".

New values

An internationally recognised expert in secondary market economies, technologies and businesses, Nissanoff set up his first ever business, PartMiner, in 1994 - the year eBay was founded. His venture became the leading online marketplace for the electronic-components industry. Today, Nissanoff is a frequent public speaker at international internet seminars and venture capital workshops.

One might be forgiven for thinking Nissanoff's prophecies are merely a way of drumming-up business for his own venture, portero.com, which saves well-heeled consumers from a trip to Bond Street or Fifth Avenue by allowing them to purchase that vintage Patek Philippe with just a few clicks of the mouse. The company now enjoys an exclusive deal with Tourneau, the world's largest watch retailer, ensuring that customers can trade in any Tourneau watch for credit towards a new, more expensive one, receiving store credit to the tune of the watch's online value.

Nevertheless, reviews for *Futureshop*, published mid 2006, included this from the *Harvard Business Review*: "The author's economic argument is persuasive... Daniel Nissanoff has seen the revolution, and it is in mint condition, still in the original box... If Nissanoff's vision comes to pass, one can imagine a slew of tough questions."

Nissanoff says the benefits of a buoyant online secondary market for fine watches are clear: "The auction culture offers peace of mind in the form of liquid assets," he argues. "In upper-middle-class circles, it's no longer outrageous to spend tens of thousands of dollars on a fine watch. Even 10 years ago, that was a considerable amount. But now, the knowledge that you can sell that watch in a buoyant secondary market when you no longer love it enables you to see it as more of an investment."

But what about the notion that the high-end 'experience' can't be duplicated on the internet? "I think the luxury industry is starting to realise it can't lie on those laurels any more," contests Nissanoff. "The industry itself is benefitting from the knowledge that its used products have a value. The supply and demand is out there. An intangible notion of luxury is what differentiates the experience. That intangible notion of luxury is

about meeting expectations you set for the customer. It's realised in the online security and protection, the presentation, selection, functionality and authenticity - and a website is in control of all that."

eBay fever

Evidence that the influence of the online auction culture is spreading is the steady growth of 'drop shops' - in the USA at least. These are places where you can outsource the tasks involved in selling your items on eBay - from photography, writing compelling descriptions of items, answering customer queries and shipping. "Many drop-off companies have copied Portero and are only taking on sales of luxury goods. But two to three years ago, setting up in this business was like cutting teeth," says Nissanoff.

In 2005, eBay's 180m users made \$44bn in transactions, but only 5% of those who bought also sold. Some 7,000 eBay drop shops have opened in the USA between 2004 and 2006, according to Nissanoff. Today, approximately 10 have opened on British high streets and others are planned. The UK's first and largest drop-store chain Auctioning4u already has five shops, including locations in Notting Hill, Fulham and Chelsea. The owner of e-sell-it admits, though: "There seems to be a lot of buzz surrounding consignment shops but rapid growth has not yet happened."

Unsurprisingly, Nissanoff remains upbeat about the industry's potential. Now merely an investor in portero.com, he is working on two new ventures. "Portero has sold numerous second-hand watches around the \$40,000 to \$50,000 mark," he says, though



(Above) Daniel Nissanoff - expert in secondary market economies, technologies and businesses, and founder of luxury goods auction site portero.com. He made his name in the late 1990s, developing PartMiner - an online business-to-business exchange for the then fragmented electronic components industry. Working with a team from IBM's renowned Watson Research Center, Nissanoff built the 'Free Trade Zone', a NASDAQ-like trading and information platform, which became one of the world's first b2b virtual marketplaces and the leading online marketplace for the semiconductor industry. Today, PartMiner is used by almost all of the top electronics manufacturers in the world, helping facilitate billions of dollars in trade. His deal with IBM was recognised by Line 56 as one of the 20 Top Events in 2000, and PartMiner was ranked as a Deloitte Fast 500 company for two years in a row.

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he believes that the likes of grand complications and other collectors' items are best sold at traditional auction houses. The marketplace is predominantly male, says Nissanoff, which means that fine ladies' watches are generally less liquid. But the dealer market online is very deep and brands that do well include Patek Philippe, Rolex, TAG Heuer and Panerai. A brief search on Portero.com yields some 70 watches, regularly ranging in prices up to \$3,000.

Yet surely there is a conflict of interest for brands that are intent on seeing their timepieces sold in carefully crafted, seductive retail environments? Evidently, Tourneau CEO Howard Levitt disagrees: "By giving customers the opportunity to trade in to trade up, we are supporting them in making new purchases. We've been selling vintage watches for 25 years. If you buy new watches and you see we sell vintage watches for a good price, we see this as supporting a new purchase. It's like when you go to buy a car



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and you see used cars at the manufacturer. The real cost of owning an asset is the net difference between what you buy for a product and what you sell it for."

Strong potential

The key challenge for online auction sites selling high-end watches is to take responsibility for guaranteeing the products' authenticity, according to Marc Cohen, Director of Ledbury Research, a London-based expert on the *crème de la crème* brands. "Since

consumers are becoming increasingly wary of what they buy online, sites cannot take the view they are just a facilitator."

A by-product of Tourneau's trade-in programme is the fact that it actually discourages counterfeiting, according to Nissanoff. It drives inventory back to Tourneau, rather than directly to eBay, he says. After inspecting the watches for authenticity and refurbishing them, they channel them back to eBay through online auction facilitator, portero.com, which sells them as

"certified pre-owned", ensuring the ultimate recipient has a positive experience with the brand.

Milton Pedraza, President of New York's Luxury Institute, agrees Nissanoff is on to something, albeit a niche. "A secondary market makes sense to wealthy baby boomers that want to forgo the burden of ownership and would rather leave their heirs a portfolio of investments than a lot of possessions," he says.

"As people become wealthier, unless they are collectors, they tend to buy perhaps fewer, but far more expensive luxury goods, while enjoying great service experiences. There is a growing number of millionaires who will continue to create demand for luxury goods, including second-hand goods."



There's really very little publicly available revenue data, says Cohen. "But looking at eBay, there are currently about 80,000 watches listed for sale, about four times the number of digital cameras, about 10 times as many bicycles and about 20% more than the number of cars for sale, so it's clearly a huge category from a seller's point of view, at least."

Cohen truly believes there are a number of key trends that, taken together, support the case that there is strong potential for online auction sites selling high-end watches.

Firstly: "Increasing numbers of mainstream consumers want to trade up to luxury products, so the ability to access them at

prices below the full retail price will obviously enable them to own luxury products more affordably." Secondly, says Cohen, consumers are becoming increasingly comfortable buying online, and spending greater sums online. The success of designer clothing site net-a-porter.com demonstrates that high-end products can be profitably sold online, and that the demand from affluent consumers is strong enough to do so. Thirdly, eBay has been such a cultural phenomenon in recent years that bidding, instead of buying, is now a far more accepted activity than ever before.

Perhaps then, Nissanoff is not so much propagating trends as predicting them. ○

Further information: www.auctionculture.com; www.portero.com