



# **Luxury watches as an alternative investment – A qualitative study on how watch specialists see the luxury watch market in Finland**

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## **Abstract:**

The demand for luxury watches is growing at a fast phase and luxury watches are not only attracting collectors but also investors. Nevertheless, the knowledge about luxury watches as investments, luxury investment watch markets and the investors investing in luxury watches is still very limited especially among investors. While there are studies about alternative investments, there are only a few prior studies about luxury watches as investments, luxury watch investors and the luxury investment watch markets. This thesis aims to fulfill the gap in knowledge in watches as alternative investments and contribute by investigating the luxury watch market in Finland using watch specialists as informants. More specifically the research questions that my study seeks to answer to are: 1. Why become an investor in luxury watches? 2. What is the Finnish watch market like? 3. What are the investors like who invest in luxury watches?

The research strategy was a qualitative study conducted through semi structured interviews with the main market operators in Finland to get as insightful data as possible. The data was analyzed using thematic analysis. The study is relevant for actors who work within the luxury watch market as it aims to present an overview of the luxury watch investment markets, and the investors investing in luxury watches.

The main reasons to invest in a luxury watch were according to the respondents that luxury watches can be used to diversify the investment portfolio, and appreciation for fine watch-making. The Finnish luxury watch market was described by the participant as a fast evolving,

small and local market where the transactions take place in many forms and in many channels. The Finnish luxury watch market was also described as a market with very limited investment opportunities. The investors that invest in luxury watches share one trait which is passion. Passion was also deemed necessary by the participants; without passion it is very hard to collect the needed information when purchasing a luxury watch. The investors in luxury watches can be divided into two categories experienced investors, who consist of highly educated and wealthy individuals, and of developing niche investors consisting of more diverse profiles including opportunists. The scope included only four watch experts due to the small amount of watch experts that act on the Finnish luxury watch market, which may limit the results.

**Keywords:**

Luxury watches, Alternative investment, Collectible investment, Luxury watches as alternative investments, Investments, Luxury watch markets

# Contents

<b>1. Introduction</b> .....	<b>5</b>
1.1 Background for the research .....	5
1.2 Research aim and the research questions .....	6
1.3 Structure.....	7
<b>2. Background</b> .....	<b>8</b>
2.1 What are alternative investments? .....	8
2.1.1 Private equity .....	9
2.1.2 Hedge funds .....	9
2.1.3 Real estate.....	10
2.1.4 Commodities .....	10
2.1.5 Collectibles .....	11
2.1.6 Alternative asset markets .....	11
2.2 Investing in alternative assets.....	12
2.2.1 Investing in collectibles .....	14
2.3 Luxury watches as investments .....	15
2.3.1 Vintage watches .....	17
2.3.2 New luxury watches and the gray market .....	18
2.3.3 Luxury watch marketplaces and trading of luxury watches .....	20
2.4 Related prior research .....	24
<b>3. Methodology</b> .....	<b>25</b>
3.1 Research strategy.....	25
3.2 Data collection .....	26
3.2.1 Interview guide .....	26
3.2.2 Respondents.....	26
3.3 Data analysis .....	27
3.4 Trustworthiness .....	28
3.5 Ethical aspects.....	28
<b>4. Results</b> .....	<b>28</b>
4.1 Research question 1: Why become an investor in luxury watches? .....	29
4.1.1 Investment allocation strategy .....	29
4.1.2 Appreciation for fine watch making.....	32
4.2 Research question 2: What is the Finnish luxury watch market like? .....	33
4.2.1 The luxury watch market is evolving fast.....	34
4.2.2 The transactions take place in many forms .....	36
4.2.3 Small local market characterized by limited investment options .....	37
4.3 Research question 3: What are the investors like who invest in luxury watches? .....	41
4.3.1 Passion for luxury watches.....	42
4.3.2. Experienced investors .....	43
4.3.3 Developing and niche investors .....	45
<b>5. Discussion</b> .....	<b>47</b>
5.1 Recommendations for future studies .....	51

5.2 Limitations .....	51
5.3 Conclusion.....	52
<b>References .....</b>	<b>53</b>
<b>Appendices .....</b>	<b>62</b>

## List of figures

Figure 1: Knight Frank luxury investment index (Knightfrank.com, 2023) .....	14
Figure 2: Rolex retail price increase from 2021 to 2022 chart made by Martin Kylämarkula with information from: monochrome-watches.com .....	19
Figure 3: Price increase of Audemars Piquet (chrono24.com,2022).....	19
Figure 4: Price increase of Patek Philippe Nautilus (Chrono24.com, 2022).....	20
Figure 5: Price increase of Vacheron Constantin Overseas (Chrono24.com, 2022).....	20
Figure 6: Subdial 50 index vs other indexes (Subdial.com, 2022).....	21
Figure 7: Total sales of the "big four" from 2015-2021 (revolutionwatch.com, 2022) .	23
Figure 8: Data analysis research question 1 .....	29
Figure 9: Data analysis research question 2 .....	34
Figure 10: Data analysis of research question 3 .....	41

# 1. Introduction

Investors are steadily looking for new investment opportunities, and new investment products are constantly founded. During the coronavirus pandemic, the world's stock markets were plummeting. Meanwhile traditional investments were plummeting, investors' money fled to safe havens, like gold, but also to other alternative investments (Thurai, 2020).

According to Dalay (2022), ultra-high net worth investors had 50% of their investments in alternative investments in 2020. The interest in alternative investments has continued to increase ever since the coronavirus pandemic (Connett, 2022). Even though alternative investments have gained more interest within all kinds of investors during the past years, some of the alternative investments are only available to the high-net-worth individuals due to their complexity and high minimum investment requirements. (Connett, 2022). Nevertheless, average investors can reach some alternative investments through funds. Funds usually have lower minimum investment requirements and are therefore gaining the interest of average investors (Connett, 2022).

Alternative investments include for example commodities and real estate, which are some of the oldest types of investments. Alternative investments include products that are more complex than traditional alternative investments, as well as investments that are not traditionally considered an investment - for example luxury watches.

## 1.1 Background for the research

In 2017, the watch investing and collecting scheme changed. Fine watches that had previously been sold for approximately 20.000 US dollars were selling at over a million US dollars on auctions; the demand of vintage and modern fine watches skyrocketed and have stayed high since. Subsequently watch collectors have become investors in alternative investments, and even traditional investors are today interested in watches as investments. (Von Imof, 2023).

Ever since, auction houses have set records and the year 2021 was one of the most successful years for leading luxury watch auctioneers like Antiquorum, Christie's, Phillips,

and Sotheby's. These auctioneers have reported high total sales growth, and the highest number of seven-figure watches ever sold (Schuetz, 2021). This shows that the demand for luxury watches is growing.

Luxury watches are no longer only a hobby for watch enthusiasts but have developed into a market where marketing and speculation have taken over. There are even some financial products today that make it possible for the investor to buy shares of watches. This shows that there are growing interests also in watches as investments (Schwab, 2022).

## **1.2 Research aim and the research questions**

As stated earlier, the demand for luxury watches is growing and luxury watches are attracting investors. There are even new ways of investing in luxury watches, for example fractional investing (buying parts of watches). This shows that the watch markets are active, developing and followed by investors. Nevertheless, the knowledge about luxury watches as investments, luxury investment watch markets and the investors investing in luxury watches is still very limited.

While there are studies about watches and alternative investments, there are only a few prior studies about watches as investments, luxury watch investors and the luxury investment watch markets. To the best of my knowledge there are no present studies about the luxury watch investment market in Finland.

This thesis aims to fulfill the gap in knowledge in watches as alternative investments, and contribute by investigating the luxury watch market in Finland using watch specialists as informants. More specifically the research questions that my study seeks to answer to are:

1. Why become an investor in luxury watches?
2. What is the Finnish watch market like?
3. What are the investors like who invest in luxury watches?

The study is conducted through semi structured interviews with the main market operators in Finland, and it has the potential to generate important knowledge to investors who

are interested in, or want to enter, the luxury watch market. The study is also relevant for actors who work within the luxury watch market as it aims to present an overview of the luxury watch investment markets, and the investors investing in luxury watches.

### **1.3 Structure**

The thesis has the following structure. I begin my thesis by presenting relevant literature to provide background to my empirical study. I define what alternative investments are, what different types of alternative investments there are and briefly how the markets of these alternative investments work. After defining alternative investments, I go deeper into luxury watches as investments and how the markets for luxury watches work. After the literature review follows a chapter on Methodology, where the methods for data collection and analysis are described in detail. The results of the study are presented in the chapter that follows, whereafter they are discussed in-depth in the discussion followed by a conclusion.

## **2. Background**

To understand luxury watches as alternative investments it is important to understand what alternative investments are and how the markets for alternative investments work. After introducing alternative investments, I will go deeper into luxury watches as alternative investments, define what a luxury watch is and then describe how the markets of luxury watches work. Since luxury watches as a form of investment is a relatively new phenomenon, there are few prior studies on luxury watches as investments. The research to date mainly consists of general articles, statistics and expert opinions of luxury watch specialists.

### **2.1 What are alternative investments?**

Alternative investments differ from traditional investments like stocks, bonds, or cash. Unlike traditional assets, alternative investments are not typically traded on public exchanges and they are usually unregulated, illiquid, and have a low correlation to traditional asset types (Chladek, 2020). Alternative investments include real estate, infrastructure, private equity, commodities, arts, antiques, wines, collectibles, and luxury watches (Chen, 2022). The illiquidity of most alternative investments makes it more difficult for investors to track the performance and cash out, unlike with traditional investments (Blackrock, 2022).

Alternative investments are often held by institutional investors or high-net-worth individuals because of their complexity, lack of regulation and high risk. As stated earlier, many alternative investments also have a high minimum investment demand, making them available for only high net worth persons (Chen, 2022).

Investors invest in alternative investments because of the low correlation in prices to traditional investments such as the stock market. The low correlation in prices to the stock market means alternative investments tend to keep their value in uncertain financial times. Alternative investments such as gold, oil, and real estate, are hence also used by investors to hedge against inflation. For these reasons some private investors and

institutions are diversifying some of their holdings into alternative investments (Chen, 2022).

Alternative investments are a very diverse asset class including a broad assortment of different investments that share some key characteristics. In the following sub-chapter, I will briefly present different kinds of common alternative investments, and what is known of the size of these markets.

### **2.1.1 Private equity**

Private equity refers to investing in companies that are not listed on any public exchange, making them privately held (Chladek 2020). Usually, the investors that invest in private equity are active owners and provide more than only capital, for example industry expertise or assistance. The investors are also usually willing to develop the business, targeting to make a profit (Capman, 2022).

Private equity includes 1. Venture capital, which usually focuses on companies that are at a very early stage. 2. Growth capital, which can help companies to grow or expand. 3. Buyouts, which is when an investor buys a part or a division of a company and takes the controlling interest in that company (Chladek, 2020).

According to Preqin, a research house specialized in researching alternative investments, the global private equity market passed \$4.7 trillion in 2021 (Preqin, 2021). According to Deloitte, the forecast of private equity markets is \$5.8 trillion assets under management (AUM) by 2025 (Espinosa 2023).

### **2.1.2 Hedge funds**

Hedge funds collect invested funds into so called pools. The pools are then used to invest in various investment products. Hedge funds usually have more unorthodox investment strategies than traditional funds (SEC, 2023). The investment strategies can include long and short equity, volatility arbitrage and quantitative strategies (Chladek, 2020). Hedge funds use leveraging of or trading non-traditional assets to create high returns on the

invested capital. Hedge funds are seen as a risky alternative investment and usually require a lot of capital from the investor (Clarke, 2022).

According to Statista, hedge funds globally had a total of \$4.5 trillion assets under management in 2021 (Statista, 2021).

### **2.1.3 Real estate**

Real estate is the most common and the biggest single asset class in the world, and includes houses, apartments, forests, and land. Real estate investors gain profit from the cash flow from rent income. The goal is also to increase the long-term value of the asset, which is realized when the investor sells the property. As with most alternative investments, the valuation is a challenge for real estate. Some valuation methods include discontinued cashflow, income capitalization and sales comparable, each of the methods having both pros and cons (Chladek, 2020).

According to the business research company the global real estate market grew from \$3.3 trillion to \$3.7 trillion in 2022 and is expected to grow to \$4.8 trillion in 2026 (The business research company, 2023).

### **2.1.4 Commodities**

Commodities are mostly natural resources such as oil, gold, metals, natural gas and agricultural products and have been traded for thousands of years. For some alternative investments, tracking the value might be difficult. The value of commodities, on the other hand, follows the traditional supply and demand -curve. When the demand for a commodity rises, so does the price. Gold for example is also used as a hedge against inflation (Chladek, 2020).

Unlike other alternative investments commodities are traded on large and efficient exchanges where investors can buy and sell commodities such as gold, similarly to the stock markets. The major exchanges are in the US, Tokyo, and London. The largest exchange is ICE Futures U.S. and the CME Group, which include four major exchanges: the

Chicago Board of Trade, the Chicago Mercantile Exchange, the New York Mercantile Exchange, and the Commodity Exchange, Inc (Hayes, 2021).

The commodity market size was \$4.1 trillion in 2021 and is expected to reach \$5.1 trillion by 2026 (QY Research group, 2020).

### **2.1.5 Collectibles**

Collectibles are the opposite of commodities and include many kinds of items, such as rare wines, fine art, vintage cars, rare toys, collectible cards, coins, stamps and most important for this study, luxury watches.

Investing in these types of assets usually mean buying the physical item in the hope of value growth over time. Collectibles lack dividends or other sources of income and the value gain is realized first when they are liquidated. Collectible investments also might need special storage and might tear or lose value if not stored in the right way. Investing in collectibles demands expertise and experience (Chladek, 2020). Collectibles as investments divide investors' opinions, and usually the purpose of acquiring a collectible investment is not solely the potential growth in value (Deloitte, 2020).

The collectibles markets are physical, and the items are often sold and bought privately or through auction houses. The estimated size of the global collectibles market is \$370 billion consisting of separate markets for each type of collectible. The market of collectibles is undergoing digitalization and today digital collectibles and non-fungible tokens (NFTs) can be traded. (Ito, 2020). NFTs exists on the blockchain and can represent for example paintings (Sharma, 2023).

### **2.1.6 Alternative asset markets**

As discussed in the above sub-chapters, there is a wide assortment of different alternative investments. Although alternative investments differ from each other, they share the character of requiring special attention and knowledge to succeed with the investment (de Boer, 2021). In total the alternative assets under management (AUM) are expected to rise from \$13.3 trillion in 2021 to \$23.2 trillion by 2026 (Laker, 2022).

Alternative markets are not defined by a few common characteristics like big stock exchanges, and they differ from traditional investment markets. There are many different marketplaces for alternative investments, and some have underlying markets. The markets for alternative investments are usually smaller marketplaces with limited trading volumes. The marketplaces are usually non-mainstream exchanges and are not as known such as Nasdaq or other common marketplaces, the markets for alternative assets are usually new or newly accessible markets that have the potential to become a part of mainstream markets in the future. Some alternatives are lightly or not at all regulated and do not have standard contract specifications. Alternatives can also be traded in off-exchange liquidity pools, or over the counter markets (de Boer, 2021).

To conclude, the market for alternative assets is sometimes decentralized, and investors buy the asset directly from other investors without the use of a broker or an exchange, for example the market for collectibles (Kreamer, 2022).

Some of the alternative markets and marketplaces are currently going through digitalization. Financial technology companies are digitalizing and efficiating alternative markets such as the collectibles market. Through new marketplaces like masterworks.com investors can buy parts of fine paintings from prominent world class artists like Andy Warhol and Basquiat. When the painting gets sold the owners holding the shares get the profit. The goal is to create a profit for the investors through the increase of value of the paintings (Masterworks, 2023).

Some of the collectible markets are still very niche and ineffective, for example the market for fine wines. Fine wines are usually sold through the primary market or directly from the producer. Afterwards they are usually sold and bought through secondary markets where collectors, oenophiles and investors act through auction houses, small exchanges, or wine brokers. (Baldrige, 2022).

## **2.2 Investing in alternative assets**

According to J.P. Morgan, one of the biggest global investments banks, investing in alternative investments should include the following steps: set up the goals for the portfolio,

decide how much illiquidity you are comfortable with, plan to invest over multiple years, and after that build your diversified portfolio with different alternative assets (Hempstead, 2022). Investors can invest in alternative investments in different ways. One way is to invest in an alternative investment fund like a private equity fund for example. The investor can also invest directly in a company that is privately held or an asset like gold. The investment can also be a co- investment into a company or a fund (CFA institute, 2023)

There are many different alternative funds on the market that investors can invest in, and they work like any other traditional fund, making them easy to purchase and sell. Alternative funds are mutual funds, hedge funds, or ETFs that invest in alternatives like real estate, loans, commodities, and unlisted securities, such as art or jewelry (Thune, 2021).

The alternative investment markets attract a range of investors, from institutional to retail investors (Laker, 2022). But, some alternative investments, like hedge funds, are only available to high-net-worth individuals or institutional investors, like pension and mutual funds, which means that the average investor cannot access these types of alternative investments. Alternative investments like real estate demands time, valuation skills and knowledge of the market. Collectibles are a niche and require expertise to get return on the investment (Chladek, 2020).

Many alternative investments are difficult to value, have low liquidity, low regulations, low transparency, and high fees (CFA institute, 2023). Nevertheless, alternative investments attract investors because of high potential returns, portfolio diversification benefits, inflation hedging and possibilities of unique and new investment opportunities (Chen, 2022).

There are also a lot of opportunities in alternative investments for the sustainable investor, such as private equity firms, that are focused on sustainability, sustainable real estate and different venture capital funds that invest in companies with sustainable businesses (ALT exchange, 2022).

### 2.2.1 Investing in collectibles

Different indexes are created to help investors track the value of the different collectibles and markets. The indexes are like those of traditional asset markets, for example the S&P 500. An example of such an index for one alternative market within collectibles is the HAGI Top index, which is created by the historic automobile group international (HAGI) to track the classic collectors' car market. The HAGI Top index tracks classic cars from brands like Porsche, Ferrari, and Lamborghini. The index was up 33% in 2019 and in 2020 6% even though the markets were affected by the coronavirus pandemic (D'Allegro, 2022).

There is an index for luxury goods as well, called the Knight Frank luxury investment index. According to the index, the value of selected luxury goods has risen over 120% over the last 10 years to the year 2021 (Daly, 2022). Below is a table of different luxury goods and their 12 month and 10-year performance to demonstrate the value change of selected alternative investments.

ITEM	12-MONTH CHANGE	10-YEAR CHANGE
Knight Frank Luxury Investment Index	9%	123%
Rare whisky	9%	428%
Cars	3%	164%
Wine	16%	137%
Watches	16%	108%
Handbags	7%	78%
Art	13%	75%
Coins	9%	64%
Jewelry	2%	57%
Colored diamonds	2%	23%
Furniture	1%	19%

Figure 1 Knight Frank luxury investment index (Knightfrank.com, 2023)

The digitalization of the marketplaces and investing platforms, indexes, and more available information, has made it easier for the investor to invest in and follow the alternative markets. Nevertheless, investing in alternatives still requires knowledge and carefulness. Before investing in any alternative investment, the investor usually conducts due

diligence in the investment. The method for due diligence depends on the asset and on the investment method (fund, direct or co- investing). Financial, liquidity, operational, and counterparty risks are all risks that must be taken into consideration in the process. The fee for investing in alternative investment differ, but usually the fees are higher than in traditional investment products. The fees are usually a management fee based on assets under management or an incentive fee on the profit (CFA institute, 2023).

## **2.3 Luxury watches as investments**

In this chapter I will present watches as a form of collectible alternative investment, which is one of the most global and fastest growing collecting categories, according to the CEO of Sothebys, Ted Smith.

According to the European watch blog, the watch collecting community is all about passion and that is why the term watch investor or investment watch might give a misleading picture of luxury watch investors. The investor might be mistaken for a watch flipper that constantly buys and sells luxury watches, only to make a quick profit. Concentrating on the larger picture, luxury watches are fine and valuable objects and their value has the potential to increase drastically in the long term. A watch investor can be passionate about watchmaking, emotionally invested in owning a luxury watch and appreciate the potential increase of value over time. Considering the sizable initial investment, it would even be irresponsible not to think about the future value of the object. (Klint, 2021) As stated, the potential value growth alone is not always the reason to invest in a collectible alternative investment. Some reasons for acquiring or investing in a luxury watch are that they can be admired, used, and passed down through generations (Harant, 2018).

The categorization of a luxury watch as a product can be difficult. Luxury watches have a lot of similarities with fine art, and like fine art. luxury watches can be classified as a luxury good, veblen good or a positional good. A luxury good is an item that is not a necessity but still desirable, especially within a society or culture (Kenton, 2021). Veblen goods are high quality products that are exclusive and might be seen as status symbols. The demand for veblen goods rises as the prices rise, meaning that the demand curve is

upward sloping (Chen, 2023). A positional good is a good that people value due to the limited supply of the good, making them exclusive and only available to a selected group (Kenton, 2021). Luxury watches fit in all the categories above, making them a unique asset that do not follow the usual laws of supply and demand in the same ways in which for example ordinary consumer goods follow (Harant, 2018).

A luxury watch is a fine and respected premium quality watch. Luxury watches can be made of precious metals or other rare materials that are not used in normal and low-quality watches. According to Fortune Business Insights luxury watches also have a social value; celebrities and royalties might use luxury watches which may drive the growth of the luxury watch market (Fortune Business Insights, 2023). The Foundation of Haute Horlogerie (FHH), a nonprofit organization established by Audemars Piguet, Girard-Perregaux and Richemont to promote and spread information about watchmaking across the world, has written a whitepaper defining what fine watch making is. The whitepaper is made by 46 international independent experts of the branch to help the wider public, new collectors and first-time watch buyers understand what a fine watch is. In the FHH's whitepaper, watch brands are evaluated by the council based on criteria from seven different areas. The criteria are History/DNA; Style, design, and artistic expertise; R&D, production, and technical expertise; Distribution and after-sales service; Connoisseurs and collectors; Brand image and communication; and Training. (Foundation of Haute Horlogerie, 2023)

Each criterion is valued by the specialists on a scale from 1-10. To be recognized as a fine watch brand by the FHH, a minimum of 6 points out of 10 is needed. The list currently has 64 brands and is looked through every 3 years. There are several luxury watch brands and some of the major brands operating in the luxury watch markets are Patek Philippe, Vacheron & Constantine, Audemars Piguet, Blancpain, Rolex and Omega (Fortune business insights, 2023). All of these brands are on the FHH list of fine watch makers.

Some of the fine watches can be seen as great investments due to high increase in value, however this is not the norm for all watch brands. Watches that are categorized as luxury

brands have a bigger potential to retain value than other watch brands (WP diamonds, 2023).

### **2.3.1 Vintage watches**

Vintage luxury watches tend to keep their value, and according to a report by This is money, the value of vintage watches increases with approximately 5 percent every year. Vintage luxury watches also tend to be the watches that set price records in worldwide auctions. (Volpatti, 2020)

Collectors appreciate watches that have historical significance or are limited production editions. All vintage watches are in a way limited editions because they are not produced anymore, and it might be very difficult to find a specific model in a good condition. (The week, 2022)

A vintage watch is a watch that is over 25 years old. Vintage luxury watches are usually more unique or rare than new watches. Discontinuation is something that usually increases the value of a watch. When a model is discontinued its rarity increases due to limited amounts produced. After a watch model gets discontinued and the model in question becomes desirable for some reason, the price of the discontinued watch rises drastically; but as in any markets the prices fluctuate. (Klint, 2021)

A vintage luxury watch might give a nice profit if the investor is willing to hold it for a longer time. They tend to hold their value over time, and they are seldomly affected by uncertain economic markets. The market of new luxury watches is currently facing shortages, and many retailers are unable to deliver new watches. This might make some collectors turn to a vintage watch instead. This phenomenon has already increased the demand of vintage luxury watches. Vintage watches are more than just physical products, they give pleasure to the owner, tell stories are an example of true craftsmanship built to last a lifetime. In a global crisis an asset that can give the owner comfort and emotive connections might be just something that investors need in hard times financial times. (Volpatti, 2020)

### 2.3.2 New luxury watches and the gray market

The demand for new luxury watches has grown significantly during the past years, and some watch brands do not have enough supply, which creates a gray market in new watches. Buying a new sought-after fine watch is very difficult nowadays due to the high demand; watch stores simply do not have enough in stock. Some brands, like Rolex, have a minimum of 3 years waiting lists to their popular models (Von Imhof, 2023).

*“With some Rolex models being worth almost double on the pre-owned market seconds after they have left the store, it’s no wonder savvy shoppers and people looking for fast profits are turning to luxury watches.” (Theweek.co, 2022)*

In the gray market, new watches are sold to consumers or investors that are willing to pay a premium for the watch. Collectors or investors turn to the grey market so that they do not have to wait many years to access the sought-after models. In the grey market, prices are higher than the retail prices. For example, a highly sought-after stainless sport chronograph from Rolex, the Rolex Daytona, retails for around 13.000 euros in the authorized Rolex dealerships. On the gray market the asking prices for this specific model are around 30.000 euros. (Kunz, 2020)

The value of fine watches does not only rise on the gray market. Brands like Rolex adjust their retail prices for example according to the inflation and the demand. During the past years, Rolex has steadily increased the retail prices of the new models. This also suggests that a new Rolex watch can be used as a hedge against the inflation. Below is a chart of the popular models and their retail price increases. (Goulard, 2022)

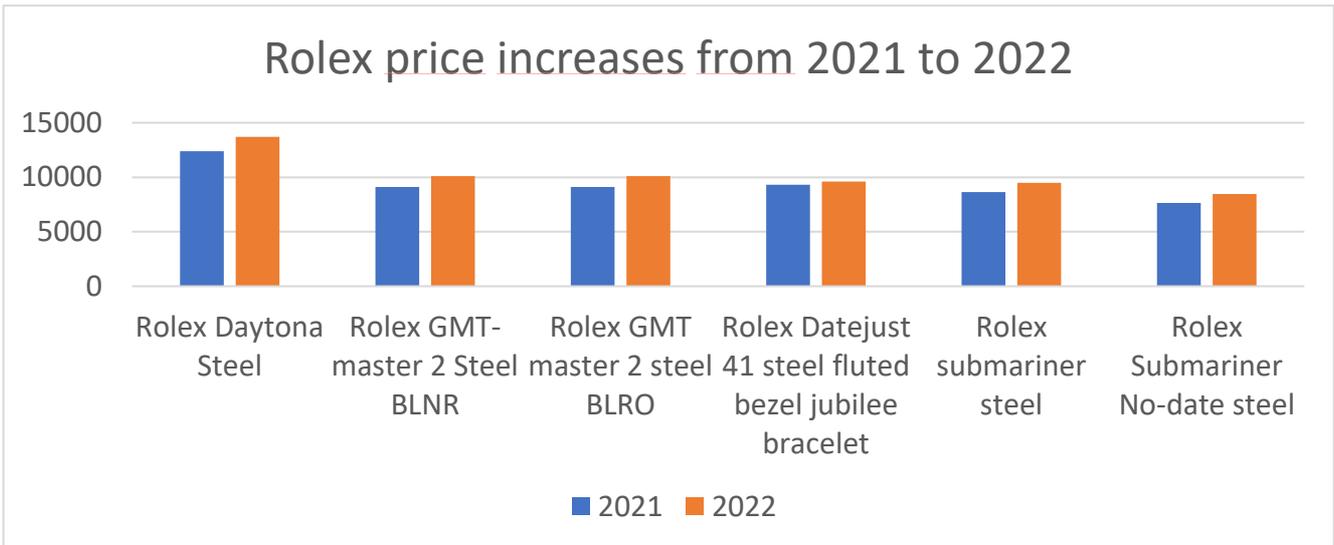


Figure 2 Rolex retail price increase from 2021 to 2022 chart made by Martin Kylämarkula from information from: [monochrome-watches.com](http://monochrome-watches.com)

According to Chrono 24, Rolex is the best luxury watch to invest in. Other brands and models are Audemars Piguet Royal Oak reference number: 15202ST. The model saw an increase on the secondhand market since it got discontinued in 2021. Below are graphs demonstrating the value increase in some luxury watches. This is relevant to provide a better understanding for the reader of the historical value increase in selected luxury watches (Kunz, 2020).

Below is a graph of the price evolution of the Audemars Piguet royal oak from 2017 to 2021.

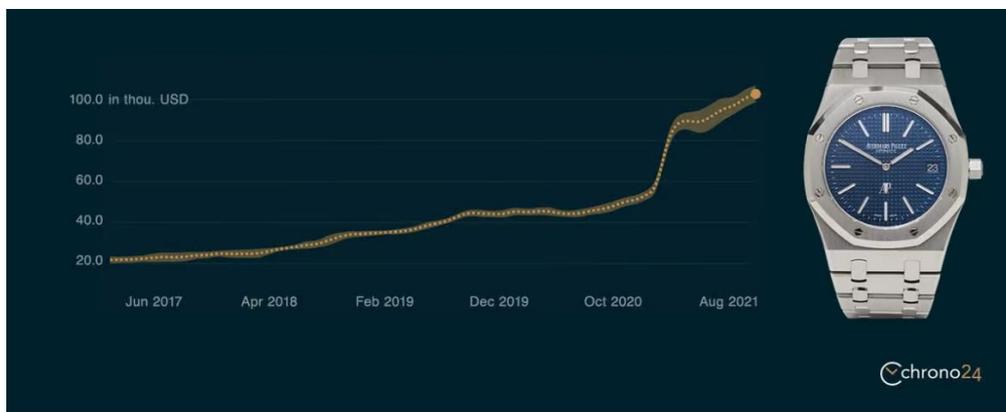


Figure 3 Price increase of Audemars Piguet ([chrono24.com](http://chrono24.com), 2022)

Patek Philippe Nautilus ref. 5711/1A. This model was also discontinued in 2021.

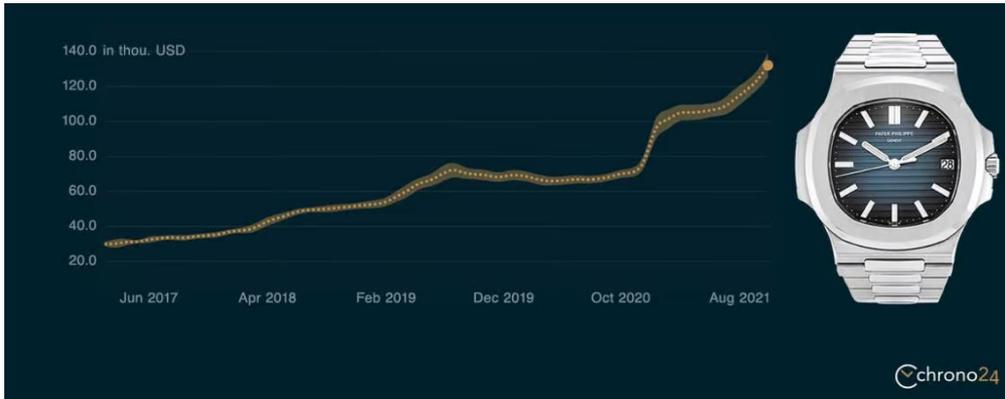


Figure 4 Price increase of Patek Philippe Nautilus (Chrono24.com, 2022)

Vacheron Constantin Overseas 4500V.

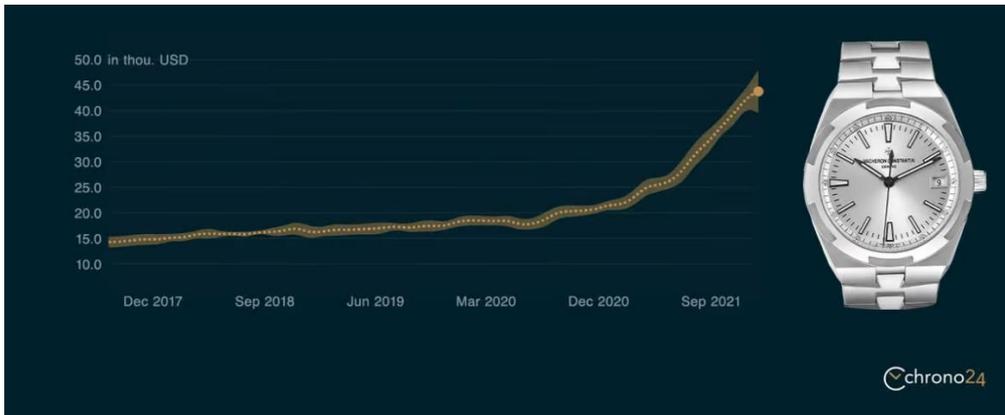


Figure 5 Price increase of Vacheron Constantin Overseas (Chrono24.com, 2022)

### 2.3.3 Luxury watch marketplaces and trading of luxury watches

The worldwide luxury watch market was valued at \$43.7 billion in 2022 and is expected to reach 51.3 billion by 2027. Most of the revenue is generated in China where the market was valued at 10.4 billion in 2022 (Statista 2022).

The luxury watch market is global, Asia Pacific being the most dominating region. The growth in the market of luxury watches is especially growing in India and China, and luxury watch companies from Europe are making presence in these countries. The second

largest market is Europe where the average income level and the number of high-net-worth individuals is high. Most of the luxury watch manufacturers are also European. (Fortune business insights, 2023)

The distribution channels of luxury watches are both online and offline markets. The offline distribution channel is still the larger worldwide distribution channel. According to Fortune Business Insights, the reason might be because luxury watch buyers want to see and try the product before the investment decision. Also, due to the high prices of luxury watches, consumers might not feel safe to buy online (Fortune Business Insights, 2023).

To follow watch prices and the evolution on the secondhand market, there are several marketplaces, such as Chrono 24, that provide prior and current price information. There are also different indexes to help follow the price evolution. An example of luxury watch index is called the Subdial 50 index. The Subdial 50 is made of the 50 most traded models on the secondhand watch markets. The price is calculated based on the latest market price of the 50 models. The data is gathered from 2 million listings in different marketplaces around the world, with over 140 million data points, and hence it provides accurate information about price evolution. The index is updated every day and the content of the index is updated annually (Subdial50.com, 2023).

Below the Subdial 50 and its performance compared against other investments.



Figure 6 Subdial 50 index vs other indexes (Subdial.com, 2022)

There are different ways of investing in luxury watches. Consumers can physically buy a watch, invest in stocks of watch-related companies, or invest in a fraction of a luxury watch. The most concrete way is to buy a physical watch. Luxury watches are bought via authorized dealerships, watch auctions, secondhand watch retailers or marketplaces and forums. The advantage in buying a watch physically is that you get to try and see the watch before you decide. There are some disadvantages in buying a watch from secondhand markets, one being the authentication of the preowned watch (Douglas, 2022).

The pre-owned luxury watch industry accounts for some \$17.5 billion in annual turnover of the total turnover of \$47 billion (Chrono 24, 2023). Most luxury watch brands sell their own watches in boutiques or through retailers. The leading luxury watch brand is Rolex with a turnover of \$8.8 billion in 2021 (Sabanoglu, 2022). Preowned luxury watches are bought and sold through marketplaces, for example Chrono 24. Chrono 24 is the largest marketplace for luxury watches in the world.

The year 2021 was a year of significant growth with many world records in watch prices for the biggest auction houses that are, Antiquorum, Christies, Phillips and Sotheby's (also called the big four). The total sales of luxury watches of the big four were \$645 million (Schuetz, 2021). The graph below helps the reader understand the significant growth for the biggest auction houses since 2015.

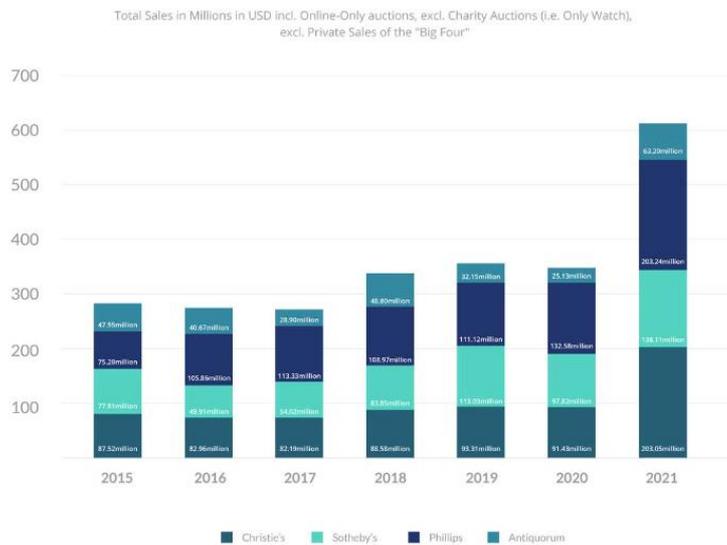


Figure 7 Total sales of the "big four" from 2015-2021 (revolutionwatch.com, 2022)

There are no widely available or known funds that invest directly into physical watches. There are private funds that pools investors' money and buys watches, but no exchange traded watch funds are available, like real estate funds. (Douglass, 2022)

In 2013, "The Watch Fund" was established by Dominic Khoo. The fund specializes in luxury watches and has since 2013 given investors double digit returns. The Watch Fund is not broadly available, and it has a minimum investment sum of \$250,000. This shows that there really is potential for luxury watches to be sold more as investment products. (Harant, 2018)

There is also a way of owning a fraction of a luxury watch, which is called fractional investing. Instead of investing \$100,000 in a luxury watch, investors can buy a fraction, for example 1% of the watch. There are different platforms that offer fractional investing in watches and other collectibles such as fine art. The advantage of buying a fraction of a watch is that the minimum investment is low which makes it accessible to all kinds of investors. Through fractional investing, the investor can invest in different luxury watches which also spreads the risk. (Douglas, 2022)

Investing in shares of different watch manufacturers is another way of getting in to investing in the watch industry. Many of the luxury watch brands are privately held companies but some are publicly traded like LVMH. Investors can also buy shares in watch businesses like the luxury watch retailer Watches of Switzerland which is listed on the London stock exchange (Douglass, 2022).

## **2.4 Related prior research**

Although there are few studies regarding luxury watches as investments, there are studies published of other collectibles such as coins, wines, art, and stamps. (Grable&Chen, 2015) These collectible investments share in many aspects the same characteristics as luxury watches. In the following, I present what is known of other collectibles similar to luxury watches related to the research questions.

Alternative investments such as commodities, precious metals, art have gained an increasing demand amongst wealthy investors lately. These alternative investments are seen by investors as assets that provide a hedge against the rising inflation and falling asset prices. Nearly every enthusiast who invests in any collectible asset have two outcomes in mind when investing in a collectible. One being the satisfaction that the ownership of collectibles gives, and the other the profits that the collectible might provide. According to the study by Grable & Chen (2015) the sellers that act on the collectible markets encourage pursuing pleasure rather than profits and some sellers even pointed out that only experienced investors should consider investing in collectibles. (Grable & Chen, 2015)

Investors who invest in collectible assets appreciate the joy that the collectible provides as much as the financial profits the collectible might give if sold. The personal traits of the investors who invest in collectibles are openminded and self- reliant which make them more open to new investment opportunities and compared to other investors they are seen as tougher in how they invest to get potential profit. According to the study the investors are also typically highly educated and wealthy individuals. (Kleine et al, 2020)

### **3. Methodology**

In this chapter I will present the research approach and the used method for this study. The method and approach are motivated where after the data collection and analysis methods are described.

The purpose of this study is to research luxury watches as alternative investments and why to invest in luxury watches. The study will answer the research questions:

1. Why become an investor in luxury watches?
2. What is the Finnish watch market like?
3. What are the investors like who invest in luxury watches?

There is a need for this research since the interest in alternative investments is growing and becoming more important for investors. Luxury watches, markets and the investors who invest in luxury watches are still quite unknown and there are only a few prior studies of this topic.

#### **3.1 Research strategy**

Since the luxury watches have not been researched much before this thesis studies an unknown phenomenon. To explore an unknown phenomenon a qualitative research strategy was chosen. A qualitative study aims to gather and analyze non-numerical data to understand concepts and can be used to generate new ideas for research. Through qualitative research the data is seen from the participants' point of view, describing, and explaining the collected data. (Williams, 2007)

To understand the phenomena participants with practical experience within the field of luxury watches was needed. To collect the needed data interviews with professionals that work within the luxury watch markets in Finland were conducted. With the help of these professionals' opinions, this study sheds light on why one should invest in luxury watches, what the Finnish luxury watch market is like and what are the investors like who invest in luxury watches.

## **3.2 Data collection**

The data was collected with the help of semi- structured interviews with luxury watch professionals working within the Finnish luxury watch market. I chose a semi structured interview because it gives the respondents a chance to communicate more freely. Semi-structured interviews are conversations in which the interviewer knows what he or she wants to find out and answers are collected with the help of an interview guide, the conversation is freer than in a structured interview. (Miles & Gilbert, 2005)

The participants were found through research online, past knowledge and contacts. The participants were contacted through email that contained information about the thesis and the research questions. The interviews lasted from 60-100 minutes and were held through Google Meets, telephone, and face to face meetings, amounting altogether to ca. 5.5 hours of interview data. All interviews were recorded and transcribed. The interview guide consists of 13 questions, follow up questions were also asked that are not seen in the interview guide.

### **3.2.1 Interview guide**

The interview guide was constructed around the three research questions and was based on the literature study. All 13 questions were asked from all the participants whereas the follow up questions could vary.

The interview guide was evaluated after the first interview, but the questions appeared to be good and relevant. The first questions were asked to get to know and validate the knowledge of the participants, after that more deeper questions were asked about the luxury watch markets and the investors who invest in luxury watches. The interview guide resulted in rich and good data. The interview guide can be found in the appendix.

### **3.2.2 Respondents**

The aim of the interviews was to get as much information regarding the three research questions as possible. The participants selected for the study, named secondhand retailers, all have expertise in slightly different areas within the research questions. Secondhand retailers have in my opinion the best expertise in all sorts of luxury watches and the

market in Finland since they buy and sell luxury watches and manage the secondhand luxury watch markets in Finland. There are, however, not many secondhand luxury watch retailers in Finland. I reached out to the biggest and to the most known secondhand retailers who can be assumed to know the most about the luxury watch market in Finland. Some of them did not want to participate or did not answer my mails or phone calls, but I managed to get four respondents whose expertise is on a very high level. There are only a handful of them suggesting that I did interview most of them.

Since there are only a limited amount of secondhand luxury watch retailers, the descriptions are short so that the respondents are not revealed and stay anonymous. In this study the respondents will be called: “respondent and a letter A-D”. All selected respondents were deemed very reasonable informants for this study.

Respondent A is a well-known retailer of preowned luxury watches in Finland.

Respondent B is a well-known retailer of vintage watches.

Respondent C is specialized in servicing and selling of preowned luxury watches.

Respondent D is a well-known retailer of luxury watches in Finland.

### **3.3 Data analysis**

The data was analyzed using thematic analysis method that is inspired by the Gioia methodology. Thematic analysis involves looking for patterns or ideas from the data collect the data into different themes (Vaismoradi et al, 2016). The logic of the Gioia methodology is used to organize the data into categories where after the categories are further combined to create second order themes and finally aggregate dimensions. The Gioia method allows visualizing of how the data is processed. (Gioia et al., 2012)

I began the data analysis by listening to the recorded interviews and transcribed them manually using Microsoft word. After the interviews were transcribed, I began looking for 1st order codes, the initial order codes where then collected into a Microsoft excel sheet. Some of the first order codes were grouped making it easier to analyze them. In the second phase I combined similar first order codes into 2nd order themes. In the last phase

I grouped the 2nd order themes into aggregate dimensions. Some of the 2nd order themes could not be grouped into aggregate dimensions, and these 2nd order themes stand alone.

### **3.4 Trustworthiness**

I have been studying the luxury watches and the markets for ten years and am myself rather knowledgeable about luxury watch markets which is helpful in the terms of being able to critically analyze the researched data. I have familiarized with the data, read, and recorded and followed the analysis procedure as carefully and systematically as possible. The participants all are working in or own their own company that operates within luxury watches and are all known in the Finnish luxury watch scene. The number of participants is small because of the lack of big actors on the Finnish luxury watch markets. All results are presented without further modifications. I have tried to make this study as trustworthy and transparent as possible.

### **3.5 Ethical aspects**

The participation in the study was voluntary. The participants personal data was handled with care and the participants remain anonymous. To make sure the participants had a broad idea about the study I wrote about the thesis in the email sent to the participants and went through the agenda in the beginning of the interviews.

There was no need for an ethical approval and participants were informed that the participation is voluntary and can be withdrawn during or after the interview. In this thesis the ethical guidelines according to the Finnish National Research Integrity were followed. (tenk.fi, 2022)

## **4. Results**

In this chapter I will present the results from the conducted analysis such that the results are presented separately for each research question. The results are first summarized in a figure including 1st order codes, 2nd order themes and possible aggregate dimensions.

This section is divided into three main chapters, one for every research question, and every chapter contains subchapters based on the created aggregate dimensions. The aggregate dimensions are explained, and their contents are presented including quotes from the respondents supporting the results.

## 4.1 Research question 1: Why become an investor in luxury watches?

Figure 8 displays the analysis and findings for research question 1. Ultimately the reasons for becoming an investor in luxury watches fit into two dimensions, investment allocation strategy and appreciation for fine watchmaking.

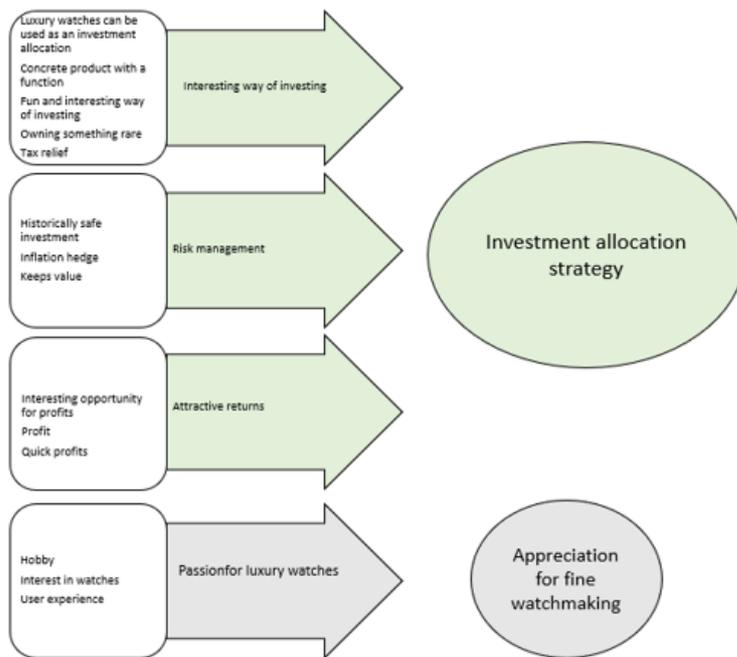


Figure 8 Data analysis research question 1

### 4.1.1 Investment allocation strategy

The following 2<sup>nd</sup> order themes were combined to form the aggregate dimension investment allocation strategy: 1) an interesting way of investing, 2) risk management and 3) attractive returns.

Luxury watches can be seen in many ways as an *interesting way of investing* for the investor. According to many respondents, luxury watches are used as an additional way to allocate funds in the investment portfolio into an asset class which is believed to bring several benefits to the investor.

“Our customers usually already have other investments like stock portfolios. After they start investing in watches, they might drop weight from the portfolio and investing in a watch instead.” -Respondent A

“It seems that money is available, quite a lot of it. The customers who invest in watches already have stock investments pension investments, apartments, and cars.”- Respondent B

For many investors, investing in a concrete product seems to be important as demonstrated by the following quotes.

“The investors aim for a more concrete investment and luxury watches are concrete investments.”- Respondent A

“Watches are a concrete investment that have an actual function.”- Respondent C

One reason for investing in luxury watches that many of the respondents pointed out where that watches are seen as a fun and interesting way to invest.

“Fun is an essential part in investing in luxury watches, the product is interesting and it's nice to compare watch collections with others.”- Respondent B

“Few investments have user value.”- Respondent D

“You don't get pleasure from investments that are just numbers on the screen. From watches you get good vibes. These are everyday luxury items”  
- Respondent A

The analysis also revealed that for some investors owning something rare is a consideration.

“Luxury watches can be rare. Luxury watches share the rarity aspect with for example fine art investors pay a premium for rarity and want to own something rare.”- Respondent C

A further aspect mentioned by the respondents was tax benefits:

“The potential to invest through a holding company attracts some investors. Investing through a holding company offers the potential to tax benefits.”

- Respondent B

In addition to being an interesting way to invest, there is the *risk management aspect*. With the help of luxury watches it is possible to spread the risk of investment portfolios.

Respondents pointed out that:

“Historically luxury watches are good investments. Some better, some worse. All in all, the money is well protected when invested in luxury watches.”

- Respondent A

According to most respondents, investors are not only trying to achieve quick returns, but some investors also use luxury watches as protection against inflation.

” Inflation hedge is sought with watches.”- Respondent A

Furthermore, some respondents also stated that luxury watches usually hold their value.

” When we go to luxury watches valued over €30,000, it is self-evident that the watch will at least keep its value or in best cases increase it.”- Respondent B

” Luxury watches tend to hold their value.”- Respondent A

” A significant reason to invest in luxury watches is that they do not lose their value”

- Respondent C

Some respondents also pointed out that investors also consider the *attractive returns* that luxury watches can provide. One of the respondents pointed out that investing in luxury watches is an interesting way of investing for investors, in terms of the upside potential.

“When looking at what happens on the secondhand luxury watch market, it is definitely an interesting opportunity for many investors with a lot of potential”

- Respondent C

Luxury watches can also provide profits and quick profits for the investor as stated by the respondents.

“The crazy increase in value, especially from Rolex, has affected the buying behavior. When investors noticed that you could get significant profits from Rolexes as soon as acquired.”- Respondent B

“A lot of investors are just looking for quick profits on the luxury watch markets”- Respondent C

“No one can know how prices of luxury watches will develop, but historically the prices have risen. Rolex also increases constantly the prices of new watches.”

-Respondent C

#### **4.1.2 Appreciation for fine watch making**

The 2nd order theme passion for luxury watches was formed into the aggregate dimension appreciation for fine watch making. The *passion towards luxury watches* seems to be in a big role when investing in luxury watches.

Many respondents stated that a reason to invest in a luxury watch might be the genuine interest towards luxury watches.

“I think that the endgame is that there is love and admiration for luxury watches and the craftsmanship behind them. The investment purpose is strong but mainly there is-an interest towards luxury watches.”- Respondent C

“There is almost always some kind of passion for the product, some investors have more passion than others.”- Respondent D

“Investors must be interested in luxury watches other than just the investment potential.”- Respondent D

“A luxury watch is an interesting object because it has an emotional side attached to it and I don't know if it ever is a rational investment.”- Respondent C

Usually, the investment purpose is not the only reason to invest in luxury watches. According to the respondent's luxury watches give a nice user experience.

“The most important point in investing in a luxury watch is to own something beautiful and well-made.”- Respondent C

“I hope and believe that investors invest in luxury watches because of the user experience.”- Respondent D

“I think investors invest in watches because of the user experience and pleasure. Investment is in the background.”- Respondent A

## **4.2 Research question 2: What is the Finnish luxury watch market like?**

Figure 9 presents the analysis and findings for research question 2. The results show that the Finnish luxury watch market can be described with three aggregate dimensions: the luxury watch market is evolving fast, the transactions take place in many forms and the

Finnish luxury watch market is a small local market characterized by limited investment opportunities.

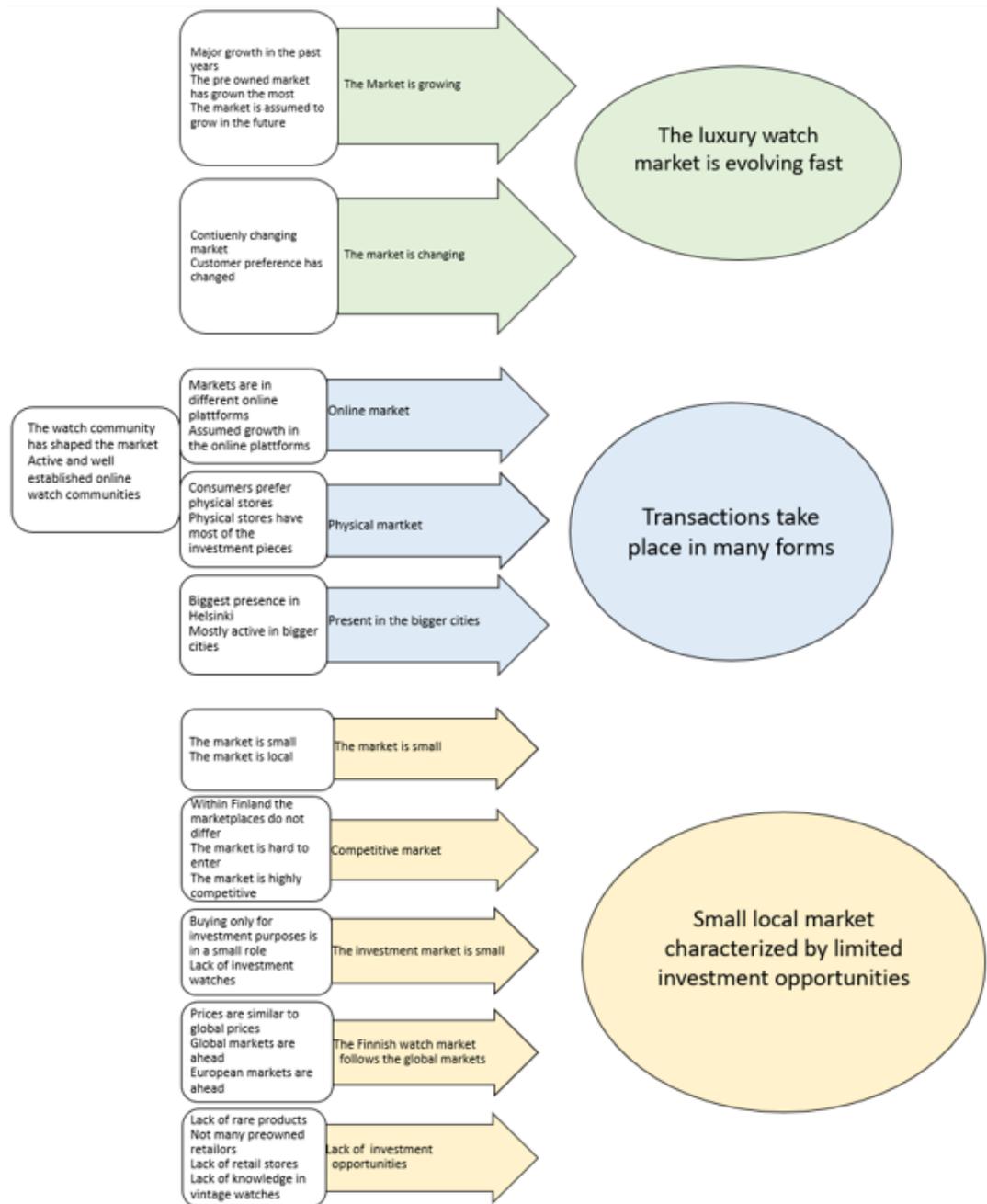


Figure 9 Data analysis research question 2

#### 4.2.1 The luxury watch market is evolving fast

The following 2nd order themes were combined to form the aggregate dimension the luxury watch market is growing fast 1) the market is growing, 2) the market is changing.

According to the participants the ***Finnish luxury watch market is growing***. Some of the respondents pointed out that the luxury watch market has had major growth the past years.

” The luxury watch market has developed within 5 years, where we talk about Rolex up to Patek Philippe and everything in between. The luxury watch market has grown a lot.”- Respondent B

” The luxury watch market has grown significantly in the past years.”  
- Respondent D

” The luxury watch market has strongly grown in 5-6 years.”- Respondent A

According to one of the respondents the preowned market has grown the most.

” The preowned market for luxury watches is the market that has grown the most within watch markets in Finland. By preowned I mean lightly used new watches. Vintage luxury watch market has had a smaller growth.”- Respondent B

According to the respondents the market is also assumed to grow in the future.

” I believe that the luxury watch market will develop in the future, different brands will also probably be wanting to enter the Finnish market.”- Respondent C

” I don’t see a reason for the luxury watch market to stop growing, it can calm but not stop growing.”- Respondent D

The luxury watch market is not only assumed to grow in the future but also it is ***going through continuous change***.

” The Finnish luxury watch market has changed dramatically since 2010. First it was a market only for niche watch enthusiasts but now it is already a bigger mass of watch enthusiasts who collect all kinds of watches.”- Respondent B

” The luxury watch markets change but also the nature of the watch community changes. Watch enthusiasts trade from cheaper to more and more expensive luxury watches.”

- Respondent A

Customer preferences also have changed from vintage watches to newer preowned luxury watches

” The customer preferences have also changed, at the beginning watch enthusiasts bought more of rare vintage watches. Nowadays watch enthusiasts tend to buy more of slightly preowned luxury watches”- Respondent B

#### **4.2.2 The transactions take place in many forms**

The following 2nd order themes were combined to form the aggregate dimension the transactions take place in many forms 1) Online market 2) Physical market and 3) Present in the bigger cities.

Many of the respondents agreed on that the luxury watch market is *partly an online market*. According to the respondents the online markets are on different platforms.

“The main luxury watch market on a global level is on the online platform- Chrono24, watch forums and in Facebook groups.”- Respondent A

The online market is also assumed to grow as stated by one of the participants.

“The online market is the market that is growing globally the most right now, I believe that the Finnish market will follow this trend.” – Respondent B

The following first order codes and quotes can be placed in both second order codes online and physical since the watch community act online but also physically in watch meets and happenings.

According to some of the respondents the watch community have shaped the luxury watch markets.

“The watch community has increased the desire of collecting luxury watches. Through the watch community collectors find information and learn about luxury

watches.”- Respondent B

The watch community in Finland are very active and well established as stated by few of the participants.

“The online watch community is very active and through these groups a lot of trading is done, both online and physically.” - Respondent C

“The Finnish luxury watch community is ahead of the global markets, they have even got worldwide recognition of how well it is established.”

-Respondent D

Even though the online market is big and growing in Finland, the *physical market* is still big and demanded and have most of the investment luxury watches as stated by one of the participants.

“The physical store seems to be still the most important place in Finland to sell watches, and Helsinki as a city. There are sellers around whole Finland but they seldomly have as much of the investment grade luxury watches as in Helsinki.”

- Respondent C

The Luxury watch markets biggest presence seems to be *present in the bigger cities of Finland.*

“The main luxury watch market in Finland is in Helsinki.”- Respondent C

“The main luxury watch market in Finland is in the bigger cities. The watch community is very active outside Helsinki, but let’s say 90% of the luxury watches goes to the capital region.”- Respondent D

#### **4.2.3 Small local market characterized by limited investment options**

The following 2nd order themes were combined to form the aggregate dimension small local market characterized by limited investment opportunities 1) The market is small 2) Competitive market 3) The investment market is small 4) The Finnish watch markets follows the global markets 5) Lack of investment opportunities.

The Finnish luxury watch market is characterized as a *small market*. According to some of the participants the Finnish luxury watch market is small and local.

“Finland is a small country and therefore the luxury watch market is small. But the watch community is tight, and actors within the watch community arrange different watch meetings and events. The watch community knows each other well. I would describe the Finnish luxury watch market to be a small tight and healthy market.”- Respondent D

“The Finnish luxury watch market is from our view a very small market.”  
- Respondent B

The Finnish luxury watch market is seen by the respondents as a *competitive market*. Within Finland the Luxury watch marketplaces do not differ as one respondent stated.

“Within Finland the marketplaces for luxury watches do not differ that much.”  
- Respondent D

The Finnish Luxury watch market is hard to enter and highly competitive as stated by the participants.

“Many actors try to enter the luxury watch market in Finland, it is a very difficult market to enter nowadays. It takes a lot of money and impressive stock.”  
- Respondent D

“The market of luxury watches is a very competitive market, it is not a easy market to understand.”- Respondent B

*The Finnish luxury investment watch market is small*, and the investment luxury watch market is only a small part of the luxury watch market and buying for investment purposes is in a very small role in Finland, as stated by one of the participants.

“The investors who invest in a luxury watch as a pure investment are in a small role, I would say 5-7% of the actors on the market are private investors or companies who buy luxury watches as an investment.”- Respondent D

“Those who actively buy luxury watches in Finland are a quite small group.”  
- Respondent B

According to the participants the Finnish luxury watch market *follows the global markets*. The prices of luxury watches seem to be similar globally, including the Finnish luxury watch market.

“The prices, brands and demand are similar globally”- Respondent D

Global luxury watch markets are ahead of the Finnish luxury watch market as stated by few of the respondents.

“The Finnish luxury watch market is still far from what Europe, USA and Asia is. The markets are much bigger globally.”- Respondent C

“Comparing the Finnish luxury watch market to Asia, the trends and pricing comes with a lag to Europe and from there to the Finnish market. Asia works as a good indicator for the Finnish market.”- Respondent D

Within Europe the luxury watch markets are ahead of the Finnish luxury watch market as stated by the respondents.

“The Finnish luxury watch market comes after the rest of the world. For example, Eastern Europe has had a secondhand luxury watch market for decades.”  
- Respondent D

“The Finnish luxury watch market is significantly smaller than in the bigger cities of Europe.”- Respondent C

The Finnish luxury watch market *lacks investment opportunities* as described by many of the participants. According to some of the respondents the Finnish luxury watch market lacks rare investment objects.

“In my opinion investment grade luxury watches start from 20 000e, there is not a big supply on watches over 20 000e in Finland. Watches that are over 100 000e are comparing to other countries watch markets in a very small role and rare to find on the Finnish luxury watch market.”- Respondent C

“Rare luxury watches are seldomly available on the Finnish luxury watch market.”- Respondent B

“Rare luxury watches are seldom seen in Finland.”- Respondent C

The Finnish luxury watch market does not have many retail stores or preowned watch retailers as stated by some of the participants.

“In Finland there are not many second hand retailers who act on the market, but the market also consists of the watch community where luxury watches are bought and sold.” -Respondent B

“My idea of the Finnish luxury watch market is that there are not many retailers. Patek Philippe and Lange&Schöne for instant does not have any retailers in Finland, that describes the small size of the Finnish luxury watch market.”  
- Respondent C

The actors in the market lack knowledge in vintage watches as stated by one participant.

“How I see the vintage luxury watch market in Finland is that it lacks knowledge and information.”- Respondent B

### 4.3 Research question 3: What are the investors like who invest in luxury watches?

Figure 10 presents the analysis and findings for research question 3. The investors who invest in luxury watches can be described as being passionate about watches and experienced. But there is also a more fragmented group of those who are cautious, or who are only interested in a certain type of luxury watch.

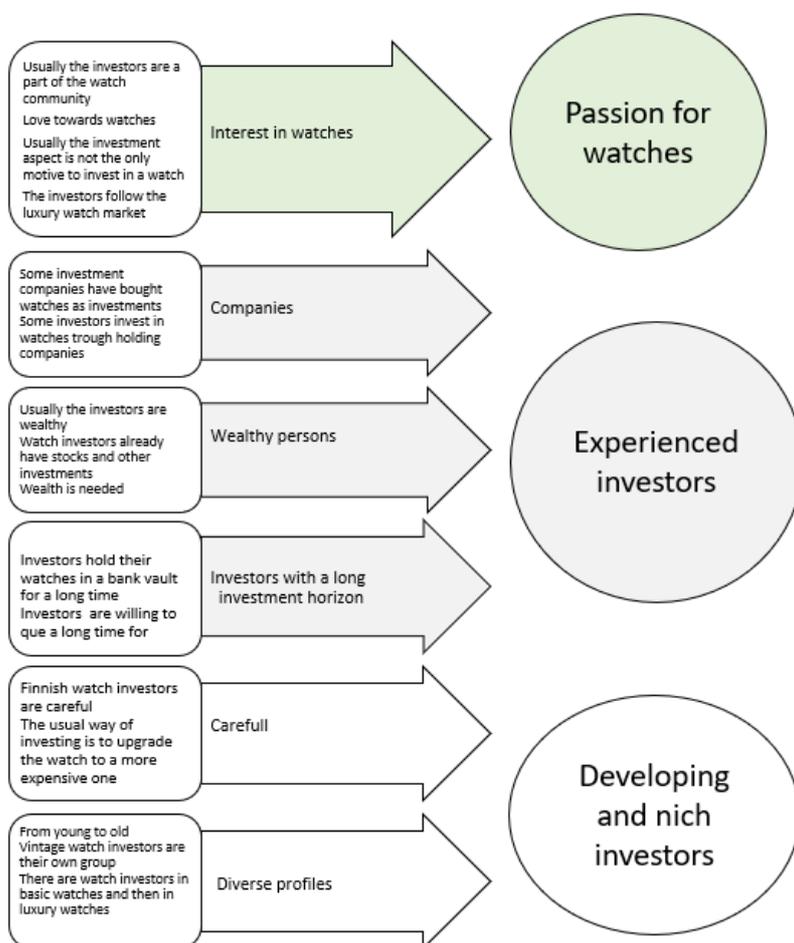


Figure 10 Data analysis of research question 3

### 4.3.1 Passion for luxury watches

The following 2nd order themes were combined to form the aggregate dimension passion for luxury watches 1) Interest in watches 2) Follow the watch market.

The watch investors have according to the participants an *interest in luxury watches*. The investors who invest in luxury watches are usually watch enthusiasts, like stated by one of the participants.

“Watches in general are quite unknown instruments for many people, the watch community helps spreading information of watches, and many who are interested in watches turn to the watch community and watch enthusiasts.”- Respondent C

A reason to invest according to most of the participants is interest and love towards luxury watches.

“I have a feeling that in the end the investors who are investing in luxury watches have love and admiration towards the object and the handcraft. The investment thought can be strong but there is also a strong interest towards luxury watches. So, they are not only pure investments.”- Respondent C

“There is no other denominator than the interest towards luxury watches.”  
- Respondent A

Usually, the investment aspect is not the only motive for the investor to invest in a luxury watch as stated by all the participants.

“Basically, there are no customers who are only interested in the investment opportunity, there is always other aspects and reasons to invest in a luxury watch.”  
- Respondent D

“The investors who invest in luxury watches are always interested in watches; the investment aspect is only in a small part.”- Respondent A

“Those investors who buy luxury watches as investments tend to still use them and show interest towards luxury watches.”- Respondent B

“A watch is an interesting object because there is a strong emotional side, I don’t know if a luxury watch is never a pure and rational investment.”- Respondent C

Investing in luxury watches demands knowledge and that is why investors who invest in luxury watch markets follow the market as stated by the participants.

“When investing in luxury watches you have to know what to buy and be careful in where to purchase, there are a lot of scammers on the markets.”- Respondent D

” It is necessary to follow the markets and conduct due diligence when investing in luxury watches.”- Respondent B

#### **4.3.2. Experienced investors**

The following 2nd order themes were combined to form the aggregate dimension Experienced investors 1) Companies 2) Wealthy persons 3) Investors with a long investment horizon.

Some *companies* seem to buy luxury watches as investments. According to one of the participants also investment firms have invested in luxury watches.

“Some investment firms have made watch funds, but it is still in a very small scale.”- Respondent B

Some investors invest in luxury watches through holding companies according to the participants.

“Wealthy investors have started to invest in luxury watches through holding companies, there are investors who have collections in holding companies for investment purposes and then private collections for use.”- Respondent B

“Luxury watches are acceptable and reasoned investments to have in holding companies”- Respondent A

“Companies have bought luxury watches as investment instruments lately.”  
- Respondent D

Investors who invest in luxury watches tend to be wealthy individuals as stated by the participants.

“The basic profile of a luxury watch investor is wealthy.”- Respondent D

“Often the investors are wealthy and usually work within the finance industry.”  
- Respondent B

“Money is needed, but it is difficult to describe the investors maybe I would say that they are normal people with more money to spend.”- Respondent A

Like stated earlier luxury watches can be used as an allocation to an investment portfolio and according to the participants luxury watch investors usually have other investments before they start investing in luxury watches.

“The investors usually have other investments and want to allocate their portfolio to something else like a luxury watch. Or they just want to buy a nice watch and drop their holdings in other investments.”- Respondent A

“Usually, the investors who invest in luxury watches are wealthy persons and already have stock investments, apartments, cars and pension savings.”  
- Respondent B

“Very few persons would buy for example Fortum stocks for 30 000e, usually when investing people invest smaller amounts through a long time. Watches take bigger one-time investments which demands wealth.”- Respondent C

Luxury watch investors tend to have a *long investment horizon* and are ready to hold on to their luxury watch for a long time as stated by one of the participant.

“Luxury watch investors keep their watches for a long time and those who purely sees the watch as an investment usually holds it in a safe for a long time.”

- Respondent B

Luxury watch investors are willing to que a long time to purchase a luxury watch. As stated by one of the participants.

“Investors are ready to que for a specific luxury watch for many years.”

- Respondent C

#### **4.3.3 Developing and niche investors**

Some of the investors who invest in luxury watches are seen as *careful* as stated by the participants. Carefulness is a trait according to one participant that Finnish luxury watch investors share and investors might not dare to buy some investment pieces.

“The Finnish luxury watch investors are careful, there is also fear in buying some investment watches. Investors might be afraid of the watch getting broken, that is why many investors just buy what other investors or collectors buy. it is safer to do so but the courage to buy something special and extra ordinary is missing.”

- Respondent B

The usual way of investing in luxury watches is to start from luxury watches that are less expensive and then upgrade to more valuable ones, like stated by few of the participants.

“The usual way of investing in luxury watches is to keep upgrading luxury watches to more valuable ones.”- Respondent B

“Usually, the investors get more interested in luxury watches over and they want to upgrade their watches to more valuable ones.”- Respondent A

As stated by the participants, the investors who invest in luxury watches are a *diverse group*. The age gap is reaching from young to old persons like stated by few of the participants.

“The luxury watch investors seem to get younger nowadays, we have more and more of the younger generations. Few years back the luxury watch investors were all middle aged.”- Respondent D

“The profile of a luxury watch investor is from young to old and all sexes but more men.”- Respondent C

Vintage luxury watches seem to have their own investor groups according to one of the participants.

“The vintage luxury watch investors are a group for themselves.”- Respondent A

The luxury watch investors are also divided in more basic watches and in true luxury watches like stated by one of the participants.

“The luxury watch investors are a divided group from more basic collectors to investors who collect high end luxury watches.”- Respondent B

## 5. Discussion

As a result, from the conducted study for the first research question which was: “Why become an investor in luxury watches?” There were two aggregate dimensions: investment allocation strategy and, appreciation for fine watchmaking.

According to participants in this study investors look for allocation to their investment portfolios with the help of luxury watches, luxury watches do not only provide investment allocation but also inflation hedge. The same result was found in the previous studies which described that investors look for hedge against inflation and falling asset prices with the help of alternative investments like collectibles (Grable and Chen, 2015). Some luxury watch brands, for example Rolex, annually increase their retail prices to fight inflation. The price increases also affect preowned watches (Goulard, 2022). To be able to gain profit or to hedge against inflation, like stated by the participants knowledge of luxury watches is needed, since not all luxury watches keep their value and only a few increase dramatically in value. Therefore, interest towards luxury watches is needed to succeed in investing in luxury watches. Respondents also mentioned that a reason to invest in luxury watches is user experience. Very few investment products have a similar user value to watches. Comparing to stocks, watches are physical and can be used and admired. Watchmaking can be seen as a form of art which also was reported as a reason to invest in luxury watches. According to previous studies investors invest in collectibles for two reasons satisfaction that the investment provides and the possible profits (Grable and Chen, 2015).

The second research question was “what is the Finnish watch market like?” and the aggregate dimensions were; the luxury watch market is evolving fast, transactions take place in many forms, and small local market characterized by limited investment opportunities.

According to respondents of this study, the Finnish watch market has grown significantly over the past 10 years. The market has developed from a market consisting of a small and niche watch community, to a market with a bigger and more active watch community with enthusiasts from all ages and genders. The watch community organizes different events for the watch enthusiasts in Finland, where members get to know each other and

enjoy watches together. Respondents also mentioned that the watch community plays an important part in the information available on watches in Finland.

This study further found that the number of retailers of preowned watches has increased during the past years and the supply of luxury watches is now larger than ever. The online market is also growing and many of the retailers offer online shops. Other online market forms include forums and Facebook groups managed by the watch community and watch enthusiasts. Also, these are constantly growing.

The transactions on the Finnish watch market are made both online and physically. According to many of the participants the transactions that occur within the watch community play a central role in the Finnish watch market. The transactions made within the watch community are very hard to follow and therefore there is no available data on these transactions. According to the respondents the watch community operates online for example on Facebook. On Facebook there are different groups for different brands and niches. The watch community organizes physical meetings where watches are presented, discussed, and even bought and sold. Otherwise, transactions usually occur online or physically in stores, according to respondents. The importance of physical stores is still strong on the market since luxury watches are expensive and usually the buyers want to try on the watch before making the purchase decision. The Finnish watch market lacks its own online platform, and instead the global Chrono 24 is used. According to one of the participants in this study, similar Finnish platforms have been introduced, but they have not yet been successful.

Furthermore, this study found that the Finnish watch market is small and local, characterized by limited investment opportunities. Compared to the global market size, the Finnish market is small and lags after other big regions, especially Asia. According to some of the participants, the Asian markets usually set the pace and prices follow. The Asian markets can in this way sometime predict the future of the Finnish market. Since the Finnish watch market is small, the availability of investment opportunities is also limited. In Finland, some investment pieces are hard to find, and the Finnish market seldom has rare or expensive pieces. According to one of the participants, true investment watches start from €30.000, and the supply of these watches is very limited in Finland.

As discussed earlier, there is a global grey market with newer preowned watches (Kunz, 2020). The results from this study confirm this is also happening in Finland. Respondents mentioned that the Finnish watch market consists partly of newer preowned watches. This is most likely because some new models, for example new Rolex watches, are difficult to buy from authorized retail stores. Therefore, some investors, so-called watch flippers, queue for popular Rolex models and sell them immediately further, creating a grey market. Hence, new preowned watches are sold for a premium compared to the retail. Some watch enthusiasts, collectors and investors are ready to pay the premium to acquire the sought-after model instead of having to wait for many years.

The Finnish watch market lacks authorized retail stores for some of the bigger luxury watch brands, for example Patek Philippe and Jaeger le Coultre. This is a sign of how small the luxury watch market is in Finland. Auctions are a big part of the watch markets globally and usually the most valuable luxury watches are sold via auction houses. In Finland the luxury watch auctions seem to be in a smaller role - maybe this is because of the lack of rare investment luxury watches?

As discussed with the participants, the Finnish watch market lacks instruments for investors that global markets currently have, that are designed to make it easier to access and invest in investment luxury watches. These are for example funds or fractional investment possibilities. The investment market is a very small part of the Finnish watch market and mainly consists of a few investors or holding companies buying luxury watches purely for investment reasons. To make the investment market bigger, investors would need more information and marketing. According to respondents, the investment part is still an unknown phenomenon in the Finnish luxury watch market.

The third research question “What are the investors like who invest in luxury watches?” found three aggregate dimensions; passion for watches, experienced investors and, developing and niche investors.

Passion is a common nominator that connect luxury watch investors. As discussed earlier, passion seems to be needed to gain the knowhow of investing in luxury watches. Like for

other alternative collectible investments, there seems to be a deeper bond between the object and the investor than solely the profits (Volpatti, 2020). According to the participants, this can be the user experience, since luxury watches are investments that can be enjoyed and used. According to Grable and Chen (2015), investors who invest in collectibles appreciate the joy even more than the profits.

As discussed in the interviews, the luxury watch investors are usually more experienced investors and wealthy persons. They already have other investment assets and portfolios and might look for allocation through luxury watches. Similar results were found by Volpatti (2020), who stated that investors who invest in luxury watches are usually wealthy and can have a long investment horizon. The same was found regarding collectibles in Kleine et al (2020).

This study however, also found that not all luxury watch investors are experienced investors and wealthy persons. The investors also consist of developing or niche investors, who are more careful and sensitive to risks. According to the participants, these investors might start investing in luxury watches through one piece and trading or upgrading it over time. The cautiousness of investing in luxury watches might be because of the need of servicing a watch, that can be very expensive.

This study also found that another way of investing in luxury watches is through a holding company, which can give the investor tax benefits. When the investor decides to sell a luxury watch, they can do so without paying tax on the profit if the profits are held within the holding company. This makes it attractive to reinvest the profit. Holding companies also offer the opportunity of paying dividends to owners.

Also, storage and insurances can be an issue. Not all investors have a safe place to store a luxury watch, and if the watch is kept at home or worn, expensive insurances are needed. Luxury watch theft has increased a lot in the past years making it more unsafe to wear a luxury watch (Chladek, 2020). As discussed with some of the participants, fake luxury watches are also a concern for investors. Many fake luxury watches are of a high quality, and it can be hard to spot a fake watch, even to specialists. This is also why knowledge is needed when investing in luxury watches.

In Finland, some investors are flippers or opportunists, who buy luxury watches to sell at a premium, hence looking for quick profits on the gray market. As stated earlier, the so-called watch flippers have gained a negative image on the watch market, simply because they buy watches that collectors queue for a long time, and sell them quickly to make a profit. -This can obviously be considered a natural characteristics of a market.

## **5.1 Recommendations for future studies**

The topic covered in this study has not been researched earlier and therefore there is a lot of room for research. To gain more knowledge of the investors who invest in luxury watches research with the actual investors would be good. Such a study could be based on the present study.

## **5.2 Limitations**

There are some limitations that should be taken into consideration in this research. Although the participants represent a large part of the preowned luxury watch market in Finland, there are other smaller retailers that act on the market. Preowned luxury watch retailers have their own niches and can be controversial with their opinions.

Since luxury watches as investments are not deeply studied there is not a lot of information on the subject. Therefore the literature study is based mostly on articles and specialists' opinions which might not give an accurate picture of luxury watches as investments. It is also possible that my own personal passion and knowledge of luxury watches affects how I might have interpreted some of the topics discussed.

The study is limited to the Finnish luxury watch markets which is a small market compared to global luxury watch markets. Also, the study concentrates only on luxury watches, which is a niche within the watch markets. Since the luxury watch market can be volatile and rapidly changing, by the time of publishing this study some information might be outdated.

## 5.3 Conclusion

### *Research question 1: Why invest in luxury watches?*

The most important factors of why invest in luxury watches are that luxury watches can be used like other collectible alternative investments as a diversification or allocation strategy for an investment portfolio. Another very important factor is the user experience that luxury watches give to the owner, the strong admiration towards the luxury watch as an object and the appreciation for fine watchmaking.

### *Research question 2: What is the Finnish luxury watch market like?*

This study found that the Finnish luxury watch market is a fast-evolving market and has the characteristics of a small local market. The transactions within the market take place in many forms. Online transactions take place through online sites, Facebook, and different watch forums. Physical transactions take place through different events organized by the watch community and in physical stores. Main market being the bigger cities of Finland.

### *Research question 3: What are the investors like who invest in luxury watches?*

This study found that the investors who invest in luxury watches share a strong passion for luxury watches which is also needed to be able to invest in luxury watches. The investors consist of experienced investors that usually are wealthy persons but there are also developing niche investors that consists of diverse profiles.

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# Appendices

## Appendix 1. Interview guide

1. Can you tell me about yourself and how you have become a specialist in watches?  
*Voitko kertoa itsestäsi ja miten sinusta on tullut kellojen asiantuntija?*
2. Can you describe the Finnish luxury watch markets?  
*Voitko kuvailla suomen arvokello markkinoita?*
3. Do you follow the luxury watch markets in general, have you heard about watch indexes like the Subdial 50? (In what ways do you follow the markets, how does it affect your decision making ie. pricing on watches)  
*Seuraatko arvokello markkinoita yleensä ja oletko kuullut kellomarkkinoihin liittyvistä indekseistä kuten Subdial 50? (Millä tavalla seuraat markkinoita ja miten se vaikuttaa päätöksentekooosi, kuten esim. hinnoitteluun?)*
4. I have learned that some investors invest in luxury watches as an alternative investment, do you see it in your work? If so, how do you see it in your work?  
*Olen saanut selville, että jotkut investoijat investoivat arvokelloihin alternatiivisena investointina, näetkö tätä ilmiötä työssäsi? Millä tavalla näet sen työssäsi?*
5. What can you tell me about the finish luxury watch investment market?  
*Mitä voit kertoa suomen arvokellojen investointi markkinasta?*
6. Can you tell me about your customers in general?  
*Voitko kertoa asiakkaistasi yleisesti?*
7. Have you noticed changes in customer behavior during the past years? In what ways? Why do you think that is?  
*Oletko huomannut muutoksia asiakkaittesi osto käyttäytymisestä viime vuosina? Millä tavalla? Miksi luulet näin?*
8. Do you have customers who buys watches as investment objects? Is it common? How do they invest in watches and are they aware of different options? How would you describe them? What kinds of investors are they in general?

- Onko sinulla asiakkaita, jotka ostavat kelloja pelkästään investointikohteiksi?  
Onko tämä yleistä? Miten he investoivat kelloihin ja ovatko he tietoisia eri vaihtoehtoisista? Miten kuvailisit näitä henkilöitä investoijina yleensä?
9. Why do you think people invest in watches? How do they start investing in watches? What are their goals?  
Miksi luulet, että ihmiset investoivat kelloihin? Miten he aloittavat investoinnin kelloihin? Mikä heidän tavoitteensa on?
10. What are your opinions of pros and cons of investing in a watch?  
Mitkä ovat sinun mielipiteesi kelloista investointeina, hyvät ja huonot puolet?
11. What can you say about the luxury watch market in Finland? Where about is the Finnish luxury watch investment market in terms of development? How do you think the market should develop to attract more investors?  
Mitä voit sanoa Suomen arvokello investointi markkinoista? Miten kehittynyt suomen arvokello investointi markkinat on? Miten markkinoiden pitäisi kehittyä niin että ne houkuttelisivat investoijia.
12. How would you compare the Finnish market to the other markets? What are the main marketplaces in Finland? what are the differences between marketplaces? How do you think the marketplaces will develop?  
Miten vertaisit suomen kello markkinoita muihin maihin? Mikä on suomen pää markkinapaikka? Mitä eroja markkinapaikkojen välillä on? Miten ajattelet eri markkinapaikkojen kehittyvän?
13. How do you see the Finnish luxury watch markets evolving in the future? -how do you see the investment opportunities grow? What should happen that investors would be more interested in luxury watches as investments.  
Kuinka näet, että suomen arvokello markkinat kehittyvät tulevaisuudessa? Näetkö että investointi mahdollisuudet arvokelloihin kasvavat? Mitä pitäisi tapahtua, että investoijat kiinnostuisivat arvokelloista sijoituskohteena entistä enemmän?