

How Panerai Got *HOT*

One wonders what to make of a condition currently running wild in the global watch market. Call it the Panerai Syndrome. The main symptom is that victims go absolutely gaga at the sight of a certain giant black watch described by those not suffering from the syndrome as reminiscent of "a hockey puck on the wrist."

The most dramatic case: "Rocky" star Sylvester Stallone. On a visit to Florence, Italy, in 1995, Stallone stopped in a watch shop in Florence, Italy and noticed a divers' watch produced by a local firm called Officine Panerai. Stallone learned that for years Panerai had produced the watch exclusively for an elite group of Italian Navy frogmen. The watch had only recently been made available to the Italian public.

The watch was bold, black and, with a 42-millimeter case, gargantuan. Stallone was entranced. He delighted at the thought of wearing the watch in the underwater sequences in "Daylight," a film he was making. So smitten was Stallone that he bought not one but 200. He arranged for the Florence firm to make a special series of watches just for him. He called the collection Sly Tech, had his signature engraved on the caseback and gave the watches to friends. Later he ordered another series of 200 with a white dial.

It's an extreme case but it illustrates the profound effect Panerai has on certain people. Since then the Panerai Syndrome has spread throughout Hollywood, to the watch collector community, and to ordinary blokes who just can't resist its testosterone-ridden styling, its relatively affordable price (Panerai, an all-mechan-

Why has the relaunch of a watch produced for Italian Navy frogmen created such a fuss?

BY JOE THOMPSON



Today's Panerai Luminor Marina watch is modeled on the Panerai Luminor Marina Militare watch of the 1950s.

Collectors are paying in advance for the new Luminor 1950 watches with the same dimensions—47mm in diameter—as original Panerai's made for Italian Navy commandos. Panerai will produce just 1,950 pieces.



THE PANERAI SYNDROME

ical line, starts at \$2,450; most are priced around \$3,000) and its exclusivity. As one fan puts it, "You don't see it on every street corner."

Today Panerai has achieved bona fide cult watch status. Consider:

- Demand for Panerai far exceeds supply and back orders are piling up. It will take two years to fulfill the orders booked at the annual International Salon of High Watchmaking in Geneva last year, says Panerai president Angelo Bonati. The back order problem is particularly acute in the United States, especially for certain limited edition models. Panerai produces fewer than 30,000 watches a year, of which around 5,000 come to the United States. It's not nearly enough. One U.S. jeweler has taken 20 orders for the Panerai Radiomir Alarm GMT watch, which sells for \$5,000 retail. How many was he able to obtain last year? One.

Ditto for the new Luminor 1950, with a 47mm case, duplicating the size of the original Panerai watch produced in 1938. Panerai will produce just 1,950 pieces over two years; only 60 will come to the U.S. Yet, says Philippe Bonay, president of Panerai USA in New York, "Jewelers have had calls from multiple clients willing to put full down payments on the watch. Jewelers are starting to refuse down payments because it creates aggravation. They don't know how many watches they are going to get or when they are going to get them."

- The watch has become a hot collectors' item. Last April a Radiomir Panerai from the

1950s sold for 21,000 Swiss francs (around \$14,000) at an Antiquorum auction in Geneva. The previous month in New York, Antiquorum sold one of the Stallone-ordered Luminor Submersible Sly Tech watches for \$8,400.

Visitors to Paneristi.com, an independent website, have grown at an "alarming" rate to 20,000 per month, says its founder.

- Hits at Paneristi.com, a website devoted exclusively to Panerai, "are growing at an alarming rate," reports Guy Verbist, a Panerai aficionado who launched the site as a hobby two and a half years ago from his home in Edinburgh, Scotland. At the beginning of 2002 the site was drawing 12,000 people per month. By October it was 20,000 per month. (Paneristi is what Panerai faithful call themselves. The name is derived from "Ferraristi," the term for Ferrari enthusiasts.)

The watch, proclaims Panerai chairman Franco Cologni, is "hot, hot, hot!" Cologni is entitled to crow. He's a bigwig in the Richemont Luxury Group, the world's second largest luxury group, parent to Cartier, Vacheron Constantin, Jaeger-LeCoultre and a slew of other brands, and, since 1997, Panerai. It was Cologni who urged Richemont chairman Johann Rupert to acquire the brand. An Italian national, Cologni appreciated Panerai's deep Tuscan roots (it was founded in Florence in

1860), its long history as a Swiss watch retailer and, most importantly, its role as a supplier of precision instruments to the Italian Navy during World Wars I and II.

Truth be told, not everyone in Richemont shared Cologni's enthusiasm for a no-name line whose claim to fame was that it was the official watch of the not-so-dreaded Italian Navy. Occasional whispers about "Franco's folly" were heard within Richemont following the takeover. Panerai's surprising success has silenced the doubters and made Cologni look like a genius.

So what's behind the Panerai craze? A number of things, actually.

1. THE MILITARY FACTOR

Panerai enthusiasts rave about the watch's "authenticity." Indeed, it does have a fascinating history.

The Paneristi have the Ethiopian Crisis of the mid-1930s to thank for the birth of their baby. That flareup led directly to the development of the Panerai watch. In a nutshell, here's what happened.

Tensions between Italy, Ethiopia and Ethiopia's League of Nations backers, Britain and France, mounted in the 1930s, and led to an Italian invasion of Ethiopia in 1935. Britain responded by sending the Home Fleet into the Mediterranean Sea in a show of force against Italy. Italy's sea power was piddling compared to that of the British Navy, so Italian Naval Command planned what its official history refers to as "insidious means of attack" in the event hostilities broke out. It created a team of underwater commandos trained to stage secret attacks. The commandos, known as the Gamma Group, required a rugged waterproof watch to wear on their missions and the 1st Submarine Group asked Naval Command to find one. The navy bought some watches on the commercial market but they were impossible to read underwater and they leaked. The navy then designed its own divers' watch illuminated by batteries but that, too,

Historical Panerai commando wrist gear: a depth gauge, watch and compass.



THE PANERAI SYNDROME

failed. Finally, it turned to Panerai.

Guido Panerai & Figlio, as the firm was called then, was the natural choice. (The firm later changed its name to Officine Panerai; *officine* means “workshop” in Italian.) Panerai had been supplying precision instruments to the Italian Navy since before World War I, things like mechanical calculators for firing torpedoes, compasses, and timing devices for mines. Moreover, it specialized in producing instruments that glowed in the dark thanks to a compound called Radiomir that Panerai developed and patented. Radiomir was a powder consisting of phosphorescent zinc sulphide, radium bromide and mesothorium. Panerai enclosed Radiomir in tiny hermetically sealed glass tubes, which were then inserted into, say, a sighting mechanism, enabling the device to be used at night. (To this day, every ship in the Italian Navy has an electric signaling apparatus called the “Panerai.”)

When the Italian Navy could not find an underwater watch that worked, it turned to Panerai.

In addition, Panerai had extremely close connections with the Swiss watch industry. Its instrument division was actually a sideline to its main business, selling Swiss watches. The firm was founded in 1860 as Florence’s first watch shop. By the turn of the century, *Orologeria Svizzera*, as the shop was then called, was a formidable Swiss watch retailer; twice a year it printed the world’s largest Swiss watch catalog. By the 1930s it was the official agent for the likes of Patek Philippe, Vacheron Constantin, Rolex, Movado and other premier Swiss brands.

So, at the navy’s urging, Panerai set to work manufacturing a watch that would perform ably underwater. Using parts from Rolex, with whom it had excellent relations (Rolex provided Oyster cases, Cortebert caliber movements and crowns), and applying Radiomir to the dial and hands, Panerai produced in 1936 prototypes of its first watch. According to the navy’s official history, the watches “were used in exercises with very satisfactory results.”

Serial production of the watch, soon known

as Radiomir, began in 1938. The design of the Radiomir watches Panerai produces today is modeled on its second version. It had a huge 47mm cushion-shaped case with a screw-down crown, large bezel, Plexiglas crystal and black dial, with four large luminous Arabic numerals at the cardinal points, baton markers, and the words “Panerai Radiomir”. The punched leather strap was greased and long enough for the commandos to wrap around their wrists on the outside of their wet suits.

The Gamma group commandos, equipped with a variety of Panerai wrist instruments (compass, depth gauge, watch, etc.) participated in 20-plus missions in World War II and sank more than 200,000 tons of Allied shipping. Their most famous mission occurred on the night of Dec. 18-19, 1941, when six Italian frogmen, riding underwater torpedo-shaped assault craft, sank two 33,600-ton British battleships, the *HMS Valiant* and the *HMS Elizabeth*, in the port of Alexandria, Egypt. The episode provoked one of the famous missives, known as “the Prime Minister’s prayers,” that Winston Churchill rifled off to subordinates demanding information about the course of the war: “Pray inform me what is being done to imitate the exploits of the Italians in the port of Alexandria and to devise similar methods...? Are there any reasons why we are incapable of demonstrating the same scientific aggressiveness as the Italians have shown?”

Panerai continued to provide watches for Italian Navy commandos into the 1980s. For most of that period the watches were, in fact, military secrets, which adds to their allure today.

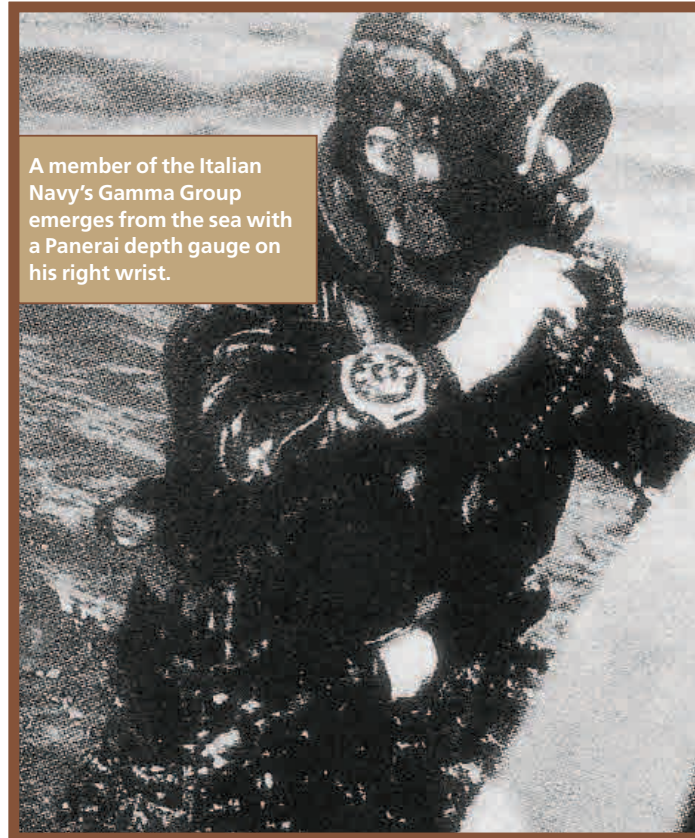
2. THE DESIGN FACTOR

Paneristi love the watch’s “minimalist” look: the clean, spare, big, bold lines of the dial and case. It’s a perfect example of the “form follows function” principle: The black dial and white numerals had to be big to be read in the murky depths of the Mediterranean.

Yet, the one design element that makes Panerai truly distinctive, that enables you to iden-

tify it across a crowded room, is the unusual extended bridge that surrounds the crown. “This,” writes Panerai specialist Giampiero Negretti in his small volume “Legendary Watches,” “gave Panerai watches the exclusiveness which still today distinguishes them from every other underwater model.”

With the bridge, too, function dictated the form. Commandos found that with some watches worn underwater for long periods, water seeped in through the crown. The prob-



lem, writes Negretti, was “the wear of the materials and the kind of use to which the watch was subjected. To wind or adjust the watch, the winding crown had to be unscrewed and then screwed-down again. This operation not only involved repeated wear on the metal and seals, but it was inevitably carried out hurriedly and sometimes the crown was not screwed back properly.”

Panerai addressed the problem in the early 1940s with a novel solution, a half-moon shaped steel block fitted to the case. The block contained a locking cam lever. When the lever was closed, it pressed against the winding



Italian Navy commandos in action on their "torpedoes" are engraved on the cover and dial of the new Luminor Blackseal watch.

crown, forcing it to fit more snugly within the protective seals inside the case. The added pressure made the watch water-resistant to 200 meters (650 feet), deeper than any commando could go. When the commando needed to wind the watch or reset the time, he simply released the lever, had access to the crown, then screwed it back in and closed the lever. Voila': problem solved.

"There is no doubt the reason the man in the street wears a Panerai is that Russell Crowe wears it".

The lever device became the most distinctive feature of the Panerai case. When the Radiomir evolved into the Luminor model in the 1950s, the lever became associated with the Luminor. (In the early 1950s Panerai perfected a new luminous compound because the radium in the Radiomir emitted significant amounts of dan-

gerous gamma rays. The new compound, Luminor, based on a much safer element, tritium, gave its name to the new series.)

Richemont wisely made a point of not tampering with the Panerai look. "When we relaunched the brand," says Panerai artistic director Giampiero Bodino, "we didn't redesign it; we just updated the designs subtly." Luminor, with the large bridge, became the leader collection. Richemont relaunched Radiomir as a smaller collection, using the original 1938 cushion case without the bridge. Radiomir consists primarily of special limited edition collections with more sophisticated movements.

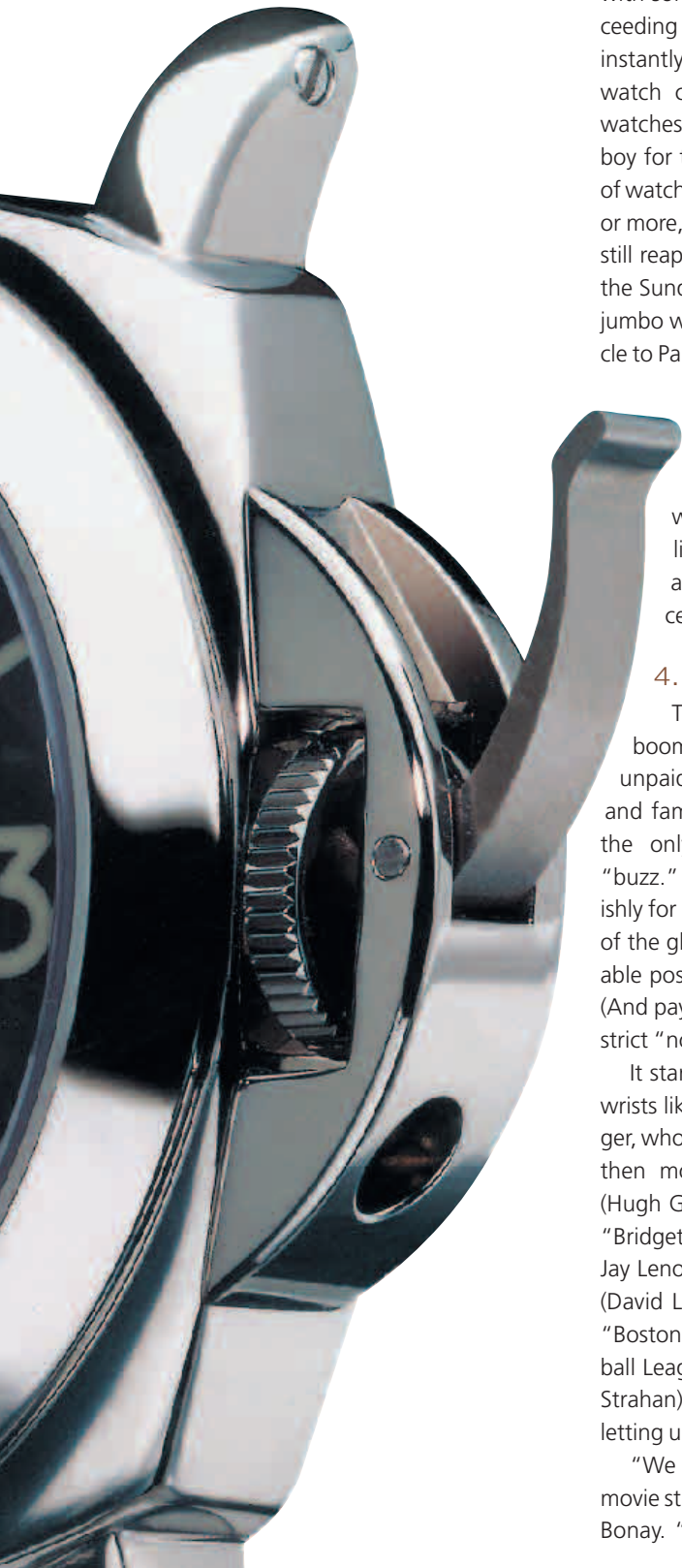
3. THE SIZE FACTOR

Panerai's first fame, though, came not from its military pedigree or its cool bridge, but from its size.

Panerai, of course, was born big. At 47mm in diameter, it was about 33% larger than other watches in the 1930s and '40s. When Richemont launched the line on international markets in 1998, it maintained its mammoth

THE PANERAI SYNDROME

Panerai developed its distinctive, patented cam-lever crown protector in the early 1940s to improve the watches' water-resistance.



proportions at 44mm. Ordinarily, a watch that size would be dismissed as a freak. Part of the brand's grand karma is that it appeared just as a trend toward large watches was building, with some brands approaching and even exceeding the 40mm barrier. At 44mm, Panerai instantly moved to the head of the jumbo-watch class. With no—count 'em, zero—watches under 40mm, it became the poster boy for the megawatch trend. When a wave of watch firms followed with models of 40mm or more, Panerai was hailed as a trendsetter. It still reaps rewards for its sheer size. Last year the Sunday *New York Times* took note of the jumbo watch trend by devoting an entire article to Panerai's size.

For the Panerai faithful, size matters for another reason. Says Paneristi.com's Guy Verbist, "Because the size of the average Panerai will never appeal to all, there is little likelihood of its hitting the mainstream and becoming a victim of its own success."

4. THE CELEBRITY FACTOR

The biggest factor behind the Panerai boom has been the stream of unsolicited, unpaid endorsements it gets from the rich and famous. Panerai has been blessed—it's the only word for it—with unbelievable "buzz." While other watch brands work feverishly for placements in movies or on the wrists of the glitterati, Panerai has been in the enviable position of having Hollywood pursue it. (And pay for the watch, no less. Panerai has a strict "no freebies" policy.)

It started with actors with Redwood-sized wrists like Stallone and Arnold Schwarzenegger, who wore a Panerai in the movie "Eraser," then moved to actors with normal wrists (Hugh Grant, for example, wore a Panerai in "Bridget Jones's Diary," Russell Crowe on the Jay Leno Show). The craze spread to TV stars (David Letterman, Jay Leno, Chi McBride on "Boston Public"), athletes (like National Football League stars Marshall Faulk and Michael Strahan) and the like. It has shown no sign of letting up.

"We get calls about once a week from movie studios for a watch for so-and-so," says Bonay. "They are usually very specific about

what they want." They don't always get what they want. "George Clooney wanted a Luminor Submersible 1000m with a black dial," Bonay recalls. "That's a limited edition from 1999, 500 pieces, never produced again. I said 'How does he know about it? We don't produce that dial anymore.' The agent said, 'That's the one he wants.' I said, 'I don't have any.'

"Right now Panerai is extremely fashionable," says Verbist of Paneristi.com. He and his Paneristi purists frown on the fashionistas' interest in the brand. "The feeling is the sooner it becomes unfashionable, the better," he says wryly. But he acknowledges the impact Hollywood has had. "There is no doubt that the reason the man in the street wears a Panerai is that Russell Crowe wears it."

Or, even better, Ralph Lauren. Nobody has moved more Panerai's than America's king of casual cool. A bona fide watch aficionado (he collects Rolexes and Cartier Tanks), Lauren, Bonay says, "was attracted by the minimalist aspects of the watch: the bridge, the simplicity of the dial and the size, in that order." Lauren started buying historical Panerai's and asked Panerai USA to help him confirm their authenticity. "Call it luck, fate, whatever," says Bonay, "he wore his Panerai in the print ad campaign he ran in February 2001." The four-page ad ran in a slew of major American magazines; on two pages Lauren appears with his Panerai. "It was so prominent," Bonay, says, "that you

The Panerai Luminor Submersible with a 44mm titanium case and rotating steel bezel was one of the hottest items in the line in the United States.





Three recent limited-edition Radiomir watches: the Independent in 18k white gold, the steel GMT/Alarm, and the steel Chrono Foudroyante powered by a Jaquet caliber 8952.



1993, when the brand was pretty much the preserve of the Italian Navy commandos, only 300 pieces were manufactured. Verbist estimates that fewer than 2,000 watches were produced between 1993 and 1997, when Panerai started selling to the public in Italy.

Richemont says it wants to preserve the rarity factor. To that end, Panerai has declared a limited production policy. The policy, spelled out in the brand's catalog, states, "Panerai has strict production criteria which do not allow the watches to be produced in large numbers." As part of the policy Panerai numbers each piece it produces and engraves it on the caseback.

Under Richemont, annual production has risen to about 30,000, says Franco Cologni. That, he hastens to add, is "less than Patek Philippe." Panerai executives insist that, despite a demand they claim is triple the supply, they plan to limit production to maintain the brand's exclusivity.

6. THE RICHEMONT FACTOR

Clearly Panerai has prospered since becoming part of the Richemont Group. Panerai watchers say the movements are finished better than pre-Richemont Panerai's. New management has introduced some smart touches appreciated by watch aficionados, like pear wood presentation cases containing a screwdriver and second strap. "Whoever thought of the two straps and a screwdriver was a genius," says Verbist. "They created an entire secondary market in Panerai straps." Under Richemont, Panerai has added COSC-certified chronometer movements. What's more, Panerai is likely to begin making its own move-

could actually read the name 'Luminor Marina.'" The result: "Demand stepped up one notch."

5. THE RARITY FACTOR

Panerai fans cite the brand's exclusivity as one of the most appealing things about it. Rarity has been a feature of the brand from the start. Amazingly few Panerai watches were produced prior to the Richemont acquisition. Between 1938 and



Three watches from the Sly Tech series made exclusively for actor Sylvester Stallone.



Panerai recently reopened its retail shop and museum in Florence's famous Piazza San Giovanni. Its Orologeria Svizzera business has been a prominent retailer of Swiss watches for more than a century.

ments in the new six-story production facility it recently opened in Neuchatel, Switzerland.

Some argue that the best thing Richemont did for Panerai was a particularly deft maneuver in setting up Panerai's retail distribution. When it was ready to launch Panerai internationally in 1998, Richemont assigned the task to an exalted, if unlikely, crew: the chief executives of Cartier subsidiaries around the globe. Cartier is Richemont's most powerful watch brand, a cash cow for the firm and its retailers. "The heads of Cartier, in effect, went on the road with that little brand," says one Richemont insider. It was a brilliant stroke. With all appropriate ceremony, the Cartier chiefs showed the Italian Baby Hueys to a small, select group of their top clients. It was an offer the jewelers couldn't refuse, no matter what they thought of the watches personally. "Some took it out of fear of missing out," says the Richemont insider. Others, out of fear of angering Cartier. Whatever the reason, Panerai from the start had the benefit of the best retail distribution in the world.

7. THE PANERISTI FACTOR

The simplest answer to how Panerai got hot is the Paneristi, who have been in effect ambassadors for the brand. "Initially we attracted a group of collectors, who started seeking the watches," says Philippe Bonay, who helped launch Panerai in the United States. "They're a tight community and word spreads around, especially with the Internet. Word got out about a very rare military watch, worn by celebrities, and early adapters started to pick the watch up. It very quickly became a worldwide phenomenon, even in places like Hong Kong and Japan, where everybody thought the watch was simply too large to catch on. They are deeply passionate about Panerai. They feel they are almost guardians of the brand. They have a point of view on what we should and shouldn't do."

They express those opinions in long letters to Bonay and, more commonly, at Paneristi.com, which Verbist bills as the "unofficial" Panerai website. Verbist is a watch lover who is a software engineer by day. He saw a Panerai photo in a watch magazine a few years ago and was intrigued. When he went to see one in a jewelry store, he was aghast at its size. "There's no way I'm going to wear something like that!" he exclaimed. Soon, though, the Panerai Syndrome kicked in and he was hooked. Since starting the site in 2000, he spends most of his free time and what he calls "beer money" maintaining it, but it's a labor of love. Verbist attributes the "alarming" growth of visitors to his website to "the increasing interest in and visibility of Panerai." There is no "typical" Panerai enthusiast, he says. For example, he cites three Paneristi.com regulars who have been visiting the site from the beginning. "One is a stockbroker, one a landscaper and one a retired bomb disposal expert," he says.

The site is loaded with info about and photos of Panerai watches. Here's one tidbit you'll find there: so intense is the interest in Panerai that the model submarine that was a gift-with-purchase with some pre-Richemont models has become a hot collectible. "These occasionally surface on Ebay or with dealers," Verbist reports. But be forewarned. Prices, he says, are "daft."