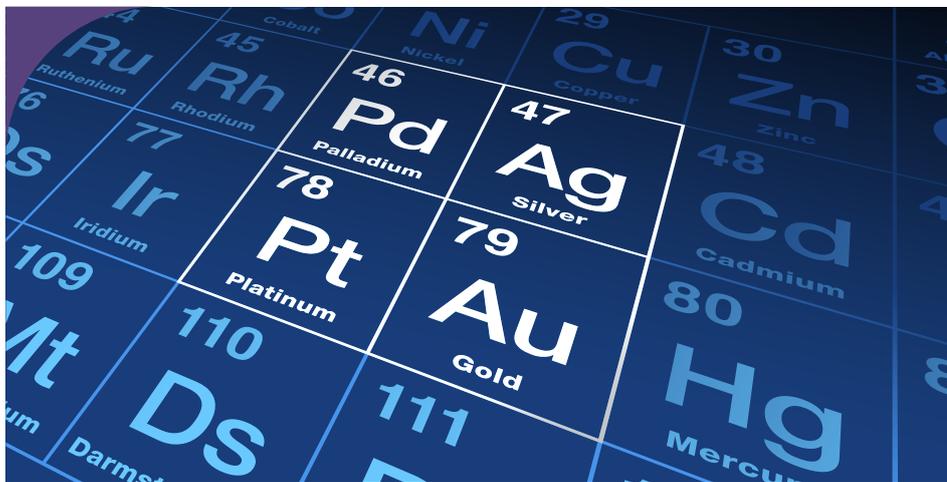


# MINT NEWS QUARTERLY™

VOLUME 7 / SEPTEMBER 2020



## The Secondary Market: A Question of Essential Importance



**Let's be honest. If you can't sell your coins made of precious metal right now during crisis, something is definitely going wrong in your company.**

Every major crisis prompts a boom of precious metal and small investment products like coins. That's nice for the time being. But until today, no crisis has lasted forever, which means that what has gone up will go down. The gold price will fall again. And what this implies to the coin industry, I learned when I took up my first job in the coin trade in 1987.

Then, the market for modern coins was in free fall. Whereas the silver price had been US\$52 per ounce at the beginning of 1980, it plummeted by 90.4% to a low of US\$4.81 in the first half of the year.

This caused a great deal of handwringing and complaints, especially from inexperienced investors who had been led to believe by aggressive marketing campaigns that the price of precious metals couldn't do anything but increase.

Suddenly, people no longer wanted to buy silver or gold coins. The small investors and speculators who had never been able to afford anything but relatively cheap commemorative coins abandoned the market. And it wasn't possible to reduce the gigantic mintages of these very coins quickly enough in order to compensate for the declining interest of buyers.

Worst hit were those who had believed that the often unlovingly produced collectors' items made of gold and silver that they had purchased for a lot of money at direct marketing associations were valuable collectibles whose price was to increase regardless of their precious metal content. During my first years in the coin trade, I saw many people cry when they realised that the gold and silver medals that they had bought for hundreds of Deutsche Marks were suddenly worth less than 5% of their purchase price.

But was that their real value? Well, there was at least no one willing to pay more for the pieces because every coin dealer knew that he would have to have the coins and medals melted down as there was no secondary market for these objects.

Things changed slowly in the years following the fall of the Iron Curtain – at first for Russian coins. Originally, they had been produced to be exported and many of them had been melted down after 1980. Collectors in Russia had never had the chance to acquire any of these coins. Then, however, some of them became wealthy and wanted to buy exactly the coins that they hadn't been able to afford before. And, suddenly, there was an active market for modern Russian coins and medals. They appeared in auction sales and achieved results that were more than satisfying for their original purchasers.

The same happened a few years later regarding modern Chinese coins. There was an actual boom: suddenly, anything could be sold for record prices as long as it came from China.

What had once been produced for export, and been considered worthless for years, returned now to its country of origin at extremely attractive prices.

Modern coins from Russia and China made the leap into the auctions and proved that it is possible for modern coins to enter the secondary market. And this is of essential importance as we shouldn't forget one thing: as beautiful as our coins might be, they only meet the expectations of their purchaser if he – in case he ever wants to sell his collection – can find such a secondary market for his pieces.

Unfortunately, a secondary market only exists in exceptional cases today. This issue of *Mint News Quarterly*™ therefore deals with the question of what is necessary in order to anchor modern coins on the traditional coin market and to create an attractive secondary market that prevents us from losing most buyers of modern coins when the metal price plummets sharply again.

Ursula Kampmann

# How to Break the Vicious Circle and Create a Secondary Market

You can't sugarcoat it. In fact, the pretty word 'collectability' carries one simple message: coins must be made in such a way that buyers see a chance to re-sell them at purchase price or more. In that case, they sell well. In the 'Ten Commandments' posited by Achim Becker, you will find out how to create such coins (see page 6).

However, selling them would be much easier if there were a working secondary market. It is not rocket science to create such a market, but in order to do it, mints have to think outside the geographical and temporal box. In other words, they need to invest in something that will only be beneficial to them after two or three years.

Here, we summarise a few measures that would help get a working secondary market up and running.



Coins prepared for being melted down at Agosi in Pforzheim.

## 1st – Think Internationally

Those who collect coins usually don't exclusively collect the coins of their own country. They spend money at many different mints.

Collective platforms do not harm sales, they promote them. That's why joint appearances are so important.

**Conclusion:** Be present on all platforms that operate internationally!

## 2nd – Don't Just Think About the Present

The best thing you can do to promote the secondary market is provide information about your older issues too. After all, collectors can only buy something if they know about its existence.

**Conclusion:** Don't remove coins that are already sold out from your website and support any kind of catalogues – print editions and online catalogues.

## 3rd – Work Closely Together with Coin Dealers and Auction Platforms

In cooperation with coin dealers and auction platforms, develop sensible ways for a collector or his heirs to return a coin collection to the market. Talk about these possibilities on your website.

**Conclusion:** Even if a mint doesn't repurchase old issues, it cannot afford for them to be melted down immediately.

## 4th – Collaborate with the Media and the Scholarly World:

Regarding your PR, you should think beyond selling your latest coin issues. Let collectors – via the media and scholarly work – see the bigger picture. Tell them how new techniques were created and how they developed over time. Give information on subject categories and explain why a certain topic is of particular interest to your country.

**Conclusion:** Real collectors don't collect coins but stories. And there is more to a story than what can be seen on a coin today. In order to tell a good story, you also need the coins of past years and decades, and collectors want to have those pieces, too.

If an increasing number of mints produce an increasing amount of commemorative coins, at some point, the market will be so saturated that only the products of those coin producers will sell of which buyers know that they performed well on the secondary market.

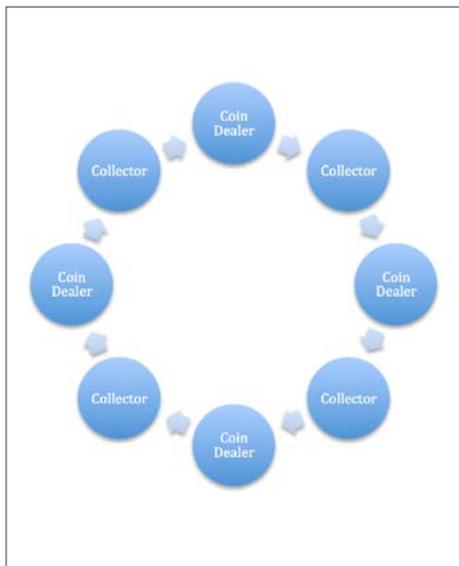
Therefore, the existence of a healthy secondary market for your coins is of essential importance if you want to sell freshly minted coins to collectors.

CoinArchives Pro		Ancient Coins World Coins Publications		Logged in as ukampmann Your subscription ends on: 29 January 2021 <a href="#">Renew Subscription</a>   <a href="#">Logout</a> <a href="#">View Saved Lot List (2)</a>	
China Yuan					
Search options					
Your search for China Yuan matched 31584 lots.					
Only the first 100 results are shown. <a href="#">Read our Search Tips</a> to learn how to narrow your search, or increase the number of matches in your search options.					
	Auction Date	Price Realized			
<b>Heritage World Coin Auctions - New York Signature Sale 3012, Lot 23653</b>	2 Jan 2011	500,000 USD = 372,700 EUR			
<b>Heritage World Coin Auctions - Hong Kong Signature Sale 3058, Lot 37234</b>	7 Dec 2017	340,000 USD = 288,388 EUR			
<b>Stack's Bowers Galleries (&amp; Ponterio) - August 2018 Hong Kong Auction, Lot 61089</b>	6 Aug 2018	300,000 USD = 259,530 EUR			

There are contemporary coins sold in auction sales for good prices ([www.coinarchives.com](http://www.coinarchives.com)).

# How to Foster an Active Secondary Market: the Classic Coin Market as a Model

Sure enough, collectors are ideal customers because you don't have to explain to them through expensive advertising why they should buy a certain object. On the contrary, they enjoy looking for and finding collectors' items by themselves.



Nevertheless, mints have repeatedly emphasised that they do not sell their products to collectors but to customers. It has been found that there are different customer segments and mints want to serve each of these with customised products. That's a legitimate strategy that can expand the group of buyers significantly. However, you cannot expect this customer group to be loyal to the product.

People who buy souvenirs choose between hundreds of possible options. In different societies, coins can be used as gift products with a varying degree of success – depending on the status of money as a gift in the respective culture. Regarding fan merchandise, customers don't buy the coin but the depiction. Whether it be a souvenir, gift or fan merchandise – whoever believes that such customers might become collectors couldn't be more wrong.

This is even worse in the case of inexperienced speculators and investors who are willing to purchase commemorative coins as long as someone makes them believe that the coins (might) increase significantly in value. They trumpet their disappointment – whether it be among friends or on the internet – when they have to melt down highly praised investment products because there is no secondary market for these products.

## Collectors – the basis of the secondary market

Real collectors, in contrast, are crisis-proof. They buy even if they can't really afford to. For them, it's a fundamental need to purchase a certain object – and if it isn't available on the primary market, they will buy it on the secondary market.

Therefore, the secondary market heavily depends upon the fact that collectors are interested in the products. The value of individual pieces can fluctuate on the secondary market – any collector will accept that as long as it's possible to find a buyer at all so that he doesn't have to have his coins melted down.

Renowned coin dealers in the field of classic numismatics aren't interested in contemporary coins. We will find out later why that's the case.

And most mints have completely neglected taking care of a working secondary market. Until now, that hasn't been necessary; the main task of every mint was the production of circulation coins. Commemorative coins were a pleasant additional income. But that has changed. An increasing number of mints are entering the lucrative market of commemorative coins. And now it suddenly becomes important that a secondary market exists.

After all, the secondary market is the essential element that ensures that collectors buy coins from mints in a consistent and crisis-proof manner: it sets in motion a perpetuum mobile that has been at the heart of the coin trade for centuries: collectors buy, sell, buy. Dealers are sort of a buffer, a storage unit. And the mints can deliver the products.

But how is it possible to encourage people to become real collectors of contemporary coins?

The classic coin trade has been working for half a millennium. Let's have a look at what is done differently in this area and learn from it.

## Scholarly work as the basis of coin trade

Anyone working in the marketing division of a mint is probably aghast now: scholarly work as the driving force of consistent sales! However, regarding classic numismatics it's true. Scholarly work and the results of the studies play an essential role for the attractiveness of collecting and of classic coins.

You have to remember that research on coins had already been carried out long before the coin trade itself came into being, with research being closely linked to the coin trade for over 500 years.

Thus, a dense network has evolved for over half a millennium that holds scholars, coin dealers and collectors together. They meet regularly at conferences, club meetings and in private. Coin dealers and coin collectors often write books in their spare time. Scholars are collectors themselves. The boundaries between these groups are permeable. And everyone is aware of the fact that they depend on each other.

## The trickle-down effect

Scholars are 'responsible' for constantly telling new stories about coins. And coin dealers integrate these stories into their catalogues and coin descriptions. It is easy to see how collecting areas that are systematically researched are more popular among collectors than those in which no research is carried out. And once scholars start to deal with a collecting area, it soon becomes popular among collectors.

The reason for this phenomenon is that – through articles in numismatic magazines, presentations for numismatic associations and exhibitions in coin cabinets – the scholars' books find their way to a layman audience at a global scale which is inspired by the topics.

To simplify, one might say that coin dealers don't sell coins to collectors, they sell the stories related to the pieces. And scholars deliver these stories.

## Financial dependencies

Whereas scholars, on the one hand, ensure that there are always exciting and new numismatic stories that inspire collectors to continue collecting, the collector makes sure that numismatic research can constantly be carried out by purchasing coins. Collectors enable coin dealers to earn money, and coin dealers support scholars by means of print cost subsidies, they sponsor conferences – and meetings of coin collectors, too – and fund the PR work of coin cabinets.

Associations like the American Numismatic Society are completely dependent on donations in order to exist and to carry out their excellent scholarly work. Others aren't. However, so-called third-party funds are also gaining importance in countries where the state is responsible for the remuneration of scholars.

And that development has huge potential. After all, many scholars carry out research mainly in areas in which they know that they can rely on financial support. It goes without saying that organisers of exhibitions and conferences especially like to choose topics that will certainly be sponsored by companies.

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## Contemporary coins are second-class numismatic objects

Representatives of mints are rarely in contact with scholars. And it's just the same the other way round. Therefore, there is a profound lack of understanding of contemporary numismatics among scholars – one might even speak of a contempt for coins minted after 1945.

Bernd Kluge, former director of the Numismatic Collection Berlin and internationally renowned numismatist, agrees with the common opinion by writing the following in his well-known treatise on coins from ancient to contemporary times (*Münzen – Eine Geschichte von der Antike bis zur Gegenwart*).

'Currently, we have a two-class numismatic society: the shrinking segment of circulation coins is confronted with a steadily increasing segment of commemorative coins and bullion coins. Commemorative coins are not intended for monetary transactions (although all coins can officially be used as circulation money), they are rather a means of the state with the purpose of absorbing purchasing power.'

## Do only stupid people buy contemporary coins?

You should keep in mind that many people agree with this quote. All scholars dealing with numismatics hold this view – even though there are very few exceptions.

In other words, today, numismatic scholars believe that those who buy contemporary commemorative coins are stupid. The trickle-down effect promotes this view even more. Therefore, traditional numismatic associations don't take collectors of contemporary coins seriously. Someone will tell them that many collectors started out that way before they finally started to collect 'something decent'.

Collectors that stick with contemporary coins nevertheless constantly have to justify their interest if they don't want to lose their reputation among fellow collectors.

We know that that's wrong. Contemporary coins are interesting! Never have the technical possibilities of minting demanding commemorative coins evolved at this rapid pace. Never have the motifs of commemorative coins illustrated the changing self-image of society to such an extent. There's a wealth of subjects well-worth carrying out research on, there's a wealth of stories to tell.

The problem is that nobody asks these questions, nobody tells these stories.

## Why no research on coins minted after 1945?

Please don't mistake superficial short articles that only recapitulate the historical background of the coins' motifs with actual research.

If it were research, the article would ask when, where and why certain groups of motifs changed. Since when is it possible that athletes represent a nation? What does it say about the change in general education that the writers, composers and philosophers that used to be depicted on coins are replaced by figures like Harry Potter? How does the modern attitude of political correctness affect the choice of motifs? In which countries is the memory of World War I still alive, and in which isn't it? The story of the generations that are living today could be told in an exciting way with the help of the coins of the past decades.

There are several reasons for the fact that there is nobody dealing with these scholarly relevant questions. Some of them are structural, some are homemade.

One problem is that the academic education of numismatists is often embedded in the field of classical archaeology and the ancillary sciences of history. That's why there are many scholars working on ancient coins, whereas contemporary history hasn't even noticed that coins could be a historical source at all.

The other problem is homemade: in order to carry out reasonable research on modern coinage, one needs an overview of the motifs and the different motif categories. Something like that doesn't exist right now. The few existing catalogues on contemporary numismatics are based on the outdated principle of nations. Issues for collectors of the German, the American, the Asian market are listed according to their issuing nation and thus lose their informative value. Coin issuers, which play a crucial role for collectors, aren't even mentioned. Additionally, it's impossible to look up motifs – let alone groups of motifs – with these catalogues.

Therefore, we need a new form of catalogues if we want to answer the really exciting questions of modern coinage. However, there is another reason why we need those catalogues.

## Coins listed in a catalogue are more popular

Most collectors are rather simple-minded. They like to have a collecting area where they can check off boxes. There is a reason why US coins and the coins of the German Empire are so popular. There are catalogues of these coins that simplify collecting.

Every coin dealer knows that the prices of a collecting area increase as soon as a proper catalogue has been published. Thus, it is of essential importance that a catalogue of modern numismatics is written that can be easily used by today's collectors.

## In practical terms, what can mints do to foster the secondary market?

After all these theoretical considerations, let's talk about the specifics. What are the simple ways in which a mint can foster the secondary market for its coins? You will be surprised about the fact that most of these things can be realised on a rather small budget.

1. Make your data publicly available. Make it possible for everyone working on a catalogue or doing research to access your photos and your data without much effort. Moreover, financially support catalogue projects and scholarly work in order to exert influence regarding the choice of topics.
2. Use your website to show visitors that you aren't just offering new products but pieces that follow a long-standing tradition. This might appeal to classic collectors who naturally used to collect the issues of their own country.
3. Public relations is more than just announcing new products and their prices. Explain why a motif is so important for your country. Give insight into your mint and the techniques that you are developing there.
4. And what's most important – get in touch with the classic numismatic world. Encourage those of your staff members who make important decisions to become members of numismatic associations and to attend meetings on a regular basis. Read numismatic publications and attend conferences. Expand your horizon and promote the needs of contemporary numismatics.
5. Give key products to important museums all over the world and support exhibitions that properly appreciate modern contemporary coinage.
6. Support the coin trade and collaborate with it in order to provide collectors that want to sell their collection of contemporary coins with the opportunity of doing that.
7. Give information on how to sell contemporary coins on your website.

We cannot emphasise it enough: until now, we have experienced a golden age without problems of selling modern coins. That can change at any time. And the competition is fierce. The winners will be those who produce coins that original buyers can be sure they can then sell at any time.

# Best Practice: What Classic Coin Dealers Do to Promote Numismatics

If you want to understand how closely the classic coin trade is connected to the world of collectors and scholars, you have to look at what is done practically. We interviewed a representative of the largest European numismatic auction house.



Fabian Halbich.

The Osnabrück auction house Fritz Rudolf Künker currently employs more than 50 people. Every year, it sells about 30,000 coins at public auctions with a total result of about €30-40 million. Additionally, there are monthly e-auctions, a warehouse and a very attractive gold trade.

Fabian Halbich, our interview partner, is responsible for international customer service. He represented the classic coin trade already in 2019 at the *Coin Conference™* in Rome in a workshop about the secondary market.

**Q:** Fabian, could you briefly summarise the areas in which Künker supports numismatics?

**A:** Actually, one could ask in which areas we do not support numismatics. There is hardly a project in which we're not involved as a supporter.

We provide financial support for conferences and meetings of coin collectors. We regularly grant printing cost subsidies and act as numismatic publisher ourselves. We advertise in numerous numismatic publications – not only for marketing purposes, but also in order to make sure that they continue to exist. We support various summer schools, events where many scholars from different disciplines get to know the field of numismatics for the very first time.

**Q:** And what about you, the staff members?

**A:** Many of our colleagues are – just like me – members of numerous numismatic associations of Germany and other countries. And when we're there, we attend the meetings and, of course, we occasionally give presentations. Recently, we even hired a renowned scholar, Prof Dr Johannes Nollé, who is responsible for visiting associations and giving presentations on numismatic subjects.

**Q:** Sometimes, you even initiate entire exhibitions. Your latest project was the exhibition on Protestant Reformers at Wartburg Castle, wasn't it?

**A:** Yes, we pulled off an actual coup with that one. Wartburg Castle is a World Heritage site. Over 350,000 people visited it in 2014. Each and every one of them saw the hall in which our exhibition on coins and medals relating to Luther and the Reformation was on display. It received a lot of attention from the media and the political world. It was important for us to convey the message that all pieces came from a private collection. We want to firmly entrench in people's minds that everyone can add a piece of history to his own collection for relatively little money.

**Q:** So, gaining new customers is the main motivation for your activities?

**A:** Yes, of course, that's of crucial importance. But it's also about customer retention. We want to keep the interest of our customers awake so that they always find an exciting topic to build a collection upon.

**Q:** And how do you benefit from supporting conferences of scholars?

**A:** Many numismatic scholars are quite involved in working with collectors. Most numismatic associations are headed by the curator of a museum or a scholar and their meetings take place in the premises of a coin cabinet. It is important that scholars have a positive opinion about the coin trade. In Germany, we learned during the fight against the Cultural Property Protection Act how very important this is.

**Q:** Could you briefly summarise what that was about?

**A:** I don't want to give too much detail, nevertheless just to give you an impression: the first draft of this law would have made the entire coin trade – and, by the way, trading in any other collectible produced before the 20th century – practically impossible. It was great to see that, within a very short amount of time, all collectors and a large part of the scholarly world showed solidarity in order to fight against the law.

Until that moment we weren't aware of the strength of the numismatic lobby that we had created over years. Within a few weeks, we obtained thousands of signatures for a petition initiated by *CoinsWeekly* for the protection of private collecting.

**Q:** Your Managing Director Ulrich Künker works intensively on the managing board of both German coin trade associations and is board member of the International Association of Professional Numismatists. Why does he take on this additional work?

**A:** If there is an industry in which there are rather colleagues than competitors, it's the coin trade. If somebody does something for numismatics, everyone benefits. Collectors buy from all coin dealers. This means that the entire coin trade benefits from every new customer we gain. Therefore, we collaborate a lot. For us it is not about getting the largest share of the pie but about how to enlarge the pie.

# Search On for New Head of MDC

**Ross MacDiarmid, Chief Executive of the Royal Australian Mint, is retiring at the end of the year.**

He joined ten years ago and, according to the Mint, as its first CEO with a private sector background, his transformation of the organisation into a high performing business and a well-recognised National Cultural Institution has been extraordinary. A search to find his replacement will commence shortly.



Ross MacDiarmid.

Ross is also the Secretary General of the Mint Directors Conference, and steps are now underway to elect his successor.

The deadline for nominations by MDC members is 16 October. The candidate list will be circulated on 19 November and then voting can take place between then and 16 November (via email to the MDC secretariat). The result will be announced on 18 November during the course of the MDC-TC Virtual Global Plenary Meeting.

For further information, contact [mint.industry@ramint.gov.au](mailto:mint.industry@ramint.gov.au).

# The Ten Commandments of Contemporary Coinage



We asked Achim Becker, founder of Emporium Hamburg, one of the worldwide leading numismatic trading companies, to make a list of what he considers the basic requirements of successful and sustainable coin production.

After all, he has been in the business for more than four decades – if anyone knows everything about customers and their needs, it's him. We turned his rather dry list into these ten commandments. Complying with these rules should guarantee the success of a mint.

## 1st Commandment:

You shall plan your expenses and inform customers about the schedule in advance so that they can look forward to your issues and save money in order to buy them. Stick to the schedule if you want your customers to be satisfied. And remember – only satisfied customers are good customers.

## 2nd Commandment:

You shall think carefully about the size of the mintage and calculate it in a way that it is slightly (maximum 3-5%) below the expected demand. In this way you make sure that buyers will find a healthy secondary market even though they have to sell their coin relatively quickly.

## 3rd Commandment:

You shall think carefully about how many issues you want to release; collectors are strange creatures who want to own all objects of a certain collecting area. It is therefore crucial that the total price of all objects does not exceed the annual budget of your average collector. Many collecting areas were ruined because too many mints issued too many and too expensive coins, and collectors could no longer afford them.

## 4th Commandment:

You shall design your motifs in such a way that collectors understand and appreciate them. Modernist themes of intellectual content and avant-garde designs might delight your bosses at the Ministry of Finance; however, ultimately, your customer is not the Ministry of Finance but the collector.

## 5th Commandment:

You shall choose the occasions for minting commemorative coins in such a way that the people who are to buy the objects can identify with them. Politically correct motifs may please politicians but are rarely appealing to collectors.

## 6th Commandment:

You shall promote your coins, but you shall not promise too much. Make people want to have a coin because it is beautiful and because they care about the topic it deals with – not because they can make a fortune by selling it one day. Do not only advertise your coins when they are released but tell people out there that every coin you have ever minted is beautiful, unique and worth collecting.

## 7th Commandment:

You shall not rest on your laurels but constantly think about how to acquire new customers. You are particularly recommended to use a proven method: commemorative circulation coins with attractive designs have always inspired people's enthusiasm for collecting. Remember how many new customers were generated with the American 50 States Program! Imitate clever models like this one, so that the days of your mint may be long.

## 8th Commandment:

You shall think carefully about the price at which a coin is to be sold. It must be tailored to the situation of the market and all points of sale must stick to it. Avoid overly opulent packaging that increases the price excessively. For one thing has been proven over years – collectors collect coins, not packaging.

## 9th Commandment:

Honour the dealer, your partner, who makes sure that customers hear of you. Honour him by providing him with sound information, giving him a substantial discount (10-15%, more for larger purchases) and the opportunity to return unsold coins. After all, dealers must live and survive as well. They are an indispensable component of the market. If you remove the dealer, there will be no one buying the coins of collectors once they want to sell them. The secondary market will collapse – and Armageddon will be near for mints, too.

## 10th Commandment:

But I tell you: never, never, never get rid of unsold coins at dumping prices. If you do that, you ruin the market. Why should a collector buy a coin today if he might buy it tomorrow at half price?

Observe the commandments and your days may be long in the land of collectors.

## MINT NEWS QUARTERLY™

**Publisher:** Currency Publications Ltd  
in association with Monea.



### Editor:

Dr Ursula  
Kampmann (left)  
*Mint News Quarterly™*  
is produced every  
three months and  
only distributed with  
*Currency News™*.

10 Windmill Business Village,  
Brooklands Close, Sunbury,  
TW16 7DY, UK

[www.currency-news.com](http://www.currency-news.com)

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