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### Business Interrupted : COVID-19 and its impact on auction houses

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Business Interrupted: COVID-19 and its Impact on Auction Houses

By

Carolina Sagardoy

A Thesis submitted in conformity  
with the requirements for the  
Master's Degree in Art Business  
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# Business Interrupted: COVID-19 and its Impact on Auction Houses

By: Carolina Sagardoy

## **Abstract**

This study aims to thoroughly analyse how auction houses are coping with the conditions imposed by the Coronavirus pandemic in the short-term and what the virus' long-term impact on the business will be. The study will look at upcoming marketing campaigns and the quick migration to online sales, and will analyse the data within those sales. The study is unique in its aim to also analyse buyer and seller psychological behaviours and how they will be impacted as a result of forced or voluntary distancing when live sales return. Overall, the thesis aims to address the question: Can the auction house as a historically client-centred, visit-based, handshake business survive and embrace a 'contactless' business model relying on virtual and online platforms?

**‘Auctions are purely staged events, choreographed in advance’ - Todd Levin.**

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## INTRODUCTION

It is clear from various podcasts and articles such as The Daily's 'Why This Recession Will Be Different' and 'The Great Lockdown: The Worst Economic Downturn Since the Great Depression' by IMF blog, as well many more economic research on the current pandemic, that this crisis will have an impact at least double to that of the 2008 crisis. That the art world is going to be deeply affected by this is a fact and changes will have to be embraced in order to survive. This study will be one of the first ones to analyse what this impact will be, how it will affect Sotheby's and Christie's and how they might be able to increase spending.

The first chapter will give the reader context on how auctions came to be an important player in the large art world ecosystem and look at how modern day auction houses work when it is 'business as usual': how consignments are gathered by specialists, how clients are cultivated, how marketing rolls out campaigns, the mechanics of the live auction, the theatrics of the auctioneers taking bids on the podium and the psychology behind bidding and buying. It will demonstrate that there are multiple, crucial and often physical 'touch points' that collectors have with the auction house, the building, the staff and the art itself highlighting the importance of relationships and face to face contact.

Chapter Two will look at the crisis. It will first introduce the pandemic and look into the effects it has had on the auction business such as shutdowns, staff furloughs/reductions and the development of online communication strategies in the art world - how other institutions and galleries are adapting. I will gather the results from online auctions at Christie's and Sotheby's and, through this quantitative approach, see how the sales performed. I will also look into whether the marquee evening sales in the spring will be cancelled or postponed. Lastly, the chapter will

look at a case study - the September 11 aftermath and the Crisis of 2008 - and analyse how auction houses adapted then and how it is different today.

Chapter Three (Sotheby's) and Chapter Four (Christie's) will focus on each auction house and the short-term changes they have had to adopt. They will look at the changes that have been made, such as online migration and hybrid sales, before analysing changing client behaviour and how consumer spending may be affected.

Lastly, based on the research in previous chapters, the conclusion will present my findings and ideas on what auction houses could do to increase spending.

Although buying and selling at auction have been recognised early on as highly dependent on physical presence, I will look into the different strategies that auctions can adopt to involve those who cannot be in the room. The chapter will answer the question: Can the auction house as a historically client-centred, visit-based, handshake business survive and embrace a 'contactless' business model relying on virtual and online platforms?

## CHAPTER ONE

### **I. The theatre of auction**

One can hear nothing but the constant sound of people's conversations in the room. Some inquire about the recent holiday stay in the Amalfi coast, some about which lot the person will bid on today, others just try to make small talk looking around the room and asking about the weather. And then, in one beat, silence. I look around and I see the auctioneer approaching the podium. He stops. He adjusts his tie, clears his throat and takes his place behind the podium. Hammer in hand he says 'Good evening ladies and gentleman and a very warm welcome to Sotheby's.'

Fine art auctions are undoubtedly the most hotly anticipated selling events in the art world's dizzying calendar. What once was a place where dealers could buy cheaply only to resell the paintings for a profit has now become a sleek and polished multi-billion dollar industry that operates across the globe with a vast network of offices, salesrooms and employees. It is all too easy to assume that auction houses are entertaining diversions and playgrounds for the rich; but more and more one realises their important role as an economic driver, disposing of large quantities of commodities quickly and efficiently, creating instant liquidity.

If we use the historical record as our guide to trace auctions back to their genesis, the earliest known reference of auctions is recorded in the History of Herodotus in 500 BC, where girls would be auctioned off to marry.<sup>1</sup> But the most significant historical auction was on March 193 AD where the entire Roman Empire was auctioned off by the Praetorian Guards to the wealthy Senator Didius Julianus for the price of 6,250 drachmas to every soldier.<sup>2</sup> Fast-forward to the seventeenth and

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<sup>1</sup> Brian Learmount, *A History of the auction*. Great Britain: Barnard & Learmount, 1985. p. 4

<sup>2</sup> Ralph Cassady, *Auctions And Auctioneering*. Berkeley, Los Angeles and London: University of California Press, 1967. p. 29

eighteenth centuries, auctions had become a familiar event. The 1682 London Gazette refers to the 'daily attendance of the Auction-House' at regular coffee-houses, selling books and paintings for the first time. However it was not until 1735, with Christopher Cock as the first auctioneer to install a permanent address in Covent Garden for the sole purpose of doing auctions, that the permanence of the auction system in trade and its influence on society became fully established. This transformation of auctions as a part-time to a full-time business was also paralleled in Paris, where others followed suit opening their own auction rooms for public sales. Both Samuel Baker, founder of Sotheby's and James Christie, founder of Christie's became involved in the auction business by 1750, with Baker's first auction taking place in 1745 and Christie's in 1749.<sup>3</sup>

Fast forward to the 20th century, it is important to note how both auction houses reacted and adapted to the hardships of history in an attempt to find similarities and differences to the current pandemic of 2020. During the First World War auctions were a financial disaster but picked up again in the 1920s, as far as prices were concerned. Rare and fine items continued to set records but competition amongst auctioneers became intense. Many important estate agents passed on their important 'chattels' - also known as tangible personal property - to either Sotheby's and Christie's, and both competed to gain the properties after the death of a wealthy person. Although the years from 1925 to 1929 experienced a sudden boom, it came to a halt after another world war. Although America domestically escaped the worst effects of both world wars, the Wall Street crash and the Great Depression which followed hit the population hard. With hardly any time to recover from the first war, Europe was once again at war and, although America was geographically removed

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<sup>3</sup> Ibid. p. 31

from the conflict auction sales shifted from the extravagances of the art world to the bare necessities of life. Auction houses pivoted to charity auctions to benefit local and international organisations. In London, auction houses continued with the little business and staff there was, with sales mainly conducted by the most senior partners whose age spared them from going to war.

When the war was over the rebuilding began, both in terms of the physical space of the auction houses and the former levels of excitement and interest of the clients. Understandably, between 1945 and 1950 prices for not so insignificant works of art were at a low-ebb and at the levels of fifty years earlier. It is in the period starting from 1950 until the present time that all the seeds planted by previous auction house pioneers blossomed to such a brilliant effect that fine arts began to fully dominate the auction scene. Sotheby's and Christie's emerged as the dominant auction houses. Two main factors caused this sudden growth. The first was the new and fast growing market for fine art. The second, was Sotheby's and Christie's expanding their footprint across the Atlantic to America as early as 1947 in search of new business and a base of operations in New York. Both the highly efficient media coverage of events such as Sotheby's 1961 sale where the King and Queen of England attended, and the speedy commercial development of the television provided Christie's and Sotheby's to make the most of these opportunities and allow them to develop special relationships with the press, and elevate their media visibility. This has shaped Sotheby's and Christie's to become the modern auction houses we know today. The next section will introduce the particularities of each auction house and how they operate in this 21st century.

## II. Fair Warning! Preparing for the Auction Sale Day

### Sotheby's and Christie's Today

Sotheby's and Christie's emerged as the two most renowned auction houses in the world. They both form a duopoly - the name given by economists to a competitive pairing that dominates the market. Combined they account 40 percent of the world's auction market and when it comes to works selling over \$1 million they even form a monopoly.<sup>4</sup> Their marquee sales are reported in the major financial business channels. Almost every evening sale, be it Impressionist, Modern, or Contemporary fills the rooms to maximum capacity. In both New York and London evening sales are an indicator of social distinction whether or not you have any intention of bidding.<sup>5</sup> Throughout the years Christie's and Sotheby's have expanded into real estate, education and private sale divisions that operate as dealers. Both have worldwide recognition due to their strong brand equity or, as defined by economist Don Thompson, 'the price premium you are willing to pay for a branded item over a similar generic product.'<sup>6</sup>

### Preparing for a sale

Both Sotheby's and Christie's compete for potential consignments and they prepare highly imaginative sale previews and lavish catalogues. Preparation for the day of the sale requires months in advance planning. Patti Wong, chairwoman of Sotheby's Asia, indicates that 'a lot goes on before the auction that leads to the

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<sup>4</sup> Sam Rega, 'How Christie's and Sotheby's dominate the \$67 billion art world' *CNBC*, November 2019. <https://www.cnn.com/2019/11/02/how-christies-sothebys-phillips-land-the-most-expensive-art-deals.html>

<sup>5</sup> Don Thompson, *The Twelve Million Dollar Stuffed Shark*. United States: Palgrave MacMillan, 2008. p. 96

<sup>6</sup> C. J. Miller, 'Selling Lichtenstein's Sleeping Girl: A Case Study of the Luxury Marketing, Branding and Technology Strategies Used to Sell the Iconic Pop Masterpiece at Sotheby's'. *Sotheby's Institute of Art*, 2013. p. 20

evening.<sup>7</sup> Cultivating relationships is a central aspect to gaining consignments and specialists travel on a daily basis to meet with clients. The social engagement that takes place through travelling and visiting the work first hand is a fundamental part of securing consignments and relationship building. Specialists do rely heavily in these physical relationships with their clients and no doubt the restrictions imposed on travel and face to face interaction has put a black veil on the standard and traditional interaction between client and specialist. Furthermore, auction houses often make marketing promises such as selecting the identity of the auctioneer, the placement of the work in the catalogue, the location of where the work will be hung in the exhibition preview and where and how the artwork will be advertised. Increased competition between the big houses has created the need for this financial instrument to attract risk-averse consignors - the guarantee. This is also an important marketing strategy that allows the consignor to place the lot with no risk and shows how far each auction house is willing to compete for potential consignments. As stated by author Robert Lacey, 'the key to a successful marketing campaign is repetition'. The auction catalogue, digital advertisements, social media, print advertisements, digital advertisements, dinners and lectures are some of the many tools used to pitch for and successfully market collections.<sup>8</sup> The lots help to construct the flow of the sale. They are not positioned in a sequence to honour art history and chronology but rather to orchestrate excitement.

The lavishly illustrated printed catalogue and its online version is the most important marketing tool for an auction house. They are a last-minute effort where consignments are still being decided a day before the catalogue is finalised. In an

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<sup>7</sup> Judith H. Dobrzynski, 'How Auction Houses Orchestrate Sales for Maximum Drama'. *The New York Times*. Oct, 2015. <https://www.nytimes.com/2015/11/01/arts/design/how-auction-houses-orchestrate-sales-for-maximum-drama.html?login=email&auth=login-email>

<sup>8</sup> C. J. Miller, 2013. p. 15

interview conducted with a Junior cataloguer at Christie's he explained 'Pre-pandemic, our standard process is once we have received a work in our warehouse we catalogue the work...taking various photographs of the pieces and including historical records, general description, maker, date, dimensions, and condition. Right before the sale, we will then work to reach out to clients who might have an interest in works in the sale based on their past purchases or general collecting history.'<sup>9</sup> When all consignments are decided upon, the catalogue goes to print one month before the auction sale and is distributed a week later. According to Kevin Bradley, 'most of the [marketing] budget goes towards the catalogue but catalogues are a very traditional way of reaching clients' and are only sent to those clients who have a history of engaging in bidding behavior related to the upcoming auction. Some are given for free to major clients but most are sold making the whole cost of printing and colour illustrations break-even.<sup>10</sup> Throughout the years, Sotheby's has increasingly improved access to their auction catalogues emphasizing their importance as a key marketing strategy. In 2012, Sotheby's launched an 'industry-leading' iPad app, making their sale catalogues digital and allowing access to their web content such as YouTube videos, interconnecting their various forms of digital content.<sup>11</sup> However, Kevin Bradley reported, 'We will always have print catalogues. The numbers will decline as the years go on and people embrace digital technology.'<sup>12</sup>

Together with the catalogue and the invitation to the private reception, the preview also enhances the status of a work of art. Referred to by Don Thompson as the 'next pre-auction competition tool', the preview is designed to 'mimic a museum

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<sup>9</sup> Interview conducted. 23/04/2020

<sup>10</sup> Thompson, 2008. p. 106

<sup>11</sup> J. Miller, 2013. p. 31

<sup>12</sup> Ibid. p. 32

opening rather than a commercial sale'.<sup>13</sup> The strategic layout of the paintings is thoroughly thought of. Whilst the catalogue shows the lot order that is significant, there is a strategy behind it, there is an even bigger visual choreography behind the installation of the works for the in person preview. The specialists will also arrange in-person private viewings for UHNW (Ultra High Net Worth) collectors. Clients miss seeing the work in person and looking at the pieces online becomes a slightly stale process. The hierarchy placed in the galleries for in person viewing where paintings would achieve status from where they were placed has now no effect. The most important works of art routinely travel to various locations across the world to meet these important bidders provoking the importance of these exclusive in person pre-sale exhibitions create with the aim heightening the anticipation leading up to the sale and promoting bidders to register.<sup>14</sup> All this joint effort culminates on the day of the auction.

#### The Day of the Sale: Auction Psychology

Auction houses play on four important characteristics inherent to their business model that influences the psychology of their bidders. First they provide access. Any qualified bidder regardless of who they are can buy artworks with no constraints of a gallery waiting list or any requirements of connections and previous purchases. It is a democratic system where everyone is welcome and there are no restrictions as to who can buy. Second, they are a global market. Due to their wide reach and impressive database Christies and Sothebys are in touch with more potential buyers and sellers than dealers and appraisers all combined. The rapid turnover of lots is probably the most important aspect because artworks are available for a limited period of time. This plays into the psychology of buyers to make them bid more

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<sup>13</sup> Thompson, 2008. p. 107

<sup>14</sup> Ibid p. 108

aggressively. And finally competition and ego drive prices upwards.<sup>15</sup> Lastly, using Cialdini's six principles of persuasion, auctions use the principle of scarcity, whereby one overvalues things that might run out.<sup>16</sup>

Numerous people have spoken about the psychology that is involved in live auctions. As Todd Levin, a veteran art adviser once said 'Auctions are purely staged events, choreographed in advance'.<sup>17</sup> A Bonhams auctioneer explained how she prepared for an auction 'You have to have a lot of energy all the time and allow yourself to be entertaining...I will have an auctioneers book which has all the information of every lot of the sale that is going to take place. I will therefore be going through the departments and looking through the lots, seeing the areas that are going to have lots of interest and the areas where it might be a little bit quieter and plan ahead for that. Also, I keep an eye on where the top lots are to make sure we give them that extra time and give them room to breathe. I will be looking over reserves and estimates and language pronunciation and things like that as well.'<sup>18</sup> From the specialist's point of view, the lots must perform in the live room according to the order. As Capellazzo explains 'We lay out a sale commercially. If we laid it out art-historically - chronically or thematically - it would probably bomb. The first ten lots all have to go well. We tend to put things in there that will soar past the high estimate - young, hot, contemporary things that get the room going. At about Lot twelve or thirteen, we'd better be entering a serious price point.'<sup>19</sup>

For the auction house, the challenge is to keep the excitement that is carried over in the preview and into the live sale room. Every auctioneer tries to 'get into a

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<sup>15</sup> Ibid. p. 118

<sup>16</sup> Cialdini's six principles are: Reciprocity, Scarcity, Authority, Consistency, Liking and Consensus. To learn more visit <https://www.waxdigital.com/blog/the-psychology-behind-auctions/>

<sup>17</sup> H. Dobrzynski, 2015.

<sup>18</sup> Interview conducted with a Bonhams auctioneer. 24/04/2020

<sup>19</sup> Sarah Thornton, *Seven Days in The Art World*. New York: W. W. Norton & Company, Inc., 2008. p. 28

rhythm, with a bid spacing of one and a half to two and a half seconds, enough for a bidder to raise his hand but not long enough to think about it'.<sup>20</sup> From the moment that two collectors want to possess the same item, the auctioneer's role is to play these buyers off against each other, to encourage each not to back down. His persona is part of the psychology of the auction and his contribution to the process is central.<sup>21</sup> The Bonhams auctioneer revealed 'We are always trying to connect with the current and potential bidders. You are trying to look out who might be interested and you try to lure them in. And then, once they have bid, it is easy to get them to bid again. You use language to be encouraging and to remind them that they really want this'.<sup>22</sup> The expected utility from winning an auction is the actual reason for bidders to participate.<sup>23</sup>

Collectors who buy at auction in the room say there is nothing like it: 'Your heart beats faster. The adrenaline surges through you. Even the coolest buyers break out in a sweat.' If you bid in the room, you are part of the show, and if you buy, it's a public victory.<sup>24</sup> This emotional state also called auction fever causes bidders to deviate from their predetermined bidding strategy often spending more than they had in mind when they first stepped inside the room. Tom Stafford from the BBC states that 'The reason we end up overspending is a result of one unavoidably irrational part of the bidding process – and that's ourselves'<sup>25</sup>. Auctioneers are trained to capsize ton

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<sup>20</sup> Thompson, 2008. p. 120

<sup>21</sup> Ibid. p. 121

<sup>22</sup> Interview conducted with an auctioneer at Bonhams auction house.

<sup>23</sup> Marc T.P. Adam, Jan Krämer et al. 'Understanding auction fever: a framework for emotional bidding.' *Electronic Markets*, Sept 2011. Research Gate Publication <https://www.researchgate.net/publication/220505543>

<sup>24</sup> Thornton, 2008. p. 12

<sup>25</sup> Tom Stafford, 'Why do We Pay More than We Should at Auctions?' *BBC Future*, Sept 2012. <https://www.bbc.com/future/article/20120907-why-we-overpay-at-auctions#:~:text=Why%20do%20we%20pay%20more%20than%20we%20should%20at%20auctions%3F&share%20using%20Email&text=The%20reason%20we%20end%20up,bidding%20process%20%E2%80%93%20and%20that's%20ourselves.&text=One%20estimate%20states%20that%20about,This%20is%20a%20paradox.>

his weakness of buyers to try to enable more bidding. The auctioneer at Bonhams continues ‘Creating that sense of desirability, that sense of interest, naturally gets other people interested as well. Even when you are connecting one-on-one with that buyer you are drawing interest from others as well who are now thinking ‘Oh, why are they so interested in getting this work?.’ So it is a lot of creating momentum whilst also trying to really connect with one person’.<sup>26</sup> This phenomenon is known in behavioural psychology as social facilitation where bidders tend to behave differently when competing with others or being watched.<sup>27</sup> The fact that the auction room is always crowded with people definitely plays in favour of the auctioneer. Once we’re involved in an auction we’re not just paying to own the sale item, we’re paying to beat other people who are bidding and prevent them from having it.

The auction cleverly adds another component to the psychological equation - time pressure. Telephone bidding also increases the tension of the auction room. They constitute a third of all bids and the existence and anonymity of a foreign bidder reinforces the importance of a lot.<sup>28</sup> A researcher denoted that with time pressure ‘bidders are highly aroused and unable to think clearly, and since decisions need to be made quickly, bidders keep bidding.’<sup>29</sup> This increases decision-makers’ willingness to take risks and experience the feeling of perceived ownership. This influences the level of commitment that bidders experience throughout the auction and fuel their desire to continue bidding. The current high bidder can get more attached to an item, as the item becomes ‘a part of his or her psychological endowment.’<sup>30</sup> As Don Thompson describes ‘He will pay more not to give up the painting, not to lose. He is aware of the

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<sup>26</sup> Interview conducted with Bonhams auctioneer.

<sup>27</sup> ‘Understanding the Psychology behind auctions’. *Wax Digital*. August 2018.

<sup>28</sup> *Ibid.* p. 125

<sup>29</sup> Adam, Krämer et al. 2011.

<sup>30</sup> *Ibid.*

regret he would feel at losing what has become his.’ Regret is inherent in this state of mind and this is no doubt exploited by the auctioneers with comments such as ‘no regrets?.’<sup>31</sup>

The most aggressive and non-traditional measure that auction houses have taken in the last twenty years is to migrate a percentage of their auction sales to an online format. Online-only auctions have become increasingly popular due to some distinguishing characteristics. The most obvious distinction is the absence of the auctioneer and the ‘live’ component. These online auctions last up to usually seven days and thus also bidders more flexibility to place bids. Given that they are virtually hosted on websites, the operational costs normally associated with a live auction are substantially reduced.<sup>32</sup>

Most people would agree that online auctions, while accessible disrupt the air of exclusivity of the live auction. The auction house is challenged with the task to inspire this momentum digitally and to recreate the excitement that would normally be present in a live auction.<sup>33</sup> When asked about how client behaviour changes in online auctions vs live auctions, the auctioneer at Bonhams said ‘I think that sense of momentum and energy and engagement that the auctioneer creates cannot be replaced. You get really psychologically engaged in a live auction and you don’t have that same thing online.’<sup>34</sup>

The Hiscox Online Art Trade Report of 2019 has shown, however, that nowadays art buyers have warmed up to the fact of buying online as opposed to offline. The report shows that 29 percent of millennial art buyers said they preferred

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<sup>31</sup> Stafford, 2012.

<sup>32</sup> On average, Christie’s spends \$400,000 on production for their Post War Contemporary Evening Sale Catalogues. Sotheby’s manages to sneak in closer to \$350,000.

<sup>33</sup> Jane Carney, ‘Behind the Screen: A Strategic Analysis of Online Auctions at Sotheby’s, Christie’s and Phillips in 2018’. *Sotheby’s Institute of Art*, 2019. p. 12

<sup>34</sup> Interview conducted with Bonhams auctioneer.

buying art online, compared to 14 percent a year ago. After conducting a survey, millennials reported having bought art online in the last 12 months, with 79 percent having bought more than once (up from 64 percent last year). New art buyers are also more engaged. Compared with the 31 percent from last year said, 36 percent said they have bought online in the last year, of which 70 percent had bought art online more than once, up from 64 percent last year. The survey also showed that 23 percent of millennial, prior to buying online, had never bought an artwork in a physical space, up from 18 percent last year. As outlined in the report, this signals that ‘the online art market plays an important role in educating and introducing new generations of buyers to art collecting.’<sup>35</sup>

Sotheby’s and Christie’s have both taken advantage of this change to break down real and perceived barriers to auction houses. In 2018, Sotheby’s launched a mobile-friendly bidding platform. In an interview with Tad Smith, he mentioned ‘The whole purpose of the entire digital aspect was to make it easy and create a great accessible way to reach and enjoy the whole part of Sotheby’s that you didn’t know you could.’<sup>36</sup> Now, half of online bids occur on a mobile device (mobile browser & Sotheby’s app) where clients can download condition reports and watch videos online.<sup>37</sup> 35 percent of all lots at Sotheby’s were sold online in 2019. Their Contemporary Art Online sales had a sell-through rate of 89 percent by lot and achieved 180 percent of their low estimates in 2019. Over 3,500 bidders were from 80 countries of which 48 percent in online-only sales were new to Sotheby’s. At Christie’s, their sales site has seen bidders from 90 countries, of which 44 percent of all new bidders have been under the age of 45.<sup>38</sup>

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<sup>35</sup> Hiscox Online Art Trade Report 2019. *ArtTactic*.

<sup>36</sup> Interview conducted with Tad Smith. 14/05/2020

<sup>37</sup> Information on booklet handed to me at an interview.

<sup>38</sup> Information on booklet handed to me at an interview.

While technology has greatly expanded auction houses' ability to reach potential customers, the preference is still to get bidders into their newly renovated exhibition galleries and back to socializing and previewing in person.<sup>39</sup> However, with the recent COVID-19 outbreak, auction houses have had to put their future plans on pause and develop different strategies to stage more immersive online events whilst creating the buzz that was usually present on live auctions. The next chapter will look at the current pandemic, the short-term solutions both Sotheby's and Christie's have adopted and how this crisis is different to what we have ever seen before.

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<sup>39</sup> Lori Holcomb-Holland, 'Sotheby's, Christie's and Other Auction Houses Adapt to Serve the Next Generation'. *The New York Times*. Oct, 2015. <https://www.nytimes.com/2015/11/01/arts/design/sothebys-christies-and-other-auction-houses-adapt-to-serve-the-next-generation.html?action=click&module=R>

## CHAPTER TWO

### **I. THE PANDEMIC**

The recent outbreak of the COVID-19 pandemic has shaken the world and consequently auction houses and its prospects are now very different to what we saw in Clare McAndrews 2019 report. In the spring of 2020 countries around the world endured strict lockdowns to try to contain the spread of the virus through social distancing. In order to understand how this crisis evolved and its impact on the art business it is necessary to look at the evolution of the pandemic.

In early January it becomes clear that China has a major epidemic problem and the county begins to shut down. Economists wake up to the reality that this will cause an economic crisis as China is roughly the source of 1/3 of all global production. Companies in China, Korea and Japan start informing clients that sales will disappoint as production will be more limited as the epidemic spreads. Peter Goodman explains, ‘The conventional reasoning was that this was going to be bad for China and it would affect the global supply chain but then everything will snap back. But that changes in the middle of February when there are significant number of cases in Italy.’<sup>40</sup> This is when markets start getting very volatile as the virus spreads to other parts of the world. The US Federal Reserve, also known as the central bank, steps in in early March to attempt to encourage commercial activity. However, this does not solve anything. ‘Because policy is mostly properly centred on how to prevent people from contracting a lethal virus, this traditional playbook of central banks dropping interest rates, governments using their budgets to spend money to induce monetary spending, will not work in this situation.’<sup>41</sup> This is exactly why this global crisis is

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<sup>40</sup> Peter S. Goodman. ‘Why This Recession will be Different’, *Daily Podcast*. March 2020 [https://open.spotify.com/episode/40wy6bcTS72xurCQUh6lKG?si=n\\_xa\\_r0rRjSZJgRTIbelgw](https://open.spotify.com/episode/40wy6bcTS72xurCQUh6lKG?si=n_xa_r0rRjSZJgRTIbelgw)

<sup>41</sup> Ibid.

unlike anything we have seen before. For this purpose, this next section will look at the 2008 crisis - labeled by economists as the most similar case - but look at how this is different.

### *The 2008 Crisis and How this is Different*

Prior to the pandemic, the major financial shock that affected the entire world was the 2008 global financial crisis that caused this economic growth to contract. A total of 8.7 million job losses were recorded - more than 750,000 a month. Major industrial companies went bankrupt. Auction houses saw a 41 percent plunge in 2009, compared to what had been a peak year in 2007 with sales totalling almost \$66 billion. Contemporary art was particularly hit the most, with a drop of almost 60 percent in sales over 2008-09. However, millionaires kept investing. The high-performing top end experienced a boost, with billionaires attempting to own trophy works of 'brand name' artists. The art market soon started a rapid recovery. When Laurence Graff was asked why the economic turmoil wasn't curbing his spending, he replied 'Cash is rotting. Anything in banks could get lost. Many are afraid to get involved in complicated financial instruments. So clever people are investing in solid assets like serious art.'<sup>42</sup> By 2011 sales had nearly reached the record level of 2007, and remained strong hovering between \$56 billion and \$68 billion in the years to come. However, factors that triggered this quick recovery included Asian buying, which had been crucial in sustaining the upper end of the market. Both Sotheby's and Christie's reported Asian buyers accounted for more than 35 percent of its global sales by value for Sotheby's and 30 percent for Christie's, growing a stunning 325 percent in the past decade. Another major factor was the financialization of the market.

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<sup>42</sup> Sarah Thorton, 'Who Will Start the Bidding?' *The Guardian*, February 2009. <https://www.theguardian.com/artanddesign/2009/feb/12/auction-houses-art-recession>

Investment in art and art secured lending became a big business encouraged by the development of free ports and storage facilities.<sup>43</sup>

In an interview with a representative of TEFAF he recalls ‘The clock stopped because there was such a panic about it. This happened after the Damien Hirst sale. However, very quickly the local governments internationally were able to help and put subsidies in. Also organisations had emergency plans ready because they could see there was an end to the tunnel and could see this would end.’<sup>44</sup> It is clear this crisis not only entails a global financial crisis, but also a public health crisis - a clear impediment for auction houses to conduct their live sales, a major source of revenue. Massive governmental stimulus packages helped pull people out of the crisis. The same mechanisms are not applicable in this case based on the epidemiology of the virus, the development of therapeutics and vaccines and the effectiveness of containment measures, all of which are hard to predict. Gita Gopinath states an alarming statistic: ‘global growth is projected to fall to -3 percent...This is a downgrade of 6.3 percentage points from January 2020, a major revision over a very short period. This makes the Great Lockdown the worst recession since the Great Depression, and far worse than the Global Financial Crisis.’<sup>45</sup> The decline of the Stock Exchange on March 2020 recalled the 1987s ‘Black Monday’, with stocks dropping 22.6 percent that day - the largest one-day drop in percentage terms. It took the market two years to recover from that.<sup>46</sup>

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<sup>43</sup> Georgina Adam, ‘Boom amid the bust: 10 years in a turbulent art market’. *The Financial Times*, July 2018. <https://www.ft.com/content/9c5e3fe8-85ea-11e8-9199-c2a4754b5a0e>

<sup>44</sup> Interview conducted with a representative of TEFAF. 21/04/2020

<sup>45</sup> Gita Gopinath, ‘The Great Lockdown: Worst Economic Downturn Since the Great Depression’. *IMF Blog*, April 2020. <https://blogs.imf.org/2020/04/14/the-great-lockdown-worst-economic-downturn-since-the-great-depression/>

<sup>46</sup> David J. Lynch, Heath Thomas et al. ‘U.S. stock market suffers worst crash since 1987, as Americans wake up to a new normal life’. *The Washington Post*, March 2020. <https://www.washingtonpost.com/us-policy/2020/03/12/markets-stocks-today-coronavirus/>

Several attempts have been made to improve the economic outlook this pandemic has caused. The New York Stock Exchange activated the rarely used lever and Trump announced a travel ban. Delta Air Lines is cutting flights by 40 percent, the largest reduction in its history, even in the September 11th aftermath. It could not have been any worse news for the auction house. The auction business that relies on business meeting has been put at a standstill. Business cannot go on as usual as travel and face to face meeting are no longer an option.

The combination of factors brought on by the pandemic is a nightmare and the panic caused by it has deeply affected the clients' optimism. As of August 2020, this crisis has caused sale totals worldwide to fall from nearly \$2.9 billion in 2019 to \$93m last month, a 97 per cent at Christie's, Sotheby's and Phillips during May, according to data from Pi-eX. This is the lowest public auction total ever recorded for the month by the database (which tracks from 2007). 'The sharp fall isn't so surprising given that all but three of May's auctions were purely online. Historically, online sales from these auction houses have generated less than \$2m on average each, compared to \$50m from the live evening sales,' says Christine Bourron, chief executive of Pi-eX.<sup>47</sup> Although it might be too early to confidently predict the course of the economic downturn due to this pandemic, a recession is inevitable. Taking into account that the global manufacturing industry was already shaky in 2019, the deliberate closing of the world's major economies for several months will only slow

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<sup>47</sup> Melanie Gerlis, 'Art Sales Fall 97% at the biggest auctions houses'. *The Financial Times*, June 2020. [https://www.ft.com/content/beb600dc-a50d-11ea-a27c-b8aa85e36b7e?access\\_token=zWAAAAXKykRcokdO-tgDcpQOR6tOifLiqheNrfg.MEUCIH\\_bayKgnyc5vtWPMGzqTWSarj5lcYx72XmKaFQzN8EJAiEA\\_9VWqF9OF9jmHycdlQZ5h9BHtYFBw0WBtg0cL3A05RU&sharetype=gift?token=381b3370-ced6-49e4-ac52-249a2f83a765](https://www.ft.com/content/beb600dc-a50d-11ea-a27c-b8aa85e36b7e?access_token=zWAAAAXKykRcokdO-tgDcpQOR6tOifLiqheNrfg.MEUCIH_bayKgnyc5vtWPMGzqTWSarj5lcYx72XmKaFQzN8EJAiEA_9VWqF9OF9jmHycdlQZ5h9BHtYFBw0WBtg0cL3A05RU&sharetype=gift?token=381b3370-ced6-49e4-ac52-249a2f83a765)

the period of economic recovery. Job losses in the United States are expected to top 1 million per month. This would be a sharper downturn than the 2008-9 crisis.<sup>48</sup>

A second report published by Pi-eX demonstrated the 79 percent year-on-year drop in revenue that Christie's, Sotheby's and Phillips have experienced in the second quarter of 2020. This is a drop from \$4.4 billion during the second quarter of 2019 to \$0.9 billion this year. This is a more dramatic decrease than the one of the 2008 financial crisis, falling from \$4.8 billion to \$1.6 billion. The Art Market Monitor comments 'While revenue from online sales showed a robust 550 percent increase in Q2 2020's result of \$286 million versus \$44 million in 2019, these digital channels do not come close to matching revenue brought in through the marquee live auctions, where more expensive works hit the block.' Christine Bourron, agreed that 'The biggest takeaway for Q2 is that these live marquee sales are essential to the auction business and that so far, online auctions, which were the majority of auctions in Q2 2020, were not able to generate the level of revenue live auctions generate.' The average price lot has dropped significantly from \$130,000 in the first two quarters in 2019 to \$50,000 in 2020. Coming close to that of 2009 the key difference is the number of lots consigned, with 50,000 lots consigned in 2009 and 20,000 so far this year. Auction houses have been faced with the main challenge to convince collectors to sell high-caliber works of art in this time of economic fragility.<sup>49</sup>

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<sup>48</sup> Adam Tooze, 'Is the Coronavirus Crash Worse Than The 2008 Financial Crisis?' *The Foreign Policy*, March 2020. <https://foreignpolicy.com/2020/03/18/coronavirus-economic-crash-2008-financial-crisis-worse/>

<sup>49</sup> Angelica Villa 'Top Three Houses See 79 Percent Year-Over-Year Drop in Second Quarter of 2020: Report' *The Art Market Monitor*, August 5, 2020. <https://www.artmarketmonitor.com/2020/08/05/top-three-houses-see-79-percent-year-over-year-drop-in-second-quarter-of-2020-report/>

## II. BUSINESS INTERRUPTED

The opportunity to see and experience artworks live and to socially engage with each other is the bedrock of secondary market selling.<sup>50</sup> However, with the Coronavirus preventing any social contact globally, major auction houses have had to aggressively adapt and search for new innovative ways to sustain their business. The next section will look at how Sotheby's and Christie's have adapted in the short term.

80 offices and 10 salesrooms closed on March 22 due to the outbreak. Everyone was working from home. This left open questions about how the staff was needed. A Sotheby's representative explained 'Sotheby's is adjusting to the challenging circumstances resulting from COVID-19 and taking the necessary steps to protect our employees and the future of the company. While we weather this period, we remain focused on supporting our clients with a variety of services and ensuring that we are well positioned for the moment we can resume our normal business operations.' With salesrooms closed and Spring sales postponed to June, Sotheby's and Christie's have had to majorly restructure the company, furloughing workers and cutting executive pay in attempt to reduce costs. Although Sotheby's newly appointed CEO Charles Stewart has not given concrete numbers, it is known that approximately 200 people, or 12 percent of Sotheby's staff has been put on furlough. Both overtime pay and compensation incentives have been temporarily suspended. It is understood that specialists have not been affected but some support staffers like cataloguers who usually work on projects like live auctions, have been temporarily placed on furlough. Employees in both the US and the UK who have not been placed on furlough have taken a 20 percent pay cut and executives including the CEO Charles Stewart and additional 10 percent cut. The company also mentioned it would run a 'voluntary

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<sup>50</sup> The Week Art Podcast 'Can the Artworld Market Weather the Storm?' April 2020.

salary sacrifice for senior executives' who will waive a portion of their monthly pay for 'a defined period of time.'<sup>51</sup>

A Christie's representative commented that the company is taking the 'necessary steps to adapt to the ongoing situation including increased digital engagement and private sales as well as commensurate, targeted cost management measures.' Those measures include the 'simplifying of Christie's internal structures... regrettably having considered all options, this includes making some staff reductions.'<sup>52</sup> The company also noted that there will be a voluntary salary sacrifice for senior executives who will 'waive a portion of their monthly pay for a defined period of time.' However, the house representative assured that the measures 'are difficult, but will not compromise our service to clients, and are intended to help protect our company and particularly staff whose wages and salaries are lower.'<sup>53</sup>

It is not until April that one starts seeing a new and necessary trend: the migration of all sales to the online only format. According to Artnet Price Database, the number of online-only auctions held around the globe rose 63 percent in one month from the equivalent period in 2019. These sales held in April and May generated \$20.7 million, 20 percent more than the online sales held in March 2019. Undoubtedly, COVID-19 has created uneasiness amongst collectors who, not surprisingly would be resistant to selling like the Macklowe's whose \$700 million collection, are pulling back from the market until the outlook improves. Additionally,

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<sup>51</sup> Eileen Kinsella, 'Sotheby's and Christie's Place Hundreds of Workers on Furlough and Cut Executive Pay as Art Businesses Fell the Impact of Coronavirus Postponements', *ArtNet News*, April 2, 2020. <https://news.artnet.com/market/auction-houses-make-steep-cuts-1823298>

<sup>52</sup> Eileen Kinsella, 'In a Profound Shift, Christie's Is Eliminating Its Standalone Impressionist and Modern Art Department, Shedding a Significant Amount of Staff in the Process', *Artnet News*, June 2020. [https://news.artnet.com/market/christies-is-merging-its-impressionist-and-contemporary-departments-amid-staff-cuts-1890370?utm\\_content=from\\_artnetnews2&utm\\_source=Sailthru&utm\\_medium=email&utm\\_campaign=US%2010%3A10%20a.m.](https://news.artnet.com/market/christies-is-merging-its-impressionist-and-contemporary-departments-amid-staff-cuts-1890370?utm_content=from_artnetnews2&utm_source=Sailthru&utm_medium=email&utm_campaign=US%2010%3A10%20a.m.)

<sup>53</sup> Ibid.

the amount of money people are willing to spend for art online is only a fraction of what they have spent in live sales, and \$10 million and plus consignments are extremely rare. Several factors that have been previously mentioned do influence the collector's necessity to keep bidding and this is also an aggregate to wanting to see the works of art up close. Michael Plummer, cofounder of the advisory firm Artvest Partners notes that the 'amount buyers are comfortable spending for an artwork online is likely to increase, but it is unlikely to increase enough to make up for what the houses are losing'.<sup>54</sup> The results are staggering. PiEx compared April's results of 2019 to 2020. In April 2019, Sotheby's, Phillips, and Christie's revenue amounted 585 million. Since April's sale was completely online it is not surprising that this year amounted 44 million, down 92 percent from the year before.

In a short email correspondence with a Sale Coordinator at Christie's she said 'The Design department is in the process of moving all sales online for the foreseeable future and re-win already consigned property in the new platform. Challenging work, especially when many of our consignors have never participated in an online auction.'<sup>55</sup> Marc Porter, Chairman of Christie's America's mentioned that 'Online makes it relatively easy and not so expensive to sell a big amount globally. And what is interesting is we see the value of objects offered online continues to rise. As clients are becoming more and more used to buying online 5 million dollars is no longer seen as unreachable and we will start to see this as the standard.'<sup>56</sup>

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<sup>54</sup> Julia Halperin, 'The Good News? Global Online Auctions Grew 63 Percent Last Month. The Bad News? That Might Not Be Nearly Enough.' *ArtNet News*, April 2020. [https://news.artnet.com/market/online-auctions-march-data-1841205?utm\\_content=from\\_artnetnews2&utm\\_source=Sailthru&utm\\_medium=email&utm\\_campaign=US%2010%3A25%20a.m%20newsletter%20for%204%2F22%2F20&utm\\_term=US%20Daily%20Newsletter%20%5BMORNING%5D](https://news.artnet.com/market/online-auctions-march-data-1841205?utm_content=from_artnetnews2&utm_source=Sailthru&utm_medium=email&utm_campaign=US%2010%3A25%20a.m%20newsletter%20for%204%2F22%2F20&utm_term=US%20Daily%20Newsletter%20%5BMORNING%5D)

<sup>55</sup> Interview conducted. 24/04/2020

<sup>56</sup> Marc Porter 'How Auctions and Art Sales Need to Adapt.' *The Observer* 8/05/2020

Nearly all specialists and auctioneers agree upon one thing, they have had to increase communication with their clients. For an auctioneer at Bonhams this entails ‘checking on a day to day making sure that they are well. A lot of communication is needed just because things are changing week by week just to keep them updated. There are new things happening and things changing so I want to make sure that all our clients are really well-informed about our plans and the market and give them a chance to talk through everything.’<sup>57</sup> For a specialist in the Photography department at Sotheby’s this also entails writing numerous emails and phone calls ‘A lot of it has to do with pictures we have taken of the piece or videos of looking at an objects and describing it to them so they can see it in real time.’<sup>58</sup> She has also had to ‘educate our clients about how to bid online. Our buyer base tends to be a lot older. A lot of them are not comfortable bidding online and some had never transacted with us that way before. It has been a big change.’<sup>59</sup> Sotheby’s Head of Curated Sales agreed ‘there is so much more work that has to be put into it. Every phone call matters, you can’t gage the client’s reaction because you are not in front of them. The few new bidders that I had to follow up after the sale, none of them really replied. Whereas I am sure if I had met them in the auction room or the exhibition there would have been a better connection. That is going to be tough to get clients engaged. What I also think is going to massively change is clients realising, ‘You know, I actually don’t really need to talk to anyone at Sotheby’s.’<sup>60</sup> The next two chapters will look at specific changes each auction house has adopted to engage with clients and will analyse their hybrid auctions.

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<sup>57</sup> Interview conducted with an auctioneer at Bonhams. 24/04/2020

<sup>58</sup> Interview conducted with a specialist of the Photography Department at Sotheby’s. 24/04/2020

<sup>59</sup> Interview conducted. 24/04/2020

<sup>60</sup> Interview conducted with Sotheby’s Head of Curated Sales. 7/05/2020

## CHAPTER THREE

### Sotheby's

In the new online only format the first two months from March to May, Sotheby's held 21 online sales totalling \$40.1 million. The migration online was not a shock considering that the new owner of Sotheby's is a telecommunications owner, Patrick Drahi. However, this is also due to a large number of new bidders, of which 50 percent had been entirely new to Sotheby's with 50 percent bidding from their mobile devices. This shows that even old school collectors seem to be getting more familiar with bidding online, given the fact that now it is their only option. As Thierry Ehrmann, founder and chief executive of Artprice said, 'the art market had been resisting to get on the digital field and now has been forced to give it a try.' Amy Capellazzo explains 'I've seen a lot of clients I wouldn't have expected to be interested in technology, it's a bit like a video game.' The auction house had began building up their digital infrastructure under their former CEO Tad Smith, but this time they have stepped up their game forcefully having to quickly adapt amid the global shutdown. Charles Stewart, the new CEO of Sotheby's, recognised that 'there is any number of things changing about how we sell' and that includes the new 'Buy Now' button that Sotheby's has added for certain lots, and has also focused on expanding its luxury-goods offerings, including weekly watch auctions.<sup>61</sup>

Of those online auctions, Sotheby's included its first ever Online Day Sales for the Contemporary and Modern and Impressionist Art sales. The auctions which closed on 14 and 18 May together offered over 250 works of art, of which over 60 works were estimated at \$100,000 and above. Both auctions were estimated to achieve more

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<sup>61</sup> Eileen Kinsella, 'Sotheby's Online Contemporary Sale Fetches \$13.7 Million—More Than Doubling the Previous Record for a Virtual Art Sale, Set Three Weeks Ago'. *Artnet News*, May 2020. <https://news.artnet.com/market/sothebys-online-contemporary-sale-record-1862865>

than \$20 million being the most ambitious online auctions to-date. Amy Capellazzo affirmed that collectors worldwide have demonstrated continued appetite for art and that ‘through these Online Day Sales, we are meeting our clients’ needs by presenting unique opportunities to both buy and sell, during what would traditionally be a major moment in the international auction calendar. We are excited to present digitally the same exceptional selection of artists and works that the market has come to expect from our Day Sale program.’ The Impressionist and Modern online sale achieved \$9.9 million, attracting an average of 3.5 global bidders of over 30 countries for every lot sold, of which 29 percent were new to Sotheby’s. The Head of Day Sales and Deputy Co-Head of Impressionist & Modern Art at Sotheby’s in New York, Scott Niichel commented: ‘It’s clear that our clients are responding well to our expanded calendar of online sales, and we’re proud to have the leading platform to support the market.’<sup>62</sup> Similarly, the Contemporary Art Day Sale which took place in May 14, achieved a new benchmark of \$13.7 million, more than double the previous record of \$6.3 million set by the Contemporary Curated sale three weeks earlier (21 April).<sup>63</sup>

Through these unprecedented sales, Sotheby’s has furthermore expanded its catalogue making it accessible digitally. Not only have they created a digital PDF booklet that is accessible online, but they have expanded their horizons by also including Youtube videos, descriptions, webpages, quotes and biographies of the artists themselves on their lot description. Perhaps the most immersive hallmark Sotheby’s has launched is an augmented reality feature in the auction house’s app which permits users to virtually hang art in their homes. Visitors who are also not

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<sup>62</sup> ‘\$1.6 Million Still Life by Giorgio Morandi marks new record price for any work offered in an online sale at Sotheby’s’ *ArtDaily*. 2020. <https://artdaily.cc/news/123749/-1-6-million-still-life-by-Giorgio-Morandi-marks-new-record-price-for-any-work-offered-in-an-online-sale-at-Sotheby-s#.Xt97ey8rzBJ>

<sup>63</sup> ‘Sotheby’s announces ‘I have to stay at home’, an auction for lockdown’ *ArtDaily*, 2020. <https://artdaily.cc/news/123840/Sotheby-s-announces--I-have-to-stay-at-home---an-auction-for-lockdown#.Xt99My8rzBK>

comfortable visiting the house via the one to one meetings, can also visit the pre-sale exhibitions in the New York galleries virtually.<sup>64</sup> Although this is definitely a great innovation it does not allow for specialists to talk to the interested client physically. As the first chapter outlines the physical presence and visit to the auction galleries is crucial to the psychological auction effect creating this emotional attachment to the artwork one has seen. However, the possibility that the augmented reality feature offers being able to see the work hung on one's own home can be argued to replace the endowment effect created on live auctions. Through the modern presentation of featured objects, the digital catalogue is also able to encourage a deeper engagement with their clients with each sale across all collecting categories.<sup>65</sup>

During the pandemic the aspect of collaboration has been taking more importance whilst we face these difficult times and therefore partnerships are more likely to arise such as Sotheby's collaboration with art galleries. By launching Sotheby's Gallery Network, a virtual marketplace for the art galleries, Sotheby's has attempted to give galleries a voice amongst this chaos now that no exhibitions or fairs can take place. The lineup of galleries includes Gavin Brown's Enterprise, Lehmann Maupin, Jack Shainman Gallery, Luhring Augustine, Kasmin Gallery, Petzel Gallery, Sperone Westwater, and Van Doren Waxter. Saara Pritchard, a Sotheby's contemporary specialist, who was the driving force behind this merger acknowledged that 'The greatest innovations and best partnerships come out of challenging times.' In this deal, Sotheby's gets a flat commission based on the sales and all artworks presented on the website are available for purchase exclusively through Sotheby's. In

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<sup>64</sup> Eileen Kinsella, 'Here's Your Guide to the Top Lots in the First-Ever Hybrid Marquee Summer Auctions, Taking Place Simultaneously In-Person and Online' *Artnet News*, June 2020. <https://news.artnet.com/market/spring-auction-preview-2020-1888894>

<sup>65</sup> 'Sotheby's Opens First-Ever Online Day Sales of Contemporary and Impressionist & Modern Art' *ArtDaily*. <https://artdaily.cc/news/123338/Sotheby-s-opens-first-ever-online-day-sales-of-Contemporary-and-Impressionist---Modern-art#.Xt4VZS8rzBJ>

an interview with Sotheby's Head of Curated Sales he mentioned 'no galleries in the world - even the big ones like Gagosian - have the database or the client base we have. That a lot of galleries, even the big ones, want to partner with Sotheby's to ensure their survival says a lot about our online model and the way we do business. I think the model is a successful one where they offer primary work with full transparency and where our commission is already integrated in that asking price.'<sup>66</sup> While the standard is that works priced up to \$150,000 can be completed through Sotheby's transactional platform, galleries are also welcome to list works above that price. Buyers can enquire with Sotheby's staff who will facilitate the completion of the sale.<sup>67</sup> Another creative initiative involved a hybrid sale.

Sotheby's Hong Kong also announced the launch of **In Confidence: Selected Masterpieces**, a hybrid sale taking place in May 15-23 that incorporated the advantages of a private sale on an auction format. Bidders were encouraged to submit absentee bids and were notified if they had been outbid. They had a last chance to make a final offer and then the winning bidder was established in confidence. The sale included Chinese Works of Art and Paintings as well as Modern and Contemporary Art, Jewellery and Whisky. Nicolas Chow, Chairman of Sotheby's Asia commented that 'the brand-new sale format of In Confidence brings together the discretion of a private sale and excitement of an auction in the most effective way, meeting the needs of top-level sellers and buyers under the current climate.'<sup>68</sup>

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<sup>66</sup> Interview conducted with Sotheby's Head of Curated Sales. 7/05/2020

<sup>67</sup> Eileen Kinsella, 'In A Radical Move, Sotheby's Has Debuted a New Online Sales Platform for Blue-Chip Contemporary Art Galleries, Taking a Cut of All Sales' *Artnet News*, April 2020. <https://news-artnet-com.cdn.ampproject.org/c/s/news.artnet.com/market/sothebys-gallery-network-1846992/amp-page>

<sup>68</sup> Sotheby's Launches Innovative New Sale Format - 'In Confidence: Selected Masterpieces' *Sotheby's.com*, May 2020. <https://www.sothebys.com/en/press/sothebys-launches-innovative-new-sale-format-in-confidence-selected-masterpieces#:~:text=Sotheby's%20is%20pleased%20to%20announce,submitting%20confidential%20written%20commission%20bids>.

Sotheby's also decided to create three online Watches Sales per week, after the global success met by its Watches Weekly sales. In addition to the existing Hong Kong weekly sales, which have already set a number of records since their launch in April, weekly sales were announced to also be held by the Geneva and New York teams starting May. It is a great way to scale up revenue by adding more sales in the luxury sector. Unlike paintings, it could be argued that jewellery and watches are both able to be bought without the need to see it in person before.<sup>69</sup>

In an attempt to move to where an art collecting crowd is located Sotheby's has opened in June 2020 Sotheby's East Hampton. This gallery space presents Contemporary artwork available for immediate purchase. With a calendar of events, the gallery space also organises virtual events such as wine tastings and trunk shows. The specialists there are available for private appointments and are able to provide confidential advice and discuss the interests of their clients. Christophe Van de Weghe, who has owned a house in East Hampton for 20 years reported 'A lot of our friends and clients are here. This summer, nobody is traveling. Everybody is staying here.' It is a great idea to have this accessibility available to clients that, after now more than six months of visiting galleries online and through PDFs, want to profit of seeing the work first hand. The results still need to be seen, but what is clear is that other galleries are following suit. Pace will open a new gallery space in July 2020 and Baer Faxe reported on some property rentals already in June.

Another attempt to remain in the 'business as usual' motto, Sotheby's announced it would take part in a hybrid auction. The next section will analyse this virtual event and describe its strengths and weaknesses.

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<sup>69</sup>Sotheby's Scaled Up 'Watches Weekly' to Three Sales Per Week' *ArtDaily*, 2020. <https://artdaily.com/news/123596/Sotheby-s-scales-up--Watches-Weekly--to-three-sales-per-week->

### **Case Study: Sotheby's Hybrid Auction**

In May 2020 Sotheby's announced it would hold the first live auction of the season. But the format would be very different from earlier live sales. Happening and played out in real time. The news were broadcasted from Artnet to the New York Times. For the first time in its history there would be no bidders in the room. The New York Times opined the sale was 'a far cry from the buzzing salesroom in Manhattan, where hundreds of collectors, dealers, art advisers and spectators typically hobnob over champagne before sitting side by side to raise their paddles in nail-biting battles for great works of art.' The hybrid auction was to consist first on the sale of the Ginny Williams collection, then the Contemporary Art Sale followed by an Impressionist and Modern Art evening sale. The auction, was going to be carried out by Oliver Barker, taking bids from Sotheby's specialists on the phone banks based in Hong Kong, New York and London. Each lot was to be accompanied by an onscreen image and bidders were to participate by phone and online.

It was a nervously anticipated event and one of the biggest challenges of the auction house. Pulling off such an event would be the biggest challenge. Since the sales had been announced to be postponed in March. Its first mention was on May, and then followed advertisements via Instagram posts and live videos being the scenes, news advertisements, marketing videos and specialists picks on instagram live. Finally the moment of the sale arrived on June 29 at 6:30 pm New York Time. When asked, Barker said 'This will be the first time that I have taken to the rostrum in London in order to conduct a New York sale. It will be a dynamic, truly global experience that will usher in an exciting new era of marquee auctions at Sotheby's in which the best of the established live auction format is married with the latest technology.'

From the perspective of a bidder, when you log in to witness this auction before the established time, the viewer is transported to a video where each lot is shown and discussed by a specialist. This is an intelligent way to create anticipation and regain the interest of the clients to particular pieces shown in it. The video continues transporting the viewer into the gallery space where each piece is carefully hung. Each lot is given special attention, with close ups of the piece, the lot number, the artist's name, title, year of creation, its estimates and details of which auction it will be sold at. Five minutes before the auction starts a video is broadcasted about Sotheby's and its first ever hybrid auction. With a motivational song and snapshots of Oliver barker hammering lots and quick transitional pictures of great masterpieces, the video directly transports you to the excitement, tension and anticipation of a live sale. Following that video, you are sent to a 'waiting room' with classical music on the background that shows the title of the auction that will start, 'The Ginny Williams Collection' and a description reading 'The auction will begin shortly. Thank you for waiting'. These moments where you think the auction will start but doesn't plays with the mind of the viewer this time wanting even more for the auction to start. At exactly 6:30 pm the clock strikes again with an extremely immersive video, showing top lots sold at auction before, images of specialists holding their lot number up, and vast letters reading 'Sotheby's will revolutionise the art auction. Once Again. 3 sales. 1 night. And more than 100 years of Art History. The Auction of the Future is Here'. Just at the exact moment when the music stops, Oliver Barker appears on the screen, live from his podium in London. Whoever said that the excitement and anticipation of the auction cannot be transported online, I beg to differ. Although it was not the same as being in the auction room itself the excitement and anticipation could still be felt as though one was present. This cross-category sale could be argued to have been forced

by the pandemic, which suspended several sales and left consignors unwilling to wait until the next season to get cash. However, those who could afford to wait left the auction house sort of supply for top-tier lots.<sup>70</sup>

In the auction, Oliver Barker begins by explaining how this hybrid auction works. Eight screens are shown linked to the live offices: two from New York, two from London and two from Hong Kong. The other two screens correspond to online bidding and the screen showing what the viewers can see. Another small screen is incorporated showing what Oliver Barker is reading before the actual auction starts. Three top lots are mentioned: The Francis Bacon Triptych (estimated to sell for at least \$60 million), A Roy Lichtenstein, and a Pablo Picasso titled ‘Tête de Femme Endormi’.<sup>71</sup> Then Oliver Barker gives the auctioneer notice and the auction begins.

After the sale finished past 4 a.m London time, nearly five hours after the start of the sale, the 80 lots that had been offered had a 93.2 percent sell-through rate by lot and had achieved a total of \$363.2 million nearing the high end of Sotheby’s pre-sale estimate of \$262.1 million to \$368.4 million. The Ginny Williams collection exceeded expectations with all 18 lots selling, bringing a total of \$64.5 million, over the pre-sale estimate of \$35.9 to \$51.7 million. Moreover, the 30 lots of the Contemporary Art Sale achieved \$234.9 million near its high pre-sale estimate of \$239.1 million with a sell-through rate of 96.7 percent. Finally, the Impressionist and Modern Art sale achieved a sell through rate of 84.6 percent bringing \$62.8 million, between the pre-sale estimate of \$54.9 to 77.7 million.

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<sup>70</sup> Naomi Rea, ‘Buoyed by Ronald Perelman’s Meditative Miró, Sotheby’s Cross-Category Hybrid Auction Netted \$193 Million in London’. *Artnet News*, July 2020. [https://news.artnet.com/market/sothebys-rembrandt-richter-auction-1898007?utm\\_content=from\\_artnetnews2&utm\\_source=Sailthru&utm\\_medium=email&utm\\_campaign=US%20%20newsletter%20for%207%2F29%2F20&utm\\_term=US%20Daily%20Newsletter%20%5BMORNING%5D](https://news.artnet.com/market/sothebys-rembrandt-richter-auction-1898007?utm_content=from_artnetnews2&utm_source=Sailthru&utm_medium=email&utm_campaign=US%20%20newsletter%20for%207%2F29%2F20&utm_term=US%20Daily%20Newsletter%20%5BMORNING%5D)

<sup>71</sup> Robin Pogrebin, ‘Sotheby’s to Hold ‘Live’ Auctions in June, Remotely’. *The New York Times*, May 2020. <https://www.nytimes.com/2020/05/29/arts/design/sothebys-remote-auctions-coronavirus.html>

Out of three auctions, top lots included the Francis Bacon's Triptych by the Oresteia of Aeschylus (1981), who experienced a bizarre bidding war between an online bidder bidding with \$100,000 increments and a phone bidder with Gregoire Billault going in \$400,000 and \$900,000 increments, and in the end taking the \$84.5 million Bacon home. Also included was the Roy Lichtenstein's White Brushstroke I (1965) sold for a hammer price of \$25.4 million, with a pre-sale estimate of \$20 to \$30 million. The Clifford Still was also a hit, selling for its low estimate of \$27.8 million with just one bid. Overall these were not surprising as they were the lots with the highest estimates. There were also eight auction records over the course of all three auctions, such as Helen Frankenthaler's Royal Fireworks (1975) from the Ginny Williams collection. This lot more than doubled its high estimate of \$3 million selling for \$7.8 million. In the contemporary auction sale, Matthew Wong's artwork, the first lot, sold far past its \$80,000 with a hammer price of \$1.5 million, also beating his previous auction record of \$62,500. With the Jean-Michel Basquiat's Untitled (Head) (1982) surpassing its high estimate and selling to an online bidder for \$15.1 million, and the previous records set before that, the Contemporary sale was Sotheby's biggest online sale ever. In the Impressionist sale Leonor Fini's Figures on a Terrace (1938) doubled its low estimate selling for \$980,000 and Remedios Varo's Armonia (1956) also surpassed its high estimate and her previous auction record of \$4.3 million, selling for \$6.1 million. Alice Rahon's Los Cuatro Hijos Del Arco Iris (1960) also doubled its high estimate selling for \$512,000 and Wilfredo Lam also set a new auction record with his Omi Obini (1943) selling for \$9.6 million. The latter was the

second highest result in the Impressionist auction following Pablo Picasso's portrait of one of his lovers selling for \$11.1 million.<sup>72</sup>

Overall, it could be said the sale was a success despite its limitations of not being able to see the work live. Most lost that has been consigned before COVID-19 hit were sold at great prices despite the virtual limitations and collectors not being able to see the works in person. The auction also proved that with the correct supply of artists, clients are willing to log in to a virtual auction. Although the time difference was vast - the sale starting at 6:30 am in Hong Kong and finishing at 11pm New York time - there were few technical glitches and as Barker stated after the final lot was hammered down, 'It's clear these innovations are here to stay.'<sup>73</sup> On the other side, it is true what the Head of Sotheby's Curated Sale says about online auctions, 'it is so hard to read the sale until it starts closing because you don't have your content direction, you have no way of assessing what people are going to bid online, there is no real metrics. And you are not meeting with anyone at the exhibition to talk to them and get a feel in the sense of what people are saying.'<sup>74</sup> Although it is clear that it is not exactly the same as being in the auction room itself, Barker employed same phrases and body language used to entice the viewers into bidding. Furthermore, the fact that it was made through livestream allowed Sotheby's to include details of particular pieces, doing close ups and explaining how each work was painted and why the certain use of colour. This was therefore interesting to watch and somehow the viewer feels more connected to the work of art.

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<sup>72</sup> Benjamin Sutton, '\$84.5 Million Francis Bacon Triptych Leads Sotheby's Marathon Virtual Auction' *Artsy*, Art Market, June 2020. <https://www.artsy.net/article/artsy-editorial-845-million-francis-bacon-triptych-leads-sothebys-marathon-virtual-auction>

<sup>73</sup> Ibid.

<sup>74</sup> Interview conducted with Sotheby's Head of Curated Sales. 7/05/2020

## CHAPTER FOUR

### Christie's

Guillaume Cerutti, Christie's chief executive, was quoted as saying 'This crisis is a moment of truth for online sales.' Christie's has been more conservative than Sotheby's in adapting to the changes and has had far less innovative sales. Following the outbreak of COVID-19, Christie's announced in April that it would increase its online-only auctions in April and May, from just nine that were scheduled to more than 20. Estimated to raise over \$20 million, this transition to online is fuelled by an emerging class of wealthy millennials who are not only spending more than six times the amount their parents' generation spent but also know how to buy art online. In a Webinar, Marc Porter, Chairman of Christie's Americas mentioned 'I do believe that the newest collectors are younger. We will see more and more collecting as the markets get up and running again. Certainly we are making plans about how to restructure our business to address this change.'<sup>75</sup> Others studies mention that some collectors already buy art online sight unseen, trusting the reputation of the auction houses, their condition reports and their connoisseurships. However, \$10 million plus consignments are extremely rare and collectors such as Adam Lindemann, are not comfortable buying unseen art: 'I'm not an online fan. I want to see the real thing if I can.'<sup>76</sup> Guillaume Cerutti although he says that auction houses have to adapt does not think live sales will disappear, instead focusing on online sales as short-term changes: 'We are entering a different world and we will have to adapt. There will be long-lasting changes in the art market. But the fact that Asia is gradually returning to normal, and that a number of firms are programming live sales in the same week in

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<sup>75</sup> Marc Porter, webinar 'How Auctions and Art Sales Need to Adapt' *Observer*. 8/05/2020

<sup>76</sup> Robin Pogrebin, Scott Reyburn and Zachary Small. 'Auction Houses Postpone Live Sales and Pivot to Online'. *The New York Times*. April 2020. <https://www.nytimes.com/2020/04/19/arts/design/art-auction-houses-sales-coronavirus.html>

Hong Kong early July, sends an important signal, that auction houses will be returning to live events.’<sup>77</sup>

From reading and conducting interviews from lower ranked specialists to big executives it is clear Christie’s normal way of conducting business has changed. A Junior Cataloguer shared his day to day and how his job has adapted with this pandemic. ‘Cataloguing for live sales is a difficult task since we can’t meet with clients in person, and...cannot visit client’s houses for appraisals. Additionally...we can’t go to our warehouses to catalogue or condition.’ His biggest part of the job being cataloguing, he has noticed a big change ‘Cataloguing is of course something that can’t be done at home, so as long as we have some sales in the calendar, we will need to hit the ground running once we’re back to get them photographed, catalogued, and conditioned in time.’<sup>78</sup> This must have no doubt reduced the number of consignments brought to sale. The marketing team at Christie’s explained that their first priority was to promote their online sales. In an interview with a Senior Digital Producer at Christie’s she mentioned that ‘By far, the tools we are using are still the same: websites, social media, digital search. But we definitely try to drive the attention to online sales. Just as you see on the webpage we talk about our online sales, we talk about private art sales. This is their time to shine and their opportunity to take over.’<sup>79</sup> Marc Porter, Chairman of Christie’s America believes that ‘Needing to be with the works of art is critical to return to normal but the transactional method I think will change forever.’<sup>80</sup>

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<sup>77</sup> Georgina Adam, ‘Auctions: What Will Change Post-COVID-19’. *The Art Newspaper*. April 2020. <https://www.theartnewspaper.com/comment/auctions-what-will-change-post-covid-19>

<sup>78</sup> Interview conducted with a Senior Digital Producer at Christie’s.

<sup>79</sup> Interview conducted with a Senior Digital Producer at Christie’s.

<sup>80</sup> Marc Porter, *The Observer*. 2020

Partnerships are also in the mind of Christie's when they announced they would be joining China Guardian in May to present a thematic collaboration in Shanghai on September. Under the organising idea 2020+, both auction houses will create a series of sales and exhibitions to broaden the market in the region attracting more clients with these joint events exploring the challenges, creativity, resilience and disruption to provoke cultural dialogues between ancient and modern, East and West, at this moment in time. Guillaume Cerutti commented, 'I am very proud of this first collaboration between Guardian and Christie's. We have great respect for Guardian's founder and chairman, Chen Dongsheng, and Guardian's teams.' The Director and President of China Guardian Auctions, Hu Yanyan added, 'For China Guardian, innovation is in our genes and we are always proud to promote the development of diversifying art market. We look forward to convening more art audiences this September, with our innovative program of sales and activities further deepening the cross-cultural dialogue which has been building over the years'.<sup>81</sup>

Furthermore, after the 32nd edition of La Biennale Paris was postponed due to Covid-19 pandemic, Christie's also announced it would partner with La Biennale Paris and the Syndicat National des Antiquaires to create an online auction to take place on September 10 to 21st, 2020 and bring together more than 50 internationally renowned dealers. From antiquity to contemporary art, from jewellery to design, all artworks and countries were to be represented, covering 6,000 years of history. The works offered online would also be available for viewing at the participating galleries until the close of the sale.<sup>82</sup> They created an auction with the works of art that were

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<sup>81</sup>'Christie's and China Guardian to jointly present first collaboration this September' *ArtDaily*, 2020. <https://artdaily.cc/news/123398/Christie-s-and-China-Guardian-to-jointly-present-first-collaboration-this-September#.Xt4cKC8rzBJ>

<sup>82</sup>'La Biennale Paris partners with Christie's to organize a major online-only auction.' *ArtDaily*, 2020. <https://artdaily.cc/news/124380/La-Biennale-Paris-partners-with-Christie-s-to-organize-a-major-online-only-auction#.Xt-ZrRMzbBI>

not able to go on view at the biennale. They became to be a serrate of their own exhibition. This was a way to not let the entire event close down. However, this sale is an advocate that not all partnerships during the pandemic have had great results. This sale bombed with less than a quarter of the works sold achieving a low total of 1.7 million, with only 23 percent of the pieces sold. However both parties tried to put brave faces on this outcome claiming ‘the results of this initiative must be judged beyond the purely financial dimension,’ as Christie’s CEO Guillaume Cerutti said in a statement. Indeed although the outcome of this sale was not as it had been hoped, La Biennale did gain international visibility and set a benchmark that although results were not great in this instance, the coming together of different art industries is something to cherish.<sup>83</sup>

Christie’s also partnered with curator Destinee Rose-Sutton, to put together a sale that celebrates the work of international black artists, named ‘Say It Loud (I’m Black and I’m Proud)’. This virtual exhibition is open from July 31st to August 18th and includes works by 22 Black artists who explore identity and perception. ‘I saw this as an opportunity to assure that this isn’t just a one-off PR move to prove how diverse or ‘woke’ Christie’s can be,’ said Destinee Ross-Sutton, the curator and art advisor of this sale. It is instead ‘dedicated to the promotion and empowerment of Black art. Christie’s is being most supportive of this effort to avoid all the flippers that are rushing to buy art by Black artists.’ This exhibition marks the first of a series of exhibitions and educational initiative taken by Christie’s and will provide a platform where the voices of the Black community can be heard. The purchase price will go in

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<sup>83</sup> Julia Halperin, ‘The Good News? Global Online Auctions Grew 63 Percent Last Month. The Bad News? That Might Not Be Nearly Enough’. *Artnet News*, April 2020. [https://news.artnet.com/market/online-auctions-march-data-1841205?utm\\_content=from\\_artnetnews2&utm\\_source=Sailthru&utm\\_medium=email&utm\\_campaign=US%2010%3A25%20a.m%20newsletter%20for%204%2F22%2F20&utm\\_term=US%20Daily%20Newsletter%20%5BMORNING%5D](https://news.artnet.com/market/online-auctions-march-data-1841205?utm_content=from_artnetnews2&utm_source=Sailthru&utm_medium=email&utm_campaign=US%2010%3A25%20a.m%20newsletter%20for%204%2F22%2F20&utm_term=US%20Daily%20Newsletter%20%5BMORNING%5D)

its entirety to the artist.<sup>84</sup> This is similar to the innovative stance taken by Sotheby's in partnering with galleries to provide them with a platform. However, Christie's does not take any commission from the sale and instead, prices are fixed ranging from \$475 to \$43,000.

As one of its most significant dives into popular culture, Christie's decided to join the world of sneakers market. Partnering with Stadium Good, Christie's has created a sale of 11 of Michael Jordan's game-worn shoes. The sale called 'Original Air' was to take place from July 30 to August 13. A portion of the proceeds would be donated to the NAACP Legal Defense Fund. This is an unprecedented move for Christie's, which might signify a shift into the luxury market now that in-person viewing is no longer an option.<sup>85</sup>

### **Case Study: Christie's ONE**

Christie's announced they would be eliminating its standalone Impressionist and Modern Art department, instead combining the impressionist and modern department with its postwar and contemporary department. This new auction format that took place on July 10 tried to mimic a real live evening sale before the pandemic times. Titled **ONE: A Global Sale of the 20th Century**, the auction featured four auctioneers selling in real time in a relay style auction covering Hong Kong, New York, Paris and London. The auction, expected to last two hours for selling 80 lots actually lasted four hours and a half. Starting in Hong Kong at 8pm their time,

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<sup>84</sup> 'Say It Loud: Christie's opens an exhibition celebrating the work of International Black artists'. *ArtDaily*. <https://artdaily.cc/news/127007/Say-It-Loud--Christie-s-opens-an-exhibition-celebrating-the-work-of-international-Black-artists#.XzulgZMzYcg>

<sup>85</sup> Caroline Goldstein, 'Christie's Makes a Bid for the Sneaker Market With a New Michael Jordan-Themed Auction' *Artnet News*, July 2020. [https://news.artnet.com/market/christies-sneakers-auction-1895141?utm\\_content=from\\_artnetnews2&utm\\_source=Sailthru&utm\\_medium=email&utm\\_campaign=News%20Saturday%207%2F18%2F20&utm\\_term=Daily%20Newsletter%20%5BALL%5D%20%5BMO-RNING%5D](https://news.artnet.com/market/christies-sneakers-auction-1895141?utm_content=from_artnetnews2&utm_source=Sailthru&utm_medium=email&utm_campaign=News%20Saturday%207%2F18%2F20&utm_term=Daily%20Newsletter%20%5BALL%5D%20%5BMO-RNING%5D)

following with an afternoon sale in Europe, it ended as a morning sale in New York at 10 am Eastern time.

The sale started 45 minutes late which chief Erik Jansson said was not due to a technical glitch but to 'Christie's Live [bidding platform] doing what it was meant to do' with too many viewers and more than 20,000 watching the sale. However, it is hard to believe that this was due to the auctioneer suddenly having an urge to get a coffee right when the auction was going to start. There will always be a suspicion that it was in fact a technological glitch but the question will remain unanswered. In the auction, buyers were able to bid online, by telephone and a few in-person bidders in Hong Kong and London. The New York and Paris rooms were staff-only with social measures imposed by the barriers that separated the employees. The top lots included Pablo Picasso's 'Les Femmes d'Alger' from 1955, Ed Ruscha's 'Annie' (1962) and Roy Lichtenstein's 'Nude with Joyous Painting' (1994) all estimated to sell for \$20 to \$30 million. The other highlight included the 1963 Zao Wou-ki estimated to sell for more than \$10 million but failed to sell.<sup>86</sup> Overall the sale brought a total of \$420.9 million, with 3 of the 82 lots withdrawn and 5 failing to sell. Christie's achieved a 94 percent sell-through rate by lot and 97 percent by value.

The auction differentiated from that of Sotheby's by taking place at four different locations with four different auctioneers taking turns to handle the sale. All remained in the rostrum throughout the entire auction taking bids from their own salesrooms. The auction resulted in a slow but spirited auction and lasted four hours. Each sale was conducted on the local currency which made it difficult to follow as

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<sup>86</sup> Scott Reyburn, 'Christie's Gets Creative for 20th-Century Art Auction in July'. *The New York Times*, May 2020. <https://www.nytimes.com/2020/05/15/arts/design/christies-auction-coronavirus.html>

prices shifted from Hong Kong dollars, to pounds, to euros and to US dollars.<sup>87</sup>

Although Sotheby's sale was not as exciting it experienced no glitches and the overall effect was more high-tech which might be partly due to the new owner Patrick Drahi's media, TV and telecoms credentials.<sup>88</sup> Christie's feed froze at times and viewers were sometimes confused as to which auctioneer was selling which work. In one tense exchange, Jussi Pylkkanen called bids on a 1963 Jean Dubuffet but Cécile Verdier, an auctioneer in Paris had to intervene with a 'No, I'm selling it'. An art adviser in Berlin, Michael Short, who noticed the various mishaps in bidding the many lots explained 'Christie's was trying to set a whole new load of records for artists because they thought they had the whole world looking on. It didn't have the animal energy of a live auction.'<sup>89</sup> Deputy Chairman of Post-War and Contemporary Art, Sara Friedlander said 'I've Facetimed with paintings like the best of them for the past four months, but nothing ever could replace a real human standing in front of a real painting IRL, which is why this week has been particularly thrilling.'<sup>90</sup>

Top Lots included Roy Lichtenstein's selling for \$40.5 million (estimated at \$30 million), Barnett Newman's *Onement V*, which, with the highest pre-sale estimates came short achieving \$27 million (below its low value estimate), and Brice Marden's *Complements* achieving the artist's record selling for \$27 million. Overall,

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<sup>87</sup> Benjamin Sutton, '\$46.2 Million Lichtenstein Nude Drives Christie's Global Relay Auction'. *Artsy*, Art Market, July 2020. <https://www.artsy.net/article/artsy-editorial-462-million-lichtenstein-nude-drives-christies-global-relay-auction>

<sup>88</sup> Anna Brady, 'Christie's \$420.9m global relay sale was ambitious—but did they really need four auctioneers?' *The Art Newspaper*, July 2020. <https://www.theartnewspaper.com/news/christie-s-one-sale-report>

<sup>89</sup> Scott Reyburn, 'Christie's new auction technique: The global gavel' *Art Daily*, 2020. <https://artdaily.cc/news/126406/Christie-s-new-auction-technique--The-global-gavel#.Xz0TzZMzYch>

<sup>90</sup> Nate Freeman, 'It's a Whole New World': We Spent 20 Frenzied Hours With Christie's Sara Friedlander as She Prepared for the Auction House's First Hybrid Evening Sale' *Artnet News*, July 2020. [https://news.artnet.com/art-world/sara-friedlander-1893822?utm\\_content=from\\_artnetnews2&utm\\_source=Sailthru&utm\\_medium=email&utm\\_campaign=US%20%20newsletter%20for%207%2F13%2F20&utm\\_term=US%20Daily%20Newsletter%20%5BMORNING%5D](https://news.artnet.com/art-world/sara-friedlander-1893822?utm_content=from_artnetnews2&utm_source=Sailthru&utm_medium=email&utm_campaign=US%20%20newsletter%20for%207%2F13%2F20&utm_term=US%20Daily%20Newsletter%20%5BMORNING%5D)

the sale bested the Sotheby's similar hybrid auction total. The hammer prices totalled \$361.5 million, firmly within the presale estimate of \$332.3 to \$444 million, selling more than \$500 million worth of art over the span of 24 hours. The impressive sell through rate was 94 percent sold by lot and 97 percent by value. Buyers were recorded to come from all over the world with 38 percent coming from Europe, 37 percent from the Americas, and 26 percent from Asia. Cerutti saw this geographic diversity as a signal that their global sale format had been a success.<sup>91</sup>

When asked whether this format would be repeated, Christie's president and principal auctioneer Jussi Pylkkänen said, 'For us it was an opportunity to invent a new language of auctioneering... I'm looking forward to when we can have full salesrooms across the globe with auctioneers linked up and taking bids, with perhaps 50 carefully selected lots. Because I think we could achieve stupendous results.' The next and last section will look at the effect of a pandemic on the auction business and what changes will be lasting and what kind of change it will be. Will it change the DNA of the industry? It will analyse if the auction houses will be able to survive as it is and whether live auction sales are needed for this industry to survive.

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<sup>91</sup> Ibid.

## CONCLUSION

Recapitulating on the last chapter, one can see major changes in the auction field. Examining worldwide auction results from March 2020 one can see that sales volumes are down and the average price of lots has shrunk, leaving all the action to lower-priced works. Collectors become reluctant to release their goods. However, although fine-art auction sales have plummeted by almost 60 percent, some experts feel the auction market's decline is not as great as they thought. Artnet's Intelligence Report (Sept 2020) informs readers that this is due to equity markets bouncing back quickly in late spring and early summer, 'leaving ultra high-net-worth buyers with comfortably full coffers' and keeping prices somewhat stable. Additionally, the market has benefitted from what Doug Woodham, art and financial consultant, calls 'COVID-boredom-induced buying'. Wealthy individuals had little else to do at home and instead of staring at an empty wall, browsed online art sales.

Although the auction market doesn't seem to have experienced the worst-case scenario, the decline in sales is still frightening and both Sotheby's and Christie's have had to furlough or lay off hundreds of workers. Sales from Sotheby's, Christie's and Phillips totalled \$825 million far from the \$2 billion generated during last year's marquee May auctions. The auctions were also very well orchestrated with Sotheby's and Christie's guaranteeing at least half of the works in their sales. Only \$2.9 billion has been spent on fine art and design at auction this year which is 58.3 percent less than the equivalent period in 2019. Furthermore, \$1.4 billion was spent in post war and contemporary art in the first half of 2020, down 54.1 percent from the equivalent period in 2019.<sup>92</sup> There is no doubt that COVID-19 has shaped auction houses differently and will continue to do so. David Norman, Phillips chairman of the

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<sup>92</sup> Artnet Intelligence Report 2020, *Artnet*. September 2020. [https://storage.googleapis.com/artnet-interim-static-assets-repository/intelligence-reports/2020/fall\\_2020\\_intelligence\\_report.pdf](https://storage.googleapis.com/artnet-interim-static-assets-repository/intelligence-reports/2020/fall_2020_intelligence_report.pdf)

Americas, said ‘In all my years in the art market, there has never been an external event that forced such immediate change. Business as usual went right out the window.’<sup>93</sup> Art-market veterans said the sector has never faced a challenge on the scale of this one, not during the first Gulf War, not when the Japanese buyers disappeared from the Impressionist market in the 1990s, not in the wake of the September 11 terrorist attacks and not in the aftermath of the 2008 global financial crisis. Some immediate changes caused as a result of the pandemic were a long time coming, including the migration to sales online, the elimination of almost all expensive printed catalogues, and the collapse of categories and departments. Others were less predictable, such as the deep cutback on travel and dining, as well as entertainment, and the significant number of layoffs. This will no doubt change the way the business functions significantly, shaping it for better or worse in the foreseeable future. Answering the question posed in this thesis ‘Will the auction houses as a client-facing, physical enterprise be able to survive in the coming years?’ this final chapter argues that the auction market will survive but it will certainly look different.

### **1. Online auctions are here to stay and we will be seeing more of them**

We have seen in the previous chapter how auction houses have pushed their online sales when unable to hold live auctions. Together increasing 475 percent in revenue compared to the previous year, online auctions have had to urgently expand as a necessity during this pandemic. Julia Halperin of Artnet news rightly mentioned that ‘auctions do suit online sales because it is a secondary market, this stuff isn’t

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<sup>93</sup> Eileen Kinsella, ‘How COVID-19 Pushed Auction Houses into the Future’ *Artnet Intelligence Report* 2020, p. 59

fresh.’<sup>94</sup> Amy Cappellazzo however, says that online sales need to go further. ‘I’m thinking really seriously about what the online experience is for our clients. In effect, we’ve been in the live theater business. Now we’re segueing into what is more like live streaming. The truth is, that revolution has been underway for some time.’ Clients since the early days of shutdown were receptive to online bidding, actively viewing lower-priced art and luxury objects such as watches and jewellery. For online-only auction houses such as Artnet, this increase in new buyers has nearly totalled 50 percent. Live sales that took place during the day and had nearly no live bidders will likely migrate online and buyers that used to be weary of spending money online above a certain threshold will continue to evolve and expand their budget.<sup>95</sup> The average artwork sold online in March at Sotheby’s, Christie’s and Phillips was \$24,027. By June, that figure had risen to \$27,089, almost a 15 percent increase. David Galperin, the head of Sotheby’s contemporary art evening sale in New York agreed ‘There were more collectors who bid this season without seeing the work in person who had said they would never do that than I would have ever expected.’ Even evening sales will likely have an online component after the social distancing measures have been lifted. To hold the amount of activity experienced in online sales over the phone would have required almost half of Sotheby’s and Christie’s company’s staff.

However, this is not to mean that live sales will be entirely gone. Ms. McAndrew acknowledged that ‘buying online isn’t a collector’s No. 1 choice; it won’t replace the excitement and sense of community of an auction. But online sales will help relieve the cost pressures of live events.’ Oliver Barker, Senior Director of Sotheby’s also agreed ‘We have to think how to make the experience dramatic, how to

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<sup>94</sup> Halperin, April 2020.

<sup>95</sup> ‘Is the Future of the Art Market Online?’ *Art Newspaper podcast*. May 2020.

replicate the bidding battle' further emphasising how live auctions cannot be replaced for top lots.<sup>96</sup> Online fatigue has become a fact. Levin agreed that 'With online sales, there are auctions happening 24 hours a day. There's an overload. It's supposed to be great because you can do it in your jammies, but nobody's seeing the art in real life.'<sup>97</sup> However, online auctions will become more normalised. In a Webinar, Marc Porter, Christie's chairman of the Americas, believes 'The reputation and trust in a particular specialist or organisation presenting the material actually can replace the requirement to view.' He specifically mentioned how during the Elizabeth Taylor sale or the Rockefeller sale all of which was available on view and on-site, almost nobody came to see. He continued 'what was interesting is that the people relied very much on the photographs and the ability to talk with and converse with someone who knew the property well.'<sup>98</sup>

## **2. Private sales will likely increase**

With the stock market increasing in the past six months people have made a lot of money through their investments and they are looking for a place to put that money. Since they are spending more time at home, they are wanting to spend it on buying works of art that they can enjoy at home instead of buying and putting them in storage. Private sales have therefore soared with more and more clients interested in buying through this method until the traditional auction calendar is back in place. This could be due to the insecurity caused by public auctions. As one American collector

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<sup>96</sup> Ibid.

<sup>97</sup> Scott Reyburn, 'Christies winds up belated summer auction season with £21.2m Classic Art sale led by £4m Rubens' *The Art Newspaper*, July 2020. [https://www.theartnewspaper.com/news/christies-classic-art-evening-sale-report?utm\\_source=The+Art+Newspaper+Newsletters&utm\\_campaign=8bd049b9c2-EMAIL\\_CAMPAIGN\\_2020\\_07\\_29\\_07\\_42&utm\\_medium=email&utm\\_term=0\\_c459f924d0-8bd049b9c2-61655449](https://www.theartnewspaper.com/news/christies-classic-art-evening-sale-report?utm_source=The+Art+Newspaper+Newsletters&utm_campaign=8bd049b9c2-EMAIL_CAMPAIGN_2020_07_29_07_42&utm_medium=email&utm_term=0_c459f924d0-8bd049b9c2-61655449)

<sup>98</sup> Marc Porter. 'How Auctions and Art Sales Need to Adapt.' *Observer* 08/05/2020

put it, 'I'd love to buy a great Picasso now but I don't want to go down in history as the only guy stupid enough to buy in 2020 at 2019 prices.' Similarly a seller explains, 'Yes, I would consider an offer on my Matisse but it's got to be a high one. I don't want people to think I'm in difficulties, because I'm not.' One has to think about what will be more collectable in the long-term. In times of uncertainty about the future people are probably going to bet on Impressionism, Post-Impressionism, Old Masters, but might not really trust that Francis Bacon will be worth 2 million dollars in times of crisis.

### **3. Departments will merge and categories will be blurred**

In the coming years one will see a bigger mix of categories as scheduled sales are suspended or postponed. This is not new to the market. A few years back Christie's famously included da Vinci's *Salvator Mundi* in their contemporary art sale, Sotheby's dissolved its Latin American Department, including the pieces in a June evening sale of Impressionist and Modern art, and Phillips has begun incorporating Modern art into its contemporary art sales. With this pandemic, consignors will not want to wait another six months for their works to be auctioned off just because the March auction they were slotted for was cancelled. In July 2020, the eclectic cross-category 'Rembrandt to Richter' also took place in London. This is proof that blurring boundaries in response to unprecedented market pressure is something that has been done in the past. Following the rapid exit of Japanese buyers from the Impressionist market in 1991, Sotheby's also merged its Latin American and Impressionist departments for a while. Christie's also announced that it plans to merge its Impressionist and Modern department with its Postwar and Contemporary art

division. What is clear is that the traditional auction calendar we have seen up to know will be more flexible and will adapt to what the current circumstance will allow.

#### **4. Print catalogues will go extinct**

The art market is one of the only markets that have been slow to embrace technology. That is until this pandemic hit. Sotheby's and Christie's have been quick to adapt to the online world and Sotheby's has even appointed Edouard Benveniste to CDO - chief data officer - the first person in the art world to be given that title. With this technological boost, auction houses may cease to create lavish printed catalogues, distributed at great cost. The online shift can now accommodate much more information, describing the piece through links, videos, interviews and high resolution images. The Head of Sotheby's Contemporary Curated Sales mentioned that 'you will have so much more information that cannot be put in a print catalogue that we will be able to put online. We have many meetings about the future of the catalogue and the amount of information that we will be able to put online for our clients will be infinite.'<sup>99</sup> He mentions the catalogue of the future will have a much more interactive page, specially for highlights, where on will be able to click the highlights and then have the sale page with the catalogue details and provenance as well as the comparables, the full history and timeline of the painting. Clients will also be able to view the timeline that will bring one directly to the webpage of the museum that had that piece exhibited or the foundation including access to any videos of that exhibition from years ago. Auction houses will use their online catalogue tools to try to make up for clients not being able to see the piece in person and will no doubt continue to expand their horizons such as Artificial Intelligence 3-D object images. With the

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<sup>99</sup> Interview conducted with Sotheby's Head of Curated Sales. 7/05/2020

travel restrictions also in place people cannot visit the piece together with their dealer, advisor or auction house expert to explain and persuade. It is now the catalogue's job to compensate for that loss of connection.

### **5. Evening sales will still take place but not anytime soon**

The marquee evening sales at Sotheby's and Christie's are widely anticipated events in the art market. They are a choreographed theatre for the crowd, charged with exciting exhilaration. The majority of the high-end bidders are dealers, gallerists and advisors who, with the auctioneer, bring and create this electric atmosphere. Can we get back into the room? Marc Porter, is optimistic that one 'can clearly control the number of people that come to the viewing.' However, he believes that 'the gathering of people in an auction room will be the last thing to come back. We have seen excellent results in online sales reaching the higher percentage rate than its equivalent live sale event one year ago. Trust is important when creating transactions online.'<sup>100</sup> A Bonhams auctioneer believes there is never going to be a replacement for live auctions: 'Once we can we will be opening up our live auctions because we know there is no replacement for a live auction. The auctioneer does so much to create the live atmosphere and drive the energy and I think that is something only an auctioneer can bring. We will always be trying to incorporate a live auctioneer into our sale offerings because we know that is really going to drive up the participation.'<sup>101</sup> A faculty director of the International Centre for Finance at Yale believes that until a vaccine has been created, live auctions will not be able to take place, as people will not be comfortable gathering in public auctions.<sup>102</sup> However, in recent years, the top

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<sup>100</sup> Marc Porter, *The Observer*, 2020.

<sup>101</sup> Interview conducted with Bonhams auctioneer. 24/04/2020

<sup>102</sup> Interview conducted with a Faculty Director of the International Centre for Finance at Yale. 28/04/2020

bidders have been able to enjoy and participate in an auction via phone or online or through absentee bids. Real action has been generated from the comfort of their homes, offices or swimming pools. The fact that for the time being more people will adopt this method of bidding does not mean that bids will be affected. Specialists do say that out of the people that attend live auctions, 90 percent are there to enjoy the spectacle and only the other 10 percent are serious bidders. It certainly won't make auctions less fascinating. With the recent improvement of technology, top auctions will make it possible to convey the maximum excitement and drama with or without physical attendance.

In conclusion, this thesis has seen how auction houses such as Sotheby's and Christie's have managed to adapt to the unprecedented circumstances that this pandemic has set forth. Through the shift to online auctions and the use of hybrid live auctions, both auction houses have managed to keep the traditional spark alive whilst expanding their horizon to look for interesting ways to meet their sale expectations. As usual, arch-rivals Sotheby's and Christie's took very different approaches to these hybrid online auctions. However, they did not have any other option than to bring these sales online, invented out of necessity. In the face of difficulties come innovations. A representative of TEFAF acknowledged in an interview that 'Confidence needs to come back'.<sup>103</sup> However, an auctioneer at Bonhams stated that she believes 'people are more comfortable buying online in 2020 than they were 5 years ago and the price points that people are more comfortable buying is also increasing because so much of our world is online now purchasing high-value works online. I also think transparency has really improved over the years.'<sup>104</sup> No doubt the

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<sup>103</sup> Interview conducted with a representative at TEFAF. 21/02/2020

<sup>104</sup> Interview conducted with an auctioneer at Bonhams. 24/04/2020

online prices will keep updating themselves, reaching the Mark Rothko level in a few years.

The main weakness that the pandemic has exposed is the high cost of the core business, which for auction houses is staff and real estate. Auction houses have certain fixed costs when it comes to marketing budgets, catalogues prints, staff salaries and real estate. With their revenue now being much lower with the pandemic, it is hard to say whether the cuts they have made to reduce costs will be here to stay or whether this will just be a short-term adaptation. ArtTactic and Hiscox both reported that 65 percent of the people polled expect the shifts made due to the COVID-19 crisis will become permanent. Petterson explains ‘I don’t believe this year’s growth rate will be representative for the future years—this has been an exceptional period, the art world has been forced to embrace online, as no other alternative was available. However, I believe we have seen a significant change in ‘perception and attitude’ in the art market towards the potential and importance of online and I believe this will continue to drive future growth.’ Following the aftermath of every big crisis there is only one thing to do - sit back and hope that the best is yet to come. The art world will get back on its track. As happens with every financial crisis, recession will have an impact, but when a door closes and a door opens.

Looking into the future, art businesses will have to find new buyers. Since the art buying population is ageing, younger generations need to be cultivated. Auction houses should also find innovative property that is difficult to come by inducing clients to want to spend. As a third guideline, auction houses should increase their transparency. This will be the only way for people to really trust and have confidence in buying online sight-unseen. Finally, auction houses should profit from social media

and use it as a tool to gain more global outreach. Who says auction houses should not advertise their auction sales in the big screens of Time Square?

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**Interviews:** Several Sotheby's and Christie's staff were interviewed as well as art influencers, financial investors, and representatives on other art fields. Due to their request all interviews will remain anonymous.