



Auctioneers bid to clone live experience

Houses experiment in reproducing online the glamour and adrenalin of physical sale

James Pickford in London October 16, 2020

When the hammer finally came down on a 13th-century Chinese scroll depicting “five drunken princes returning on horseback” in Hong Kong earlier this month, bidders at the Sotheby’s sale might have been wondering when they too could return home.

Over a 75-minute bidding war described by the auction house as the longest in living memory for a single lot, more than 100 bids raised the price to HK\$307m (US\$40m) — more than double the presale estimate.

The ebullience of buyers in the Asia sale could hardly have been further from the sombre mood that pervaded the auction world six months ago. Coronavirus lockdowns forced the top houses to postpone their key spring sales, close the doors on their historic showrooms, and cut jobs and pay, as well as furlough staff.

This heralded a short-order transformation of the sector from physical to online sales. It has moved from what Sotheby’s chief executive Charles Stewart called a “live theatre experience” to a “live-streaming model” in order to sustain its trade in desirable artworks

Sotheby's will put on 500 auctions in an online format in 2020, up from 130 last year. "We've seen a five-year acceleration of digital behaviour in the last six months," said Mr Stewart. "And as we all know with technology innovation, once it's happened, you don't go back."

The challenge for the top auction houses has been to try to replicate online the glamour and adrenaline of their evening auction sales, where super-rich collectors are prepared to spend eye-popping sums on works by the likes of Pablo Picasso, Jean- Michel Basquiat or Gerhard Richter.

To tackle this, they have embarked on a phase of intense experimentation, broadcasting their auctioneers taking bids from a bank of staff on telephones, overlain with commentary from anchor presenters, or moving between rostrums in different regions to try to create momentum.

Georgina Adam, editor at large for the Art Newspaper, said: "The live experience has been taken away from auction houses, galleries and art fairs, and they're struggling to find an online equivalent that will bring punters in."

While auctioneers remain reliant on the few hundred buyers with deep enough pockets and a sufficient passion for art to fuel the big purchases, they are also looking to attract younger buyers via social media.

Giovanna Bertazzoni, Christie's deputy chairman of the 20th and 21st century department, said a major New York sale earlier this month generated \$340m in sales and drew 280,000 viewers when it was streamed on Facebook and YouTube. "We now have an enormous platform of people watching us."

In the short term, auction houses are playing catch-up with sales, hoping to make up ground lost in the first half. Christie's auction sales slumped to \$1.4bn in the year to the end of July, the first month in which it was able to start holding its new-look, live-streamed evening sales delayed from spring.

From January to June last year the figure was \$2.8bn. Over the whole of 2020, Christie's chief executive Guillaume Cerutti said recently he expected sales to be 30 per cent down on 2019. Sotheby's said it was currently 25 per cent down on sales over the same period last year.

Sotheby's management team arrived at the company just a few months before the pandemic struck, following a change in ownership. Last June telecoms and media billionaire Patrick Drahi unveiled a \$3.7bn deal to return it to private hands after three decades as a public company. The purchase means the three top houses are now privately owned, with Christie's held by French billionaire businessman and art collector Francois Pinault and Phillips by Mercury Group, a Russian retail and real estate conglomerate.

While auction sales figures are publicly available, it is hard to get a true sense of the three houses' financial position. They are tight-lipped about substantial parts of their business, including private sales, profitability and the guarantees they agree with clients to win ultra-high-end works.

Cost-cutting to improve margins is a well-established part of Mr Drahi's playbook. Sotheby's new boss Mr Stewart, formerly a senior executive at Mr Drahi's Altice, said the new management had pursued a "delaying" strategy since taking over. "Instead of there being three levels of reporting between me and a function it's much flatter," he said. "As a structure we think that's important, so decisions happen quickly."

Jobs were shed in March in response to the pandemic, though Mr Stewart declined to say how many. Christie's, too, cut staff in the summer, after initially limiting its response to furloughing employees.

The shift to online sales brings savings from expensive physical events that no longer take place. But other fixed costs have emerged as auction houses try to engage potential buyers online and generate buzz around a sale.

"Splashy digital experiences are here to stay for auction houses — but the costs of creating them are high," said Doug Woodham, founder of Art Fiduciary Advisors in New York and a former president of Christie's for the Americas. "If you have to be banging out 20 compelling videos for every evening auction, as well as making cool private content, it's expensive."

There is another trend accelerated by Covid-19, said Mr Woodham: auction houses and the big commercial galleries are increasingly "playing in each other's backyard".

In February, the art world was shaken up when Catherine Marron, the widow of US financier Donald Marron, chose to sell the 300-plus works in the family's art collection not via Sotheby's or Christie's — the time-honoured route for art estates — but through a trio of commercial galleries, Pace Galleries, Gagosian and Acquavella Galleries.

The deal was agreed before the pandemic, but Mr Woodham sees longer term ramifications for the future of the art market. "If art buying is entirely a digital experience, maybe those three galleries will say, we already have real estate in all the major markets. We know who the buyers are. We probably know who's consigning [art works]. What the hell — we're going to run an auction."

Ms. Adam of the Art Newspaper said: "Up until now the auction houses have been parking their tanks on galleries' lawns by lending money [on art] and private sales and other services. Now we have three big hitting galleries challenging auction houses."

Private sales, which give buyers and sellers an opportunity to transact away from the public gaze, have become increasingly important for auction houses. Ms Bertazzoni at Christie's said her department had double the normal level of private sales "from the moment we entered lockdown". Some buyers were unwilling to wait for an auction to transact, while others were flush with cash having sold stocks during the market turmoil and saw art as a useful hedge as well as a desirable purchase.

Mr. Stewart said Sotheby's had no aim to supplant galleries or dealers, citing an initiative during the pandemic when it promoted works being sold by several commercial galleries on its website to help sustain the sector. "We're doing more with dealers and gallerists than we've ever done . . . We're not trying to take their space."

Both auction houses said they had seen a rise in requests for appraisals in the pandemic, as owners looked to assess the value of their art for potential private sale or to borrow against their collections at historically low interest rates. Other artworks are

going under the hammer out of necessity, such as a David Hockney painting estimated at £11m-£18m and put up for sale at Christie's by the cash-strapped Royal Opera House in London.

In the short term, attention is falling on the late October sales and the rest of the fourth quarter, the most important money-earning period of the year. The usual calendar for the jamboree of fairs, auctions and exhibition launches has been torn up: auction sales were typically timed to coincide with Frieze Art Fair in London in October, before moving to Paris for the Fiac contemporary art fair. This year Frieze's physical event was replaced by an online offering, while Fiac has been postponed until next year. Auction houses have rejigged their own calendar in response.

Mr Stewart of Sotheby's sounded a final note of caution about forces beyond the sector's control. "Covid and the US election are probably the two points of uncertainty in the market right now," he said. "Once the election is behind us the market will adapt to the new reality."

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