

THE ART OF SALES

STEVEN MURPHY, Christie's CEO,
tells Brunswick Partner **KIM FLETCHER**
how the venerable auction house is learning
to love commerce in a digital world

salerooms in St. James's, London, speak reassuringly of provenance and affluence. The world's most famous auction house has sold material like this for almost 250 years. A few floors up, in the office of Steven Murphy, CEO, there's evidence of a new philosophy. Here, period plays happily with modern, an antique table looking perfectly at home with a flat screen television, an early Apple computer providing an unusual conversation piece. A Warhol *Mao* looks out from one wall, a large Stanley Spencer illuminates another. Both are for sale, if you are interested – privately, rather than at auction. Murphy, elegant in handsome tailoring, evidently tempers American patrician sensibility with keen commercial drive.

He arrived towards the end of 2010, bringing experience of the music industry and book publishing rather than art. Christie's – founded in 1766 and owned since 1998 by the French businessman François Pinault's holding company, Artemis – has traditionally traded neck and neck with the auction world's other big name, Sotheby's, and reported £3.3 billion (\$5 billion) of auction sales the year he arrived: "I came into a company that was broadly sound. However, it was a company that had historically bobbed like a cork on the seas of the market. So 2007, amazing year; 2005, good year; 2004, not so good. As the market was purported to move, so the company moved."

He spent his first 100 days watching and learning before developing a three-year plan that was signed off by the board at the end of 2011: strengthen the traditional auction business, develop private sales, build e-commerce – all while expanding into new territories. Put like that, it sounds straightforward, but in a world built on tradition it is not. In Murphy's words: "We've taken on the toughest of all challenges, transforming a company while keeping the culture consistent and keeping the people here."

It's a work in progress that, once we look behind the glamorous theater of fine art auctions, offers insight into business leadership, management of change, and the nature of brand. Murphy's plan sheds light particularly on that difficult task of extending a brand without damaging its values.

First on Murphy's agenda was a more fundamental task: to equip Christie's IT infrastructure for the new world. "It was a drag on the operating model and had not been invested in for some time. The good news was it gave us the opportunity to build a state-of-the-art system, with online interaction."

Murphy, a natural communicator with an understanding of the need for a clear narrative, had learned an important lesson in his previous worlds: "I arrived after 10 years in music and 10 years in publishing, two industries where some of the great houses had sadly missed opportunities to connect with customers and been swept over by the wave of change. It had not happened yet in the art world, but why would this industry be any different? We set out as a team to figure out how to design Christie's to become the innovator other people would fear. My concern was how fast we could be the 'new' Christie's. I was afraid of there being a Chinese auction house in a joint venture with a start-up in →



STEVEN MURPHY

Steven Murphy, CEO of Christie's International since September 2010, says his first love was books, which led him to a degree in literature at Georgetown University in Washington, DC, then into publishing, where he rose to President of a division at Simon & Schuster. A detour into music meant a spell heading one of EMI's labels (Angel Records), where he learned, among other things, about the futility of fighting the tide of technology. Later, he was COO and then CEO of Rodale, a US-based publishing company, where he oversaw the most profitable period in the company's 69-year history.

CHRISTIE'S

Christie's was founded in London in 1766 by James Christie, whose first sale included two chamber pots and two pillowcases. The salerooms at 8 King Street, in St. James's, London, were opened in 1823.

Austin, Texas, and we would all wake up thinking: 'What?'

"In the music business I'd been in the room with five label heads from the industry choosing the sticky tape to fit on the CD boxes so you couldn't steal the music. Meanwhile there were two kids in baseball hats creating Napster. So my anxiety was about timing: can we build e-commerce, can we build private sales, and can we build Christie's online to be the equivalent convenor of attention that the St. James's salerooms have been for almost 250 years?"

With a Burberry dress or a Gucci bag, the brand is clear. But what is Christie's brand? The auction house is an intermediary, a service business rather than a product. Surely, the brand is in the art rather than the place they buy it? Murphy says, "Actually that is not true in a country like China. People say: 'I got it at Christie's.' The fact that something came from Christie's means it's authentic, it's been vetted and you purchased it in one of the three or four best places in the world to purchase something like this. The brand means trust, authenticity, authentication. The brand should represent that this is the most trusted place to convene and interact with the commerce of art."

The biggest component of the brand resides in Christie's people, a group whose expertise the house is celebrating in an elaborately photographed international advertising campaign.

"There are very few people here who don't want to be involved in art. The experts, the warehouse manager, the porter in the basement, they all have an interest and a knowledge."

And how does that translate to selling? "I've been really taken by the ubiquitous quality of intellectual rigor about the art – love of art – and, without apology, a very mischievous, at times twinkly, love of commerce. So the perfect Christie's executive is someone who knows the art, loves the art, but is absolutely going to make this a commercial experience."

"The greatest specialist in Old Masters who really knows why that drawing is special is thrilled if it makes a big number, as a way of describing its importance as a piece of art and as a service to the client, who's been a friend for 20 years. At Christie's I've seen that this is not a dichotomy – it's not commerce versus love of art – and not something we have to apologize for."

Although he is introducing much change, he is skilled also at playing the heritage card: "We are all here as custodians of Christie's just for the 10 or 20 years we get to be here. It carries on. So, the Stubbs landscape of Newmarket which we sold in 2011, with the horse Gimcrack in the corner – so it's actually a landscape, with the horse in the corner, unusually for him – was commissioned in 1765 and sold four times in its life: all four times at Christie's."

"And on the stretcher of that picture is a number that was stencilled there by someone who worked for James Christie when it was first brought to the house. So that picture has come through the house four times in its life and for someone who might say: 'Oh my gosh, it's been bought by the Americans' – which they probably said around 1910, when some robber baron took it out of the country and it went to Newport never to be back on the shores of England again – well, it came back. Now it's gone someplace else. And in 50 years it will be back again."

Given his easy way with a story, one might infer that all has gone smoothly. Yet we know that those who celebrate great heritage can find it hard to embrace change. Some believe it is unseemly for an auction house to engage in private sales, an area where Christie's now eagerly matches buyers and sellers: "The question of what is unseemly is interesting, and it all depends on who you ask. There are some who conduct private sales who



Francis Bacon's triptych of his friend and fellow artist Lucian Freud was painted in 1969 and rarely exhibited. It sold in New York in November 2013 for \$142 million, making it the most expensive sale of a painting in an auction to date



***Gimcrack on Newmarket Heath with a Trainer, a Stable-Lad, and a Jockey (detail)* by George Stubbs (1724-1806).**

The painting has been sold four times, on each occasion at Christie's, most recently in 2011 when it realized £22.4 million (\$35.9 million) – the highest-ever price for an Old Master sold at the auction house.

“On the stretcher of that picture is a number that was stencilled there by someone who worked for James Christie when it was first brought to the house,” says Murphy



might say auction is vulgar – and vice versa. One of the fun things about being new was that I found this attitude and these lines amusing and bemusing. Our role is to connect art and clients, and always has been. Private sales are in our historic DNA as well as auction, so it's coming around again, full circle.

“As a leader, you need to push ahead anyway if you believe you are right and hope that people will be honest in their appreciation of what happens when it works. You have to have the courage to push these initiatives forward and then if the chips fall, they fall.

“We are a year-and-a-half into private sales being a major part of our reality and now it has already been experienced as, ‘I got this consignment for my auction because I sold for this person privately.’ We know from our research that our current best clients spend 47 percent of their wallet outside of auction altogether, doing private deals. So we are just extending our action with the client base, it's not cannibalized at all. Private sales have been accepted.”

There was also muttering about online auctions, territory Murphy was determined to conquer. Christie's encourages online bidding at regular auctions and runs some online only: “We had a fabulous moment when Philippe Garner, one of the most elegant, erudite and respected specialists in our company, a photography genius, spoke to the entire team and in his mellifluous voice said: ‘I was asked to do a Diane Arbus online auction and I must say I was dubious. I'm here to say that I was wrong.’ And he told the story of what happened: these were less popular subjects and yet we were sold out, above our highest estimates, with 45 percent of the buyers never before customers of Christie's. The consigner →



Overshadowed by the record price achieved by the Bacon triptych, Jeff Koons' 10-foot long stainless steel sculpture, *Balloon Dog (Orange)* sold for the “staggering” price of \$58.4 million at the November 2013 New York sale, “a crowning moment in Koons' long and extraordinary career,” wrote *The Independent*

was thrilled, the department was thrilled, and they acquired the names and email addresses of 21 new potential clients. The experience wasn't eBay, it was very Christie's."

The commercial detail about email addresses is telling. Murphy is fluent not only in "creative" but also in the bottom line. "I don't have experience and training in classic American corporate mode. So I didn't bring PowerPoint meetings and a whole series of processes and forums, quite the opposite. I did add discipline in terms of numbers and clarity and accountability, which makes people happier. Most people want to know where we are going, what is expected, will it be appreciated?"

With a wry smile, he acknowledges that it has not all been plain sailing: "Having had this narrative experience before, I have learned that there will be resistance from a certain percentage of people, and when I leave a decade from now there will be some who still say I was wrong. There's always a percentage of well-meaning people who find change hard, if not impossible. The people here are creative, and while I don't say it's been easy – still isn't – I haven't found resistance, only enthusiasm to be more creative."

More surprising has been the nature of external opposition. "One doesn't see in other industries the intensity of a certain flavor of competition between the auction houses, and between them and the dealers. I find it astonishing. Random House does not talk down the Philip Roth novel when Houghton Mifflin is publishing it."

But he is not one to dwell on the negative. It's time to talk about China, where Christie's has become the first foreign auction house to be given an independent license, holding its first sale in Shanghai in September 2013. "I knew that China was an important market, but also an important idea. What does it mean to be in China? The main thing to say is that we have succeeded as Christie's. Christie's operates in a certain way in Mayfair and at the Rockefeller Center and in Amsterdam. They all have the same structures, laws, rules – it's exactly the same in Shanghai. So if you are a European purchasing something in Shanghai, it's the same experience as if you are purchasing it in Amsterdam and also online as well.

"One makes a huge mistake if you are American or European with any colonial filter on your thinking as in, 'We need to teach that market how to appreciate the joys of collecting and of art.' Not necessary. The Chinese woman or man who has two degrees and is the son of an oligarch and is collecting – they're as sophisticated about art as anybody you are going to have lunch with at The Wolseley. The number of clients that Christie's Shanghai is talking to is just a small

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fraction of the clients we should be speaking to who are already quite sophisticated. The potential of China is to go from hundreds of clients to thousands of clients who are already interested in Chinese contemporary, Chinese antiquities and western art. We knew the audience. The same is true in India.

"The overriding learning of the last two years – not just about the Chinese client potential, but the client potential generally – is that the two big auction houses were succeeding in competing with each other for many years while serving a closed circle of clients. Meanwhile, dealers, art

fairs, and everything else were growing rapidly. So the number of clients available to Christie's to add to its client roster in America, in Europe, and in China is enormous. These are clients already buying art, but not from auction."

Those additional potential buyers, whether in existing or new markets, will be key to Christie's growth as the three-year plan enters its third year. Murphy is quick to point out just how inexpensive art can be at the firm's South Kensington saleroom and eager to describe the crowds who filled Christie's galleries during the Frieze London art fair. Whatever the price, he explains, the impulse is not investment but a human passion for art. Inevitably, in proof of that, we go to the higher end: "The hedge fund billionaire who buys the Rothko for \$35 million dollars is not storing it in a Geneva vault. She wants to have it. Why do I know this? Because her private office manager is on the phone the morning after the sale saying we want it in Greenwich, Connecticut, tomorrow night for a dinner party."

And suddenly there is a glimpse of the old music industry boss: "It's on the wall, man. They want it. They want Rothko." ♦

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Sui Jianguo is one of China's best known contemporary artists. His *Clothes Veins Study Series* of sculptures, including *The Dying Slave* (1988, right), borrows from classical Greek art here combined with the Mao suit which has Western origins, despite its iconic symbolism during Mao's Cultural Revolution. The sculptures fetched \$1.9 million at Christie's inaugural auction in Shanghai in 2013

