



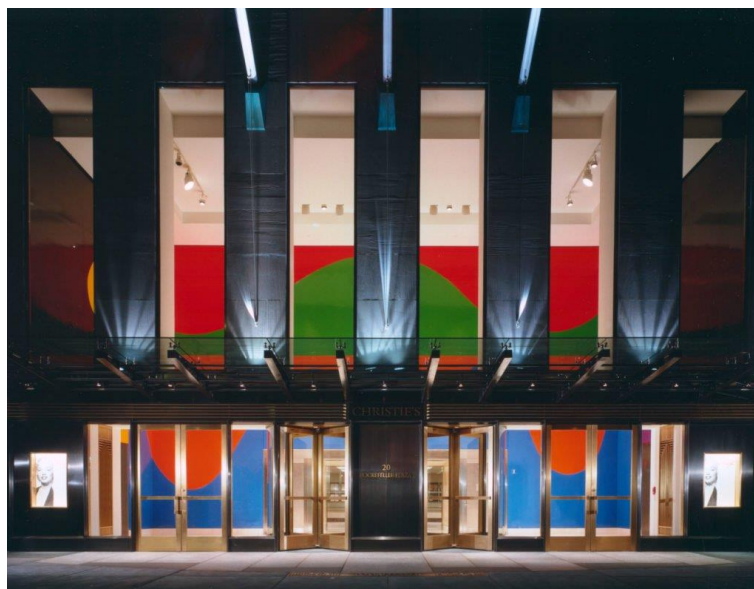
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Christie's Acquisition of an Art Startup Was Supposed to Change Everything. Instead, It's Become a Big Headache.

Christie's acquisition of the startup Collectrium has resulted in a pricey learning curve.

Eileen Kinsella, February 21, 2018



Christie's. Image courtesy of VistaJet.

In early 2015, when Christie's reportedly shelled out somehow between \$16 million and \$25 million to acquire a tech startup called Collectrium, the platform was hailed as something of a godsend for the art collecting set.

Collectrium was touted as way for clients to securely store and manage detailed information about their art collection in a single virtual space. The same platform would also offer them access to a database of millions of auction results from hundreds of auction houses around the world. The idea was that combined, these two tools could help collectors keep track of their collection and make informed decisions about future acquisitions, all at the same time.

But that dream never came to pass. Now, the database is defunct, Collectrium's founder and CEO has left, and Christie's has scaled back sharply on the initiative. Perhaps most troubling of all, the auction house is also stuck fending off litigation from a competitor who alleges that Collectrium's much-touted database was built on stolen data.

How Did We Get Here?

The problems surrounding Collectrium illustrate, once again, the challenges the art world faces when trying to adapt technology to its notoriously opaque and fickle business. Even as most industries have been thoroughly transformed by the digital revolution, the art trade is still struggling to streamline everything from online bidding to collection management. As the race to bring the 300-year-old auction business into the 21st century rages on, Christie's appears to have ended up with a platform that, by some accounts, over-promised and seriously under-delivered.

A representative for Christie's says the auction house has not pulled the plug on Collectrium, but rather folded it into the broader company. Christie's has "changed how we are deploying Collectrium resources," the spokesperson told artnet News. "We have integrated the team to bring this capability more closely into the heart of Christie's. We recognized that Collectrium has some truly outstanding technology and people that we want to harness in our broader business rather than operating as an independent subsidiary."

But the process of integrating Collectrium into Christie's has been rocky. Six months ago, Collectrium's CEO and founder Boris Pevzner, who started the company in 2009, left "to pursue another venture," he and Christie's confirmed to artnet News.

Then, at the start of the year, Christie's laid off roughly 10 people within Collectrium's sales, marketing, and operations departments—equivalent to just over a third of a staff that, at its height, numbered approximately 25 to 30 people. The remaining staff now stands at approximately seven people.

Several people familiar with Christie's acquisition of Collectrium told artnet News that the acquisition was pricey, a poor fit from the start, and marred by a lack of

vision or integration strategy. The fact that Christie's quickly found itself at the center of a lawsuit related to Collectrium's data collecting activity didn't exactly help matters, either.

Competitor Alleges Data Theft

In late 2016, Christie's and Collectrium were sued by Dallas-based Heritage Auctions, which alleged that its data had been stolen. That case is now in arbitration in Texas federal court and due to head to trial within the next four months. Christie's declined to comment on the litigation.

Heritage believes members of the Collectrium staff used "spiders"—a type of crawling or scraping software that allows a third party to obtain all of the content off of a website at superhuman speed, without actually viewing the pages—to collect some of the auction data in its database.

Heritage alleges that the spiders may have damaged its website by slowing down its performance. The technology can also make a site more vulnerable to data theft from other third parties, Heritage says. Further, a copyright line (©Heritage) that appeared alongside each of its auction results was stripped out when the data was put into the Collectrium database, it claims.

With a bit of online sleuthing, Heritage says it traced the offending spider to an account in the name of Leanne Wise, which was set up from the same computer as another account registered by David La Cross, the director of product development at Collectrium. In all, according to its claim, Heritage identified 31 accounts allegedly operating Collectrium's spider on the Heritage site, many of which were registered under bogus names, "such as the account created by 'Jason Bourne of Kathmandu.'"

Heritage says it suspended all of the fake accounts it could identify, but that Collectrium's data collection methods suggest that the company operates a "fraudulent business model."

(Notably, this is not the only legal battle Heritage is currently waging against Christie's. The auction house also sued Christie's in 2014 for poaching top executives from its lucrative handbag department. Heritage's lawyer, Armen Vartian, told artnet News that the company sees these cases as related. "Each time Christie's saw that Heritage had a good thing going, they decided to steal it for themselves," he said. Christie's declined to comment on the suit.)

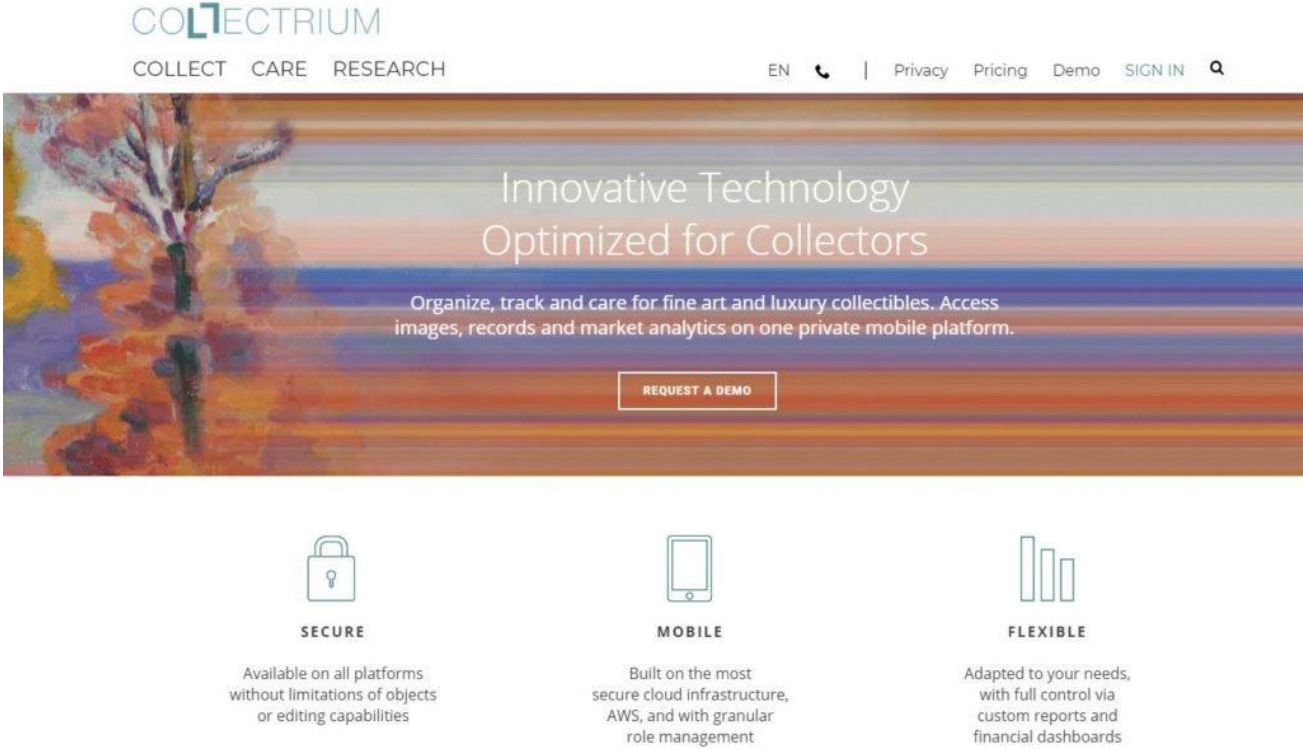
A Legal Battle Continues

In a court declaration last year, Collectrium project development director La Cross said that he immediately removed Heritage's listings from the Collectrium database after the Dallas-based auctioneer filed its complaint. When Heritage pointed out

that some references were “inadvertently left on Collectrium,” he added, “we promptly removed the remaining content.”

But it wasn’t just the Heritage data that was removed. The entire database—a huge part of Collectrium’s identity—had been taken offline, and it has not been restored since. The court documents contain screenshots of a message informing subscribers that “Collectrium Market Data” is “undergoing scheduled maintenance” and would be back soon. The notice remained in place for about a year. The current Collectrium website does not mention a database as part of the subscriber service.

In his declaration, La Cross also sought to distance Collectrium from Christie’s, its new owner. “Although the company was acquired by Christie’s in 2015, Collectrium continues to operate independently, with offices and clients in the Americas, Europe, and Asia,” he said. “Collectrium’s employees are not employed by Christie’s and Collectrium does not refer or encourage subscribers to consign items with Christie’s.”



Courtesy Collectrium.com

But if promising collectors access to heaps of pricing data and a tool for managing their collections was not intended as a business-getting technique for Christie’s, then what exactly was it?

Some sources suggest that Christie’s jumped to acquire Collectrium so that its rivals wouldn’t beat them to it. (Indeed, Pevzner, who conceived the idea for Collectrium around 2008, initially discussed it with Sotheby’s, according to a statement from Christie’s at the time of the acquisition.) Meanwhile, others say Collectrium was just another moving part of then-CEO Stephen Murphy’s broad

push for digital initiatives, though the actual acquisition was made shortly after his sudden departure in late 2014.

Regardless of its motivations at the outset, Christie's maintains the slimmer version of the product still adds value, even if it has turned out differently than planned. A spokesperson points out that Collectrium subscribers will continue to be fully supported and have access to the platform. Their data "remains confidential," the representative said, and Christie's employees cannot access it. Finally, "new clients can sign up on Collectrium's website, and the onboarding services are still offered," she said.

Meanwhile, the lawsuit with Heritage over data theft continues. After a Texas court approved Christie's request to send the suit to arbitration, a judge declined, in mid-January, to compel Heritage to cover its legal costs.

Looking forward, a Christie's representative said the company is less interested in growing Collectrium's user base than in applying its technology to boost the rest of its business.

"Obtaining revenue from selling the collection management product as an independent ancillary business is less important to us than integrating this development capability, harnessing the digital technology in our own business and creating a digital emerging technology group to spearhead our digital capabilities," she said. "We have recently made this move and are turbo charging our development activity in this space. We see this as tremendously exciting."