

Christie's and Sotheby's
Revised: November 17, 2003

On Friday, October 6, 2000, Diana D. Brooks, the former president and Chief Executive of Sotheby's Holdings Inc. pleaded guilty to conspiring with Christie's International to violate antitrust laws. Christie's and Sotheby's are alleged to have agreed to fix prices on a number of sales. Brooks admitted to U.S. District Courts that she had a number of meetings with a representative from Christie's in which the parties involved agreed to fix prices with respect to commissions charged to sellers during the period from April 1993 to December 1999. Brooks claimed that these meetings were directed by order of her superior, Mr. Taubman. (Mr. Taubman has denied any involvement with the price fixing in a released press statement.)

Christie's and Sotheby's have dominant market shares in the global auction market, but they have both become more aggressive about muscling into new types of business and fattening the commissions that buyers must pay on their goods. While art enthusiasts have become used to dealing with a relatively uniform commission structure, the admissions of collusion have angered dealers who are talking about taking their business elsewhere. This is hardly a credible threat however, as the two companies are powerhouses that dominate every major sale worldwide.

In the meantime, both auction houses have revised their rates. They now charge different rates, and both charge more than they used to. Since 1993, both auction houses had charged 15 percent on the first \$50,000 and 10 percent on the rest. Now, Sotheby's charges 20 percent for the first \$100,000 and 10 percent for values over \$100,000. Christie's charges 17.5 percent on the first \$80,000 and the same 10 percent on any amount above \$80,000.

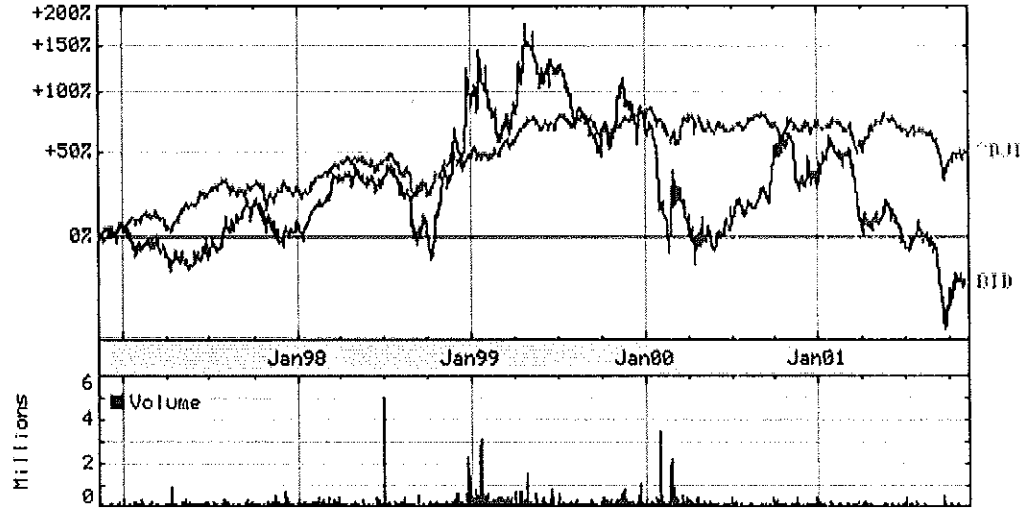
Sotheby's announced that Mr. Taubman, who resigned as Sotheby's chairman in February 2000, would pay \$156 million of the company's \$256 million share of the settlement agreement. Sotheby's share price is shown in Exhibit 1. Christie's is privately held.

Questions for Analysis

1. What do you expect will happen to prices after a cartel collapses? What happened to auction rate since the investigation started?

Exhibit 1. Sotheby's (BID) stock price and the Dow Jones index.

Sotheby's Holdings Inc
as of 6-Nov-2001



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Notes

Chui Chui Lee prepared this case under the supervision of David Backus and Luis Cabral for the purpose of class discussion rather than to illustrate either effective or ineffective handling of an administrative situation. © 2001 David Backus and Luis Cabral.