# Pure Luxury? The Rebranding of Georg Jensen

Associate Professor Esben Karmark, Associate Professor Fabian Faurholt Csaba and Professor Suzanne C. Beckmann prepared this case for class discussion. This case is not intended to serve as endorsement, source of primary data, or illustration of effective or ineffective management. We are grateful to a number of people at Georg Jensen A/S for their support. We thank, Georg Jensen, in particular Ulrik Garde Due, Hans-Kristian Højsgaard and Gord Ray for their insights and interest, and Simon Bøge for his invaluable assistance. We are also indebted to Professor Majken Schultz of CBS for her support and encouragement.

Ulrik Garde Due was quickly getting familiar with his new office in the top floor of the wing of refurbished porcelain factory in which Georg Jensen's headquarter was located. Well before officially taking over as CEO of the Copenhagen-based design and crafts-company on 1 November 2007, Due found himself flying in from his London home to a busy meeting schedule. Georg Jensen had parted ways with his predecessor, Hans Kristian Højsgaard, during the summer, after the owners, private equity fund Axcel, had grown impatient with the results of the turnaround, he had been in charge of during his 4 year reign. Now it was up to Ulrik Garde Due to critically review the strategies and decide on which changes were necessary to make the company profitable and meet the expectations of the owners, private equity fund Axcel.[1]

In August 2003, Højsgaard was given the task of turning Georg Jensen into a successful independent company, after it was split from the Royal Scandinavian group of arts and crafts enterprises. One of the cornerstones of Højsgaard's turnaround strategy had been a comprehensive effort to rebranding Georg Jensen. The branding strategy had consisted of three related components. First, it sought to establish *Georg Jensen* as a truly global brand. While the company had long had a global presence, it had developed very differently in different markets. Global marketing director Gord Ray, who joined in January 2003, had begun defining and conveying the brand values and position to ensure a more coherent image around the world. Secondly, the strategy involved moving into the luxury market and giving greater priority to fine jewellery and watches. This meant moving the focus away from silver – a vital part of the company's tradition and legacy of its eponymous founder – to higher value jewellery with gold, diamonds, and precious stones. In this regard, the rebranding also implied to contemporize *Georg Jensen* and release the brand from the strong ties to its silver past, while maintaining a connection to its heritage.

Repositioning *Georg Jensen* as a global luxury brand was particularly challenging in the domestic market, where the brand was a household name found in the majority of Danish homes and associated mainly with silverware, cutlery, and design and gift items. But other challenges and constraints existed. The owners' goal of making the company profitable in the short run meant that Georg Jensen was expected to build a strong global luxury brand on a tight budget. Furthermore, the cost of maintaining the company's global network of stores in exclusive locations dictated that retailing occupied a central role in the rebranding process.

In the summer of 2007, four years after being appointed CEO, Hans Kristian Højsgaard left Copenhagen-based design and crafts company, Georg Jensen, "by mutual consent". The chairman of Georg Jensen's board, Lars Nørby Johansen,

[1] In November 2012 the sale of Georg Jensen to Bahrain-based investment house Investcorp for $140 milion was announced. Initially, Ulrik Garde Due was destined to stay on as CEO. In February of 2013, however, Ulrik Garde Due stepped down from this post, and the position as CEO of Georg Jensen was taken over by David Chu, former Chief Creative Officer, and member of the Georg Jensen board.
http://www.ft.com/cms/s/0/90c8e6d0-2694-11e2-9109-00144feabdc0.html#axzz3bn3WfDmj
http://borsen.dk/nyheder/karriere/artikel/1/251504/georg_jensen-chef_takker_af_efter_salg.html

credited Højsgaard for his dedication, professionalism and progress in making the mindset of the organization more global. But the board found that new competencies were needed to take the company the last step towards success. Højsgaard's replacement was already lined up: Ulrik Garde Due, who was recruited from Burberry, where he had been involved in the astonishing revival of the classical British brand. Having lost patience with the companies failure to realize projected growth and profit goals under Højsgaard, the board found that Due's proven record in financial results made him the right man to take over.

Upon taking over, Hans-Kristian Højsgaard had likened *Georg Jensen* to a diamond in the rough. Much cutting and polishing had been done, but now it was up to Ulrik Garde Due to make the stone shine. Had the choice to transform *Georg Jensen* into a global luxury brand the right one? Was it possible under the given constraints? If so, how could the reposition of the brand be accomplished? What changes had to be made? If not, what path should Georg Jensen then follow to become a profitable venture?

## *Company History*

*Georg Jensen* traces its origins to 1904, when the company's founder bearing the same name opened a combined store and silver workshop in Copenhagen's fashionable Bredgade in central Copenhagen[1]. *Georg Jensen* began establishing an international retail presence at an early point in the company's history. The first store outside Denmark opened on the Kurfürstendamm in Berlin in 1909. Immediately after World War I, another store was opened on the Rue St. Honoré near the Place Vendôme, still the prime location for the jewellery business in Paris today[2]. In 1921, *Georg Jensen* opened a store in London, followed by a store in Barcelona in 1925. The Berlin store, which had closed down during the war, reopened in the Budapesterstrasse in 1926, and Brussels was next in 1935. The same year, the first intercontinental expansion came, when *Georg Jensen* established a store in USA. The store 'Georg Jensen Handmade Silver' covered three floors on Fifth Avenue in New York City. The manager of the shop, Frederik Lunning, who had also set up the shop in London wanted to promote *Georg Jensen* silver as luxury goods. The big, established companies such as Tiffany & Co were not interested in selling Danish silver, so Lunning built *Georg Jensen*'s reputation by arranging small exhibitions in places like the Waldorf Astoria hotel[3].

The next major phase in the international retail expansion occurred in the 1980s, when *Georg Jensen* looked to expand in the Asian markets, and opened its first shop in Tokyo in 1983. Japan has since become its largest market outside Denmark. The expansion continued in Taiwan, Singapore, and Hong Kong, and with 60 stores in the region, more than half of the company's outlets are now located in Asia. The company also has its own stores in Australia. Additionally, the company also had a limited distribution through wholesalers, which accounted for a significant percentage of company sales in Scandinavia, the UK and Germany.

In 2003 Georg Jensen began a major retail investment program, which included renovations of flagship stores in Copenhagen, Tokyo and New York as well as the opening of new shops in Paris, Japan and the USA: For example, Georg Jensen opened a luxury jewellery and watch boutique on Rodeo Drive in Beverly in 2006 designed by the famous Japanese architect Tadeo Ando thereby underscoring the ambition to become a high-profile player in the international luxury goods market.

In the beginning of the millennium, Georg Jensen was acquired by the Danish private equity fund Axcel. The previous owner of the company was the Royal Scandinavia group of companies owned by the Carlsberg Breweries, which had bought Georg Jensen in 1985. Carlsberg attempted to gather all the most well known Scandinavian porcelain and glass brands such as Holmegaard, Orrefors and Kosta Boda under the Royal Scandinavia umbrella. Carlsberg eventually decided that the arts and crafts industry was too far away from its core business, and in 2001 sold off Royal Scandinavia to Axcel. Axcel decided to re-establish *Georg Jensen* as a separate company with its own management and board[4]. The new owner was determined to make *Georg Jensen* profitable, which meant shaking up the organization and its culture. The previous CEO Hans-Kristian Højsgaard recounted:

> *When I came to the company, it had, so to speak, run for 100 years with a very production-driven and handicraft-driven culture. It was accepted that the company, to be very blunt, was run as a national treasure, like a working museum, for a very long time. Now [the] new owners, […] like with most companies, would like to see a return on their investment.*

In November 2007 Ulrik Garde Due took over as the company's new CEO.

## *The Georg Jensen brand identity: Design and style*

At the end of the 19th century, the market for silver had a broader scope than today. Silver was used for a wide range of items for the home, from opulent centrepieces in wealthy homes, to more everyday items such as cutlery, coffee pots and serving platters that were also used in middle-income households. In general, silver producers in Denmark fell into two groups at that time: Silver factories that produced silverware of mixed quality on an industrial basis, and the 'old' silversmiths, some of whom were purveyors to the Royal Danish Court, and who were also jewellers. The styles favoured by these traditional houses were grand and often copies of earlier styles[5]. Georg Jensen presented his own, unique approach to silver design, which soon became known as the 'Georg Jensen style'. This 'design language' was based on the '"synthesis of a national orientation, the fascination with everything Japanese, and the debate on industrialism versus handicraft which influenced art and design in Europe at the time"[6] (Art Nouveau). Georg Jensen represented a unique style as well as high standard in the handicraft. One of the main characteristics of the 'Georg Jensen style' was the attempt to bring out the 'moonlight glow' in the silver. This was achieved by making the marks from the hammer visible in the silver instead of the highly polished style favoured by other silversmiths[7].

In the beginning Georg Jensen made relatively modest pieces of jewellery for daily use such as hatpins. In the spirit of the Arts and Crafts movement, it was a basic philosophy to Georg Jensen that his jewellery should be available to the many rather than the few[8]. Accordingly, Georg Jensen used silver instead of gold and semiprecious stones like agate, amethyst, carnelian, coral, lapis and opal, rather than diamonds and precious stones. Georg Jensen's jewellery became fashionable because it was unique and innovative, and well fitted to the fabrics and dresses of the time. Furthermore, it was accessible in terms of price and well suited for everyday use.

The success in jewellery allowed Georg Jensen to purchase silver in greater quantities, and this marked the beginning of the production of 'hollow-ware' pieces such as tea pots, fruit bowls and other ornate objects, still in the Georg Jensen style. For instance, the bowl known as the 'Louvre bowl' (see Exhibit 1) was purchased by the Musée des Arts Decoratif at the Louvre Museum in Paris in 1914, which reinforced Georg Jensen's reputation as a name in silver, art and design[9].

From the beginning, the *Georg Jensen* name and company was associated with a silver-craftsman – Georg Jensen himself. Among the old, traditional silversmiths and jewellers at the time, the designers of silver items were mostly anonymous. At *Georg Jensen*, however, the craftsmen who were responsible for the designs were brought to the forefront. In the beginning, the success of *Georg Jensen* was based on designs by Georg Jensen and Johan Rohde, but in the 1930s, the company broke with the 'Georg Jensen style' when it began producing designs in the functionalist style by Sigvard Bernadotte. This tradition of engaging designers who contributed their own style and 'design language' to the silver has continued to this day at *Georg Jensen*. In the 1940s and 1950s, designers such as Henning Koppel (famous for the 'Koppel Pitchers') and Vivianna Torun Bülow-Hübe produced designs that are still some of the most well known silver pieces from Georg Jensen (See Exhibit 1). From the 1950s, the *Georg Jensen* designers became part of the direction within arts, crafts and architecture known worldwide as 'Danish Design'. This movement included well-known architects and designers such as Arne Jacobsen, Verner Panton and Poul Kjærholm, and they created a new style, which broke with the geometric and impersonal lines of the functionalist style. Danish Design had clean lines, but was more organic and personal[10].

*Georg Jensen* has kept the production of hollowware silver alive to this day. However, since the 1980s the market for hollowware has dropped dramatically. People are now less prone to collect silver items for use in homes and tend to regard hollowware silver more as fine art. Furthermore, the "yuppie-culture" of the 1980s also brought an increasing demand for branded items[11]. In response to these market trends, *Georg Jensen* began to build the brand through design items in stainless steel, watches and Christmas ornaments (Golden Christmas). Designers were featured mostly in jewellery as in the case of Nina Koppel's 'Fusion' ring. Around the turn of the millennium, *Georg Jensen* also began engaging high-profile international designers. American designer Jacqueline Rabun has created designs in jewellery, and Cairo-born and Canada-raised Karim Rashid has created products for the home in stainless steel (see selected Georg Jensen designs in Exhibit 1).

## The Rebranding Process

Hans-Kristian Højsgaard's turnaround strategy involved an upmarket repositioning and rebranding of *Georg Jensen*. Or perhaps it is more accurate to call it branding — rather than rebranding — process. Because when Canadian Gord Ray joined *Georg Jensen* after completing his MBA at IMD, no coherent or formal brand strategy existed. In fact, Gord Ray had done a brand-consulting project for *Georg Jensen* while at IMD, and was recruited by former CEO Michael Ring to take the reins of the branding of the company as head of the marketing department. The company had run noteworthy international advertising campaigns — one featuring Danish supermodel Helena Christensen — but Gord Ray found little or no brand strategy in place:

> *One of the first things I did when arriving was to try and get an overall idea of what the brand stood for. There seemed to be contrary thoughts among employees and customers both in Denmark and around the world in different markets. Also, the different product categories had very different ways of presenting themselves to the consumer. There had to be a common thread but it was not readily obvious. Given there was no budget to hire an international brand consulting firm to do research and analysis, my team and I had to be creative in how we could go about the project on minimal resources.*

In order to establish a clear brand positioning, Gord Ray conducted a five-point brand identity research program in order to specify the brand values and the brand identity from an internal as well as an external perspective. The five points in this process were:

1. What do consumers and employees say? How do they describe the brand?
2. What does the press say? What have they been writing about Georg Jensen?
3. What are our top selling products? What does this tell us?
4. What has been our marketing message over the past 10 years?
5. What is the nature of the global luxury goods market? Where do we/can we establish a clear point of entry?

Gord Ray's research program began with an investigation of Georg Jensen's press image in the global marketplace. His starting point was:

> *The company has been fortunate enough to receive a huge amount of press all over the world for the past 100 years. I looked back into the archives of press cuttings at what they have been writing in Australia, Singapore, Japan, Taiwan, US, UK, etc to see if there were any commonalities. The press often have the ability to see through the clutter of a brand's communication and really identify a key message. This exercise was combined with talking to employees and customers around the world, where possible, as well as looking through the archives at various marketing campaigns from the past. It helped being new to the company as I was quite unbiased in my views.*

Gord Ray worked on a shoestring budget to 'get a handle on' what *Georg Jensen* stood for and how it was to evolve, producing a brand book, corporate identity manual and doing numerous brand presentations to get employees 'on brand'. Gord Ray also had a hands-on involvement in developing the right look for the advertising campaigns as well as other manifestations of the brand (like gift wrapping and employee uniforms) and in generating PR around the world for *Georg Jensen*. The budgetary constraints partly reflected the sparse financial resources available to the turnaround process, and partly the cost of maintaining and renovating the retail network. Gord Ray observed that *Georg Jensen*'s repositioning would have been a lot simpler if vast funds had been available, such as in Rosemary Bravo's successful relaunch of Burberry or Domenico De Sole and Tom Ford's turnaround of the Gucci brand in the mid-1990s.

The rebranding strategy for *Georg Jensen* consisted of three focus areas:

1. To establish a clear and distinctive brand positioning that creates a solid platform for future global growth
2. To develop a brand architecture that is an accurate reflection of Georg Jensen's various product categories, price points and consumer profiles
3. To create an identity and communication strategy that reflects the brand positioning and brand architecture. The identity should be reflected across all consumer contact points – all marketing communication, store ambiance, future product development, and so on.

Based on the internal and external analysis of the *Georg Jensen* brand values, the redefined brand identity emerged as the foundation for the *Georg Jensen* brand position. The starting point for the redefined brand identity was that all brands in the luxury market have values that are generic to the luxury segment. The brand essence was defined as 'purity that lives' (See the *Georg Jensen* brand identity in appendix 2).

## *Brand Management Strategy*

The redefined brand identity was the starting point for a number of further steps in *Georg Jensen*'s rebranding process. One such step was the brand management strategy. The challenge for *Georg Jensen* was to establish a brand architecture that ensured a logical organization of various product categories, price points and design styles as well as establishing a direction for future product development across all product categories. *Georg Jensen* decided on a sub brand strategy where the *Georg Jensen* brand portfolio was segmented by consumers' preference of design language (see Exhibit 4).

The next step in the rebranding process was to change the *Georg Jensen* logo and the signature colours and to establish a complete corporate identity manual. Based on the guidelines in the manual, steps were taken to change every expression of the *Georg Jensen* identity including packaging and all other aspects of the shop experience such as receipt holders, bags and certificates. The redefined identity also set the guidelines for a new advertising campaign. Based on the brand identity, the theme for the campaign was 'Pure Nordic Sensuality'. The rebranding process began with the jewellery category and was subsequently repeated for the Heritage, Living and Christmas categories. The process of defining the brand essence of the *Georg Jensen* brand with the purpose of communicating the brand globally continued. In the winter of 2006, Gord Ray worked with the English advertising agency Leagas Delaney on the fine-tuning of the *Georg Jensen* brand identity. The aim was to give the *Georg Jensen* global brand position more impact in terms of communication. Gord Ray explained:

> *We agreed on the brand essence of 'purity that lives' but did not feel that these words alone could communicate the entire message. Purity is a funny word. It can come across as cold, stark and grimly minimal if one does not package it carefully. We wanted to inject additional values into the idea of purity such as sensuality, self-assurance, and seduction*[12].

Gord Ray and the agency sought to find a pay-off which could encapsulate all of the *Georg Jensen* brand values, and came up with "Is there anything more seductive that purity?" This fine-tuning of the brand identity became the basis for the new global campaign launched in April 2006. The dreamy images featuring top model Ruslana Korshunova wearing *Georg Jensen* jewelry or watches, were created by Italian star photographer Paolo Roversi.

## *Brand Positioning in the International Luxury Market*

Gord Ray, Hans-Kristian Højsgaard and their team aimed to establish Georg Jensen among the ranks of top international luxury brands in the jewellery and watch category as well as the in fashion category in general. These brands include Rolex, Cartier, Bulgari, Gucci and Armani (see Exhibit 5). In Højsgaard's analysis, the international luxury market offered several opportunities for *Georg Jensen*. However, Højsgaard also knew that to be a legitimate player in that market, the first thing to do was establish brand equity. This meant that, first and foremost, *Georg Jensen* would have to establish itself as a purveyor of fine jewellery in the luxury segment and to downplay the Living and Seasonal Decorations sub-brands in the international markets. Højsgaard had often cited the example of Ralph Lauren: "Ralph Lauren established itself in high-end fashion, and now they can sell towels and a whole range of other things".

Hans-Kristian Højsgaard believed that the opportunities in the international market for branded jewellery were also related to the specific characteristics of the market:

> *Only 15 percent of the world jewellery business is branded. Therefore, there is no reason to believe that we, on a daily basis, are supposed to compete with Cartier, Bulgari or Tiffany because 85 percent of that market is not branded. So there is ample room for all of us to grow, including Tiffany. And the exciting trend is that demand is moving towards branded jewellery. So there are a number of things that are playing into our hands right now.*

The desired brand position vis-à-vis other brands in the luxury category was defined along the dimensions of *young and modern* and *pure.* Gord Ray and Hans-Kristian Højsgaard were convinced that the 'Georg Jensen style' could sustain this position. Højsgaard believed that this style was what distinguished *Georg Jensen* from other luxury good providers, and that it meant that a fan of Cartier would never buy a piece of *Georg Jensen* jewellery or vice-versa.

By positioning itself among some of the main international luxury jewellery brands, Hans-Kristian Højsgaard and Gord Ray were taking the company into new territory. Jewellery as such was not a new business for Georg Jensen, it had traditionally been present in the fine jewellery segment with price points at up to € 950. However, now *Georg Jensen* was moving into precious jewellery which sold at price points between € 2,700 and 8,000 with some showpieces priced at up to € 300,000[13]. Hans-Kristian Højsgaard reflected on this change in the brand expression at the product-level:

> *Now that the diamond market is rapidly growing, especially in Asia, this is an obvious route for us to take. If we are to build a luxury brand, we cannot begin with coffee pots and other lifestyle products. We have to begin with the most exclusive products.*

In terms of trends in the diamond jewellery market, demand is expected to grow the fastest in emerging markets such as China, India and Russia. According to market analysts, this trend will help companies such as De Beers and Tiffany because newly rich consumers often seek out well-known brands to show off their wealth[14]. Another significant trend in the diamond jewellery market is that diamond jewellery is no longer a 'special occasions' item bought by men for women. Instead, the market is seeing increasing demand for 'right-hand rings' – rings beyond the wedding and engagement market often purchased by women themselves. This market alone rose 15 per cent in 2005[15].

## Implementing the global luxury strategy

The worldwide network of company-owned retail stores was crucial both in the formation and execution of Hans-Kristian Højsgaard's whole strategy to turn around the company and build *Georg Jensen* into a global luxury brand:

> *The fact was that Georg Jensen was forced to make a strategic choice. Was it to continue being a Danish brand with a domestic base and focus on the Scandinavian market, or was it to try to become a player in the international luxury goods market with jewellery? In my opinion, the past has sort of made the choice for us, because we have 115 stores at prestigious locations all over the world, and there we cannot keep selling 1500 DKK silver necklaces, because then one has to sell an awful lot of them to pay the rent.* [16]

Hans-Kristian Højsgaard bluntly suggested that the 115 store leases at some of the world's most attractive retail locations made up most of the company's value in 2003, when he took over. Evidence supported his assessment. *Georg Jensen* had reluctantly sold the rights to its attractive store lease in Rome to Gucci in 2003 for a reported DKK 60 million, which constituted about 1/10 of the companies turnover that year. However, the company decided against selling off store leases as a means to generate funds. The retail network provided a platform for building a global luxury brand. It gave the company control over the point-of-contact with customers at key locations and markets around the world. And while realizing that product development and advertising were essential to his turnaround and rebranding strategy, Hans-Kristian Højsgaard believed the real moment of truth was in the store. 75 percent of customers did not make their decision before entering the store, and the service and store experience - especially the aesthetic wow-experience - were absolutely vital in establishing a luxury brand.

On the other hand - as Hans-Kristian Højsgaard put it - the company had sewn itself an overcoat that was too large. The brand's stature and sales simply did not match its extensive and expensive retail network. He estimated that Bulgari, with a comparable number of company owned stores in similar locations, had a turnover that was 30 times greater. On the one hand this indicated that something did not add up in Georg Jensen's strategy or performance so far, on the other hinted at the kind of sales and earnings *Georg Jensen* could achieve, if it succeeded in joining the ranks of the top luxury brands. Hans-Kristian Højsgaard and the company's owners had faith in this potential, and the aim was to grow *Georg Jensen* into its over-sized overcoat rather than cut it to size. However, this required that Georg Jensen's product design and development, assortment, merchandising and sales efforts shifted towards higher priced, higher margin luxury items. Furthermore, maintaining the extensive and expensive store network, limited the funds available for investments in other brand building activities, such as advertising and PR, and placed a great responsibility on *Georg Jensen*'s retail strategy and operations. The whole rebranding process depended to a great extent on retailing, and the retail environment became the primary vehicle or medium for repositioning *Georg Jensen* as a luxury jewellery brand.

## *Global Strategy and Cultural Ties*

The choice to give priority to luxury jewellery and watches marketed through company-owned stores implied and required a fundamental shift in the approach, outlook and organizational culture of *Georg Jensen*.

Prior to joining the company, Hans-Kristian Højsgaard had spent almost two decades abroad managing prestige brands for Seagram's, Guerlain, LVMH and Lancaster and several years experience in the crucial Asian markets for luxury goods. Returning to his native country to take charge at Georg Jensen, he found the company operating with a less than global mindset. He believed that in all key areas - pricing, retail strategy, and product development - Denmark was taken as the starting point. 'What works in [Copenhagen's] Frederiksberg Allé will also work in Ginza [Tokyo]', seemed to be the assumption. Despite the international presence, the outlook, in Hans-Kristian Højsgaard's eyes, was still Danish. This complicated any transformation of the company and the brand, especially the prioritization of precious jewellery and watches. Hans-Kristian Højsgaard argued:

> *The jewellery business is negligible in Denmark, so if one's way of thinking starts from there, it is obvious that you won't get far. Georg Jensen has had an export mentality, where one begins every day thinking of Denmark. And a belief seemed to prevail that the company was international just because it had 115 stores worldwide. It is not. Internationalization starts in your head, when you look at what market you want to operate in.* [17]

*Georg Jensen*'s design heritage, strong position in silverware and home design products, and status as a household name and something of national treasure, placed constraints on any changes in the domestic market. *Georg Jensen*'s Living (stainless steel gift articles and cutlery) and Christmas (seasonal decorations) lines constituted a major part of the business in Scandinavia and were an important cash-cow for the company. Many Danes saw silver as the soul of the *Georg Jensen* legacy and had a hard time identifying the company with jewellery and diamonds, which the company began to focus on more strongly in 2004. Even Hans-Kristian Højsgaard's predecessor, Michael Ring, who had championed *Georg Jensen*'s venture into gold jewellery, publicly attacked the move into diamonds. Ring was asked by Denmark's premier business magazine to comment on the Nordic Splendor-collier, the top piece in *Georg Jensen*'s master diamond collection. The collier is based on a classical design by famous Danish designer Nanna Ditzel, but unlike the original it was in platinum and set with 1824 diamonds, costing 2.2 million DKK (or almost € 300.000). Ring said that he had wept inside when he saw it and claimed that it had nothing to do with *Georg Jensen* or Nanna Ditzel anymore. To him it represented a violation of a great design, and he questioned the wisdom of *Georg Jensen* moving into the diamond market at all. In the following edition of the magazine, Hans-Kristian Højsgaard explained that the move into diamonds was a logical step in view of the choices made in the past:

> *The transformation, I initiated, is to say we come from a silver tradition. The next natural link in the chain, started by Michael Ring, was moving into gold. We placed a special emphasis on white gold, and then the question becomes what is the next natural link? The answer is diamonds, because they are so well suited for this metal* [18]

Although he acknowledged *Georg Jensen*'s roots in silver, Hans-Kristian Højsgaard refused to be constrained by the silver heritage in his efforts to contemporize the brand and make *Georg Jensen* a viable business rather than a relic of Danish arts and crafts design's celebrated past. The acceleration of top-line growth - emphasizing the development, marketing and sales of expensive jewellery items and watches - was imperative for the whole turnaround strategy, even if this implied separating the strategy in the domestic market clearly from that abroad.

## *Rebranding at the retail level*

The global strategy, with its luxury brand aspirations and emphasis on precious jewellery and watches, had a number of implications for *Georg Jensen*'s channel and retail management. It meant a reduction of wholesale distribution, a clearer targeting of markets, an improvement of retail operations, and a focus on bringing the store experience in line with the new brand positioning.

The existing company-run stores in its important markets enabled *Georg Jensen* to cancel most wholesale accounts without losing its foothold on markets entirely or taking too great a hit on its sales. With distribution only or mainly through its own stores, the company could ensure that the *Georg Jensen* brand were presented in ways that reflected a new upmarket positioning and assortment priorities. Hans-Kristian Højsgaard cancelled most wholesale accounts outside Scandinavia, Germany and the UK within weeks of taking over.

The emphasis on top-line growth expressed a clear geographical focus. Japan, already a major market for *Georg Jensen*, was targeted as the entry point to the all-important Asian markets. The USA, as the largest and most important market in the world for precious jewellery, especially diamonds, made it impossible to ignore for *Georg Jensen*, despite its limited size in the market. European markets such as Germany and Spain were seen to have less potential. *Georg Jensen*'s European stores played a role in showcasing the brand to Asian and US tourists and supporting marketing. This meant that London and Paris, which attracted large crowds of tourists, became more of a priority than cities like Düsseldorf, which did not.  The choice to reduce distribution through independent resellers and, to a large extent, rely on its global retail network for sales and brand communication, demanded a more effective management of its retail organization and operations. Poorly performing retail stores would undermine the whole turnaround strategy. If retail stores were not profitable, funds required for store renovations, advertising, new product development would be depleted. Without sufficient investments in the upgrading the retail experience and strengthening the brand, it would be difficult to attract enough customers to meet targets for sales and earnings.

*Georg Jensen* took a number of measures to reorganize its retail organization and shape up its store network. Firstly, it began to see the retail organization as autonomous operational entity. This would enable the company to assess the performance and profitability of the retail function independently. A global retail director was hired in the beginning of 2005 to oversee and improve the new entity, *Georg Jensen Retail*. A year later the responsibilities for retailing were reassigned to regional managing directors for Europe, Asia, and the U.S. Secondly, to ensure fiscal discipline in retail operations, it was decided that *Georg Jensen* should not open or operate stores that were unlikely to make a profit. An exception was made for shops that could be designated as a flagship stores. Such stores, including the Copenhagen store at Amagertorv in the heart of Copenhagen's primary shopping district, were vital as brand statements and hence their financial performance should not be judged in isolation. Thirdly, *Georg Jensen Retail* was to develop and deliver operational know-how and support to improve store operations and profitability in eight defined areas (see Exhibit 6). The retail platform aimed to deliver value, knowledge and profitable growth through more efficient and effective retail management. However, *George Jensen*'s retail development and management were tied to and to a certain extent subordinated its rebranding strategy. The implementation of the new brand positioning required a wide array of changes at the store level including store concept, store location, assortment and merchandising, staff training, motivation and hiring. Each area posed dilemmas and challenges to the branding strategy as it was implemented different places around the world.

## *Store concept*

If the luxury status and brand image conveyed in *Georg Jensen*'s new advertising campaigns was to have any credibility, a store concept reflecting the new brand positioning needed to be rolled out. Gord Ray suggested that the retail environment is one of the major indicators of what you stand for. After taking stock of *Georg Jensen*'s stores around the world, Gord Ray found that the brand was in a bad shape in many places. However, store renovations are expensive, time consuming and complicated, as design solutions have to be customized to fit different store settings and comply with local building regulations. Stores need to be renovated at regular intervals, both to make up for wear and tear and to bring the store environment up-to-date. Some important recent store renovations had been initiated before Gord Ray had concluded the brand identity process, so even some of the recent renovations did not reflect the new brand values. As Gord Ray observed:

> *It was a bit back to front as ideally one does not begin a new shop concept until the branding strategy is clearly defined, but it was already underway. On the positive side, the new shop concept being rolled out reflected the idea of being understated and minimal. However, the idea of 'sensuality' seemed to be missing. We have had feedback on some of the new renovated stores that they are cold and not very inviting. If the 'sensuality' value was included in the original architectural briefing, I believe we would have seen something with more softer finishes, more rounded corners, and the like.*

In fact, store concepts had changed faster than store renovations could be completed and three different generations of shop concepts now existed, which not only compromised branding presentation but also complicated the production visual of merchandising material. Gord Ray complained:

> *Ah yes – visual merchandising is a bit of a nightmarish challenge when having so many different shop concepts out there. But we go for the highest common denominator, not the lowest – we simply have to. This means that some of our visual merchandising can look out of place in our old shops, but it does work for the new shops.*

To stretch funds and deal more quickly with the worst stores, plans was put in place, to within a year, either closedown or do a quick-fix style renovation to make the store resemble the new concept. The scheme, which was tried out in Japan meant that for the cost of one big renovation, some 10 stores could be fixed. For Hans-Kristian Højsgaard renovation projects had a high priority, and to push them forward he was ready to reallocate funds from operational marketing to finance store redesigns. Promising case evidence on the impact of store renovations suggested a 20-40 per cent sustained increase in sales after the reopening of stores with the new shop concept as well as the attraction of new customers. Some old *Georg Jensen* customers would be bewildered and disappointed by the changes, but this could be seen as an indication that the new store concept successfully conveyed the new brand positioning. Hans-Kristian Højsgaard used the store performance data to make the case to the owners for accelerating investments in store renovations.

### *Assortment*

As consequence of the rebranding strategy, the assortment and accompanying display and merchandizing materials had to be changed to accommodate more luxury jewellery items. Changing the assortment could be a slow process. Even years after *Georg Jensen* had been split from Royal Scandinavian, porcelain figurines and Christmas plates from Royal Copenhagen could be found in some stores, especially in Asia. Some customers expected to find the old items. The Madison Avenue-store had been rebuilt and reduced to half the size, when it was converted to a *Georg Jensen* store. Yet occasionally staff found customers who were surprised not to find the entry to the area containing Royal Copenhagen lines.

The introduction of precious jewellery meant that items in the store ranged from inexpensive key rings and Christmas ornaments to extremely expensive diamond bracelets. Both store managers and top management at *Georg Jensen* were aware of the problems of stocking luxury jewellery and Living items in the same store space. Clare Munday, UK country manager (later promoted to regional managing director for Europe) described the ambivalence experienced towards the inexpensive lines at the store level in the Bond Street store:

> *Because you've got a store full of people and you've got somebody… thinking… 'Should I have that one at 9 GPD or that one at 9 GPD?'. 'Ah, just make your mind up!' The rent here is horrific and it's too valuable a space to be selling items at 9 GPD… and they always want it gift-wrapped! So we have definitely made a conscious effort to cut that down. But saying that, the Living does get people through the door… that you know are not going to buy jewellery all the time but they come in quite frequently because they are buying gifts for 150 GPD, but it's a quite uneasy marriage.*

If the two types of products were to be carried in the same store, a clear distinction and partitioning of selling areas was required. This might be possible in larger store units. But what about store units of 40 square meters? It was not only a matter of the coexistence of items at different price points. The hollowware pieces were often very expensive, but since they were sold infrequently, the question was how much space should be used to display them. On the one hand they represented part of *Georg Jensen*'s heritage and mystique, and could stimulate the interest and fascination of customers. On the other hand, hollowware did not generate sufficient sales and profits necessary to pay the rent and the priority areas of *Georg Jensen* were precious jewellery and watches.

## *Personnel*

Finally, personnel issues were crucial for the success of the new strategy. Hans-Kristian Højsgaard needed managers and store staff around the world to support and implement the changes. The luxury strategy involved retraining staff to upgrade their knowledge of diamonds and gems and improve their skills in selling precious jewellery. Of course, moving *Georg Jensen* into the luxury realm and renewing its look and image demanded more from store staff, such as the ability to serve a clientele with different expectations and demands than older *Georg Jensen* customers, and the ability to embody and represent luxury style and values, and a stronger selling orientation than had previously been common in the organization. Establishing *Georg Jensen* as a global brand demanded that staff were willing and able to embrace the new brand position and communicate it in encounters with customers. Around the world, *Georg Jensen* had distinct local organizational and brand histories, and was faced with variations in local competition and consumer behaviour. For instance, Tiffany's presence in New York or Link's of London and Asprey's in the UK defined the jewellery business and *Georg Jensen*'s position in these markets more than elsewhere. Elsewhere, in Hong Kong, local customers were accustomed to find a larger selection of rings and necklaces on display than in *Georg Jensen*'s minimalist showcases when shopping for jewellery, but apparently were inclined not to inquire about further items out of politeness. In an attempt to overcome this reluctance and reassure customers that *Georg Jensen* in fact did carry a broader assortment, store staff put up discrete signs informing suggesting that more items very available and requesting them to ask to see more. There were also considerable regional and national differences in the level of market and brand development. These differences had shaped the organizational culture and brand identification, at the local level bringing everybody on the same page was not a simple task. In other words, communicating a uniform brand message at the store level across the world was crucial for the whole strategy, but this called for profound cultural changes. Gord Ray described the challenge:

> *Our customers are quite different around the world – even within regions. I have never seen anything like it. Take Japan and Taiwan. In Japan, the average age of our customers is above 50. They tend to prefer the Heritage silver items and the brand tends to have an old fashioned image. In Taiwan, the average age of our customers is in their 20s (yes, 20s!). They tend to prefer inexpensive, modern silver items. And the brand is considered a quite young, hip, and a cool 'foreign' luxury brand. Both countries have a challenge of converting their customer base to one that prefers more high-end diamond jewellery, but have completely different starting points.*

**Decision points**

The situation raised certain critical issues for Garde Due as he was to set out the new strategic course for Georg Jensen:

1. If Garde Due was to stay on the course to rebrand Georg Jensen as a luxury brand with a focus on jewellery and watches, what were the barriers to achieving the desired brand position? Were they internal to the company and linked to its vision and implementation of it? Or where they external such as strong competition by the other brands in the category? Had any factors been overlooked?

2. Had *Georg Jensen* communicated its brand values effectively and clearly enough for target consumers to regard the brand as distinctive and different from competitors? Which direction should Garde Due take vis-à-vis the future brand communication?

3. Which strategic alternatives would be viable for Garde Due to take?

Exhibit 1: Selected Georg Jensen designs

*The Louvre Bowl*
*Design by Georg Jensen*
*(1912)*

*Koppel pitchers*
*Henning Koppel (1952)*

*Vivianna watch*
*by Vivianna Torun*
*Bülow-Hübe, (1960s)*

*Fusion rings*
*Designed by Nina*
*Koppel*

*Spin*
*Designed by Karim*
*Rashid*

Exhibit 2: Examples of Georg Jensen press image

‘*Georg Jensen* silver from Denmark has a tactile quality all of its own, probably because it is handmade. It gets only better with age.’
*The New York Times, January 14th, 2005*

’The famous Danish silversmith is the laid-back antithesis of Trying Too Hard, quietly getting on with making sleek, deeply cool jewelry, cutlery, candlesticks and picture frames in a very dignified Northern European sort of a way’
*The Sunday Times (UK), April 4, 2004*

’*Georg Jensen* has a reputation for understated refinement in an area when flash is to the fore’
*Arena (UK), January 2003*

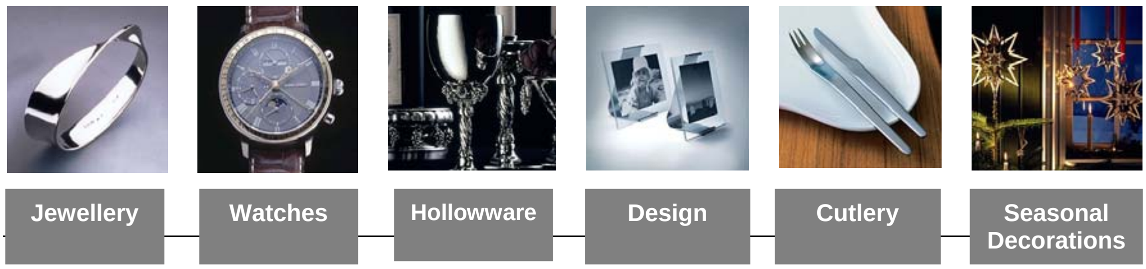
“Fluid, sexy silver jewellery, whether designed in the 50s or the 90s, are pieces of modern art and beauty”
*Vogue (Australia), July 2002*

“Abstract, free form, intensely tactile, streamlined, geometric ornaments, radiating light and life”
*Private Air Magazine, 2002*

“The associations from the name Georg Jensen are modern, elegant and simple Scandinavian design”
*Argento (Italy), July 2001*

Compiled by Georg Jensen, available at:
http://www.georgjensen.com/en/Corporate/Press/InThePress (accessed April 2006)

Exhibit 3: Overview of Georg Jensen’s product portfolio



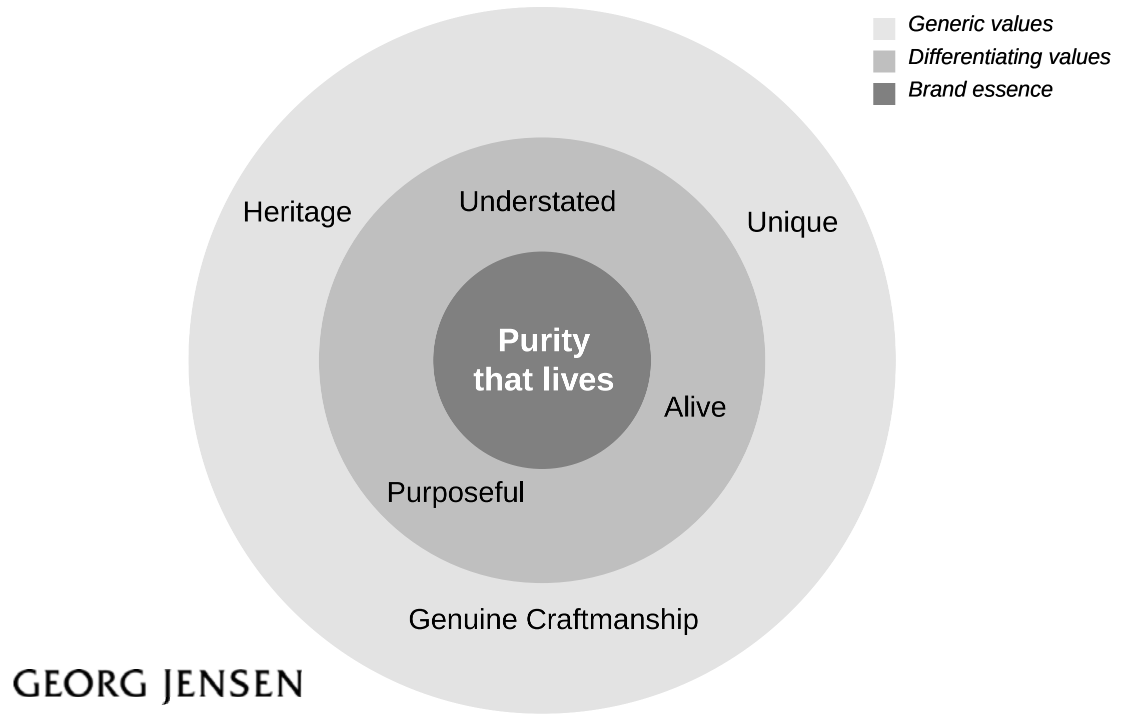
Source: Company presentation (Gord Ray)

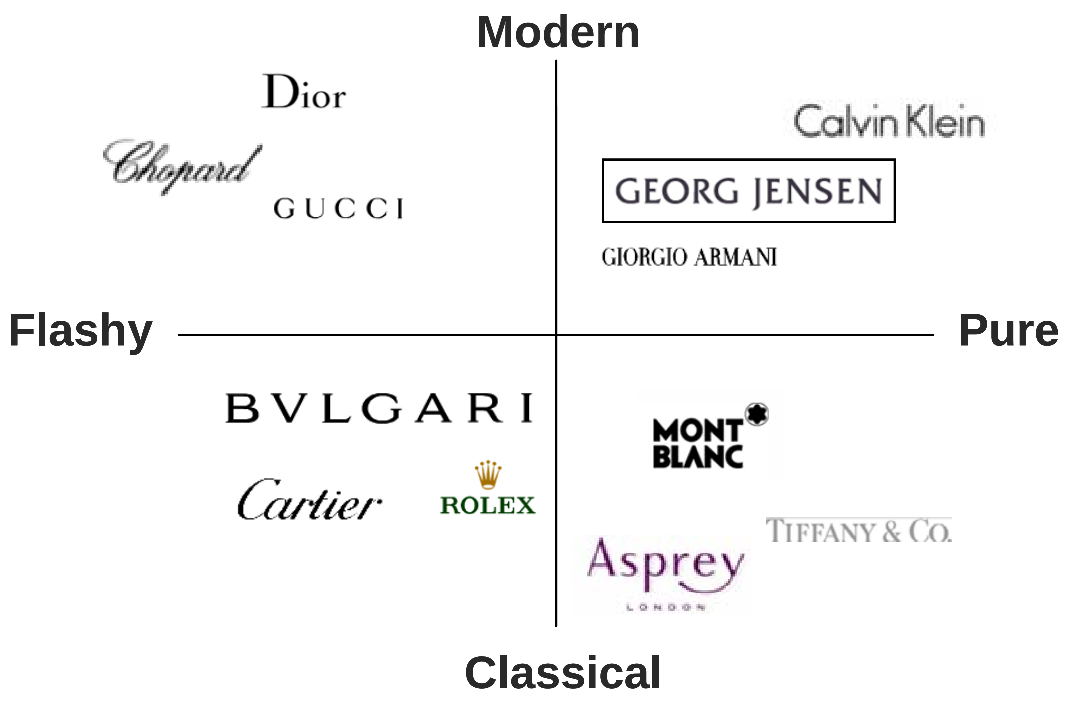
Exhibit 4: Georg Jensen's brand portfolio

| | | |
|---|---|---|
| GEORG JENSEN SINCE 1904 | - modern silver & gold jewellery and watches |  |
| GEORG JENSEN HERITAGE | - silver hollowware, cutlery, pre-1950 style jewellery |  |
| GEORG JENSEN LIVING | - stainless steel design items for home & office, steel cutlery |  |
| GEORG JENSEN EASTER<br>GEORG JENSEN CHRISTMAS CLASSICS<br>GEORG JENSEN CHRISTMAS NORDICA | - seasonal decorations |  |

Source: Company presentation (Gord Ray)

Exhibit 5: Georg Jensen's brand identity and positioning




Source: Company presentation (Gord Ray)

Exhibit 6: Georg Jensen's retail platform

| **Area** | **Knowledge and tools provided** |
|---|---|
| **Merchandising planning/allocation** | **Close support in defining and managing the shop's assortment and replenishment** |
| **Retail IT/EPOS (electronic point-of-sale system)** | **The joint IT tool allowing shops, partners and Georg Jensen to share point-of-sales data, easily and fast.** |
| **Visual Merchandising** | **The seasonal set of campaigns guidelines, graphics and point-of-sales material prepared centrally by Georg Jensen and implemented by the market.** |
| **Shop Design and Establishment** | **The system of fittings and fixtures including support when opening or rebuilding a shop** |
| **Operational Support** | **The close support and advice to Georg Jensen retail points offered by general management and retail team** |

Source: Georg Jensen internal documents

Exhibit 7: Selected Financial Data for Georg Jensen 2001-2005 (Mill. DKK)

| | 2004-05 | 2003-04 | 2002-03 | 2001-02 |
|---|---|---|---|---|
| **Gross sales** | **893** | **805** | **726** | **727** |
| Sales adjustments | -43 | -9 | -5 | -5 |
| Exch. rate differences | | -7 | 6 | 43 |
| **Net sales** | **850** | **789** | **727** | **765** |
| Cogs, variable | -245 | -235 | -233 | -236 |
| **Contribution margin** | **605** | **554** | **494** | **529** |
| Manufacturing, indirect | -63 | -67 | -62 | -67 |
| **Gross margin** | **542** | **487** | **432** | **462** |
| Distribution | -29 | -31 | -27 | -29 |
| Marketing | -103 | -91 | -70 | -71 |
| Sales costs | -282 | -269 | -263 | -261 |
| Administration | -69 | -63 | -53 | -52 |
| Other income/expenses | -1 | 0 | 0 | 1 |
| **EBITDA** | **58** | **32** | **19** | **50** |
| Depreciation | -29 | -18 | -17 | -20 |
| **EBIT** | **30** | **14** | **1** | **31** |
| Sundry items | -1 | -8 | 55 | 5 |
| Interest, net | -15 | -13 | -8 | -12 |
| Tax | -9 | 0 | -3 | -10 |
| **Net profit** | **4** | **-7** | **46** | **14** |

Exhibit 8a: Georg Jensen sales by category

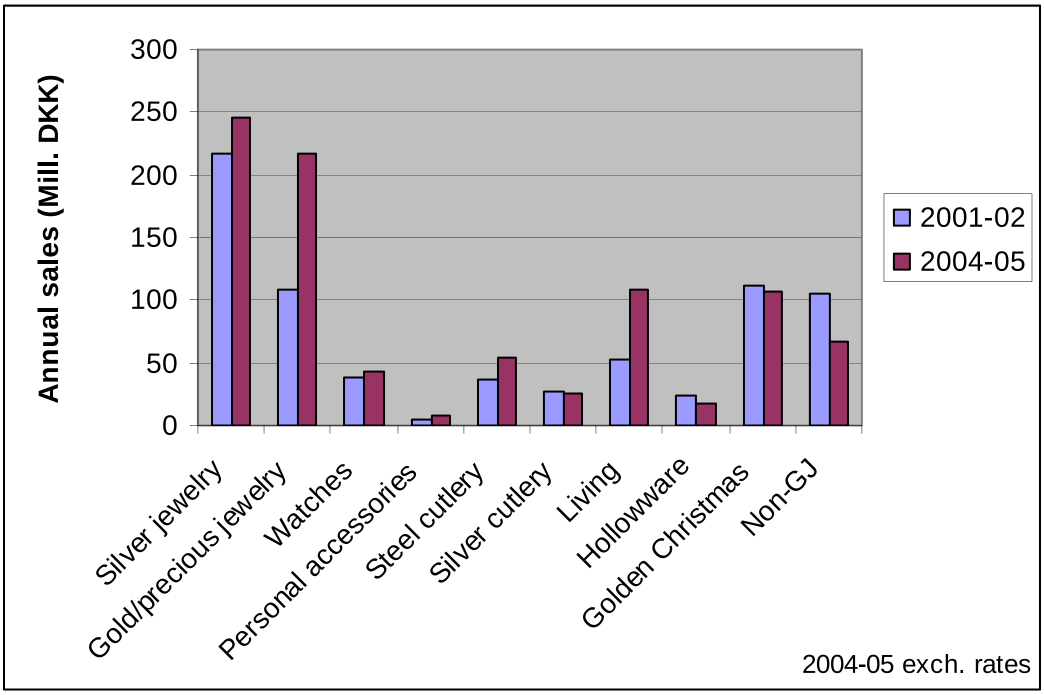
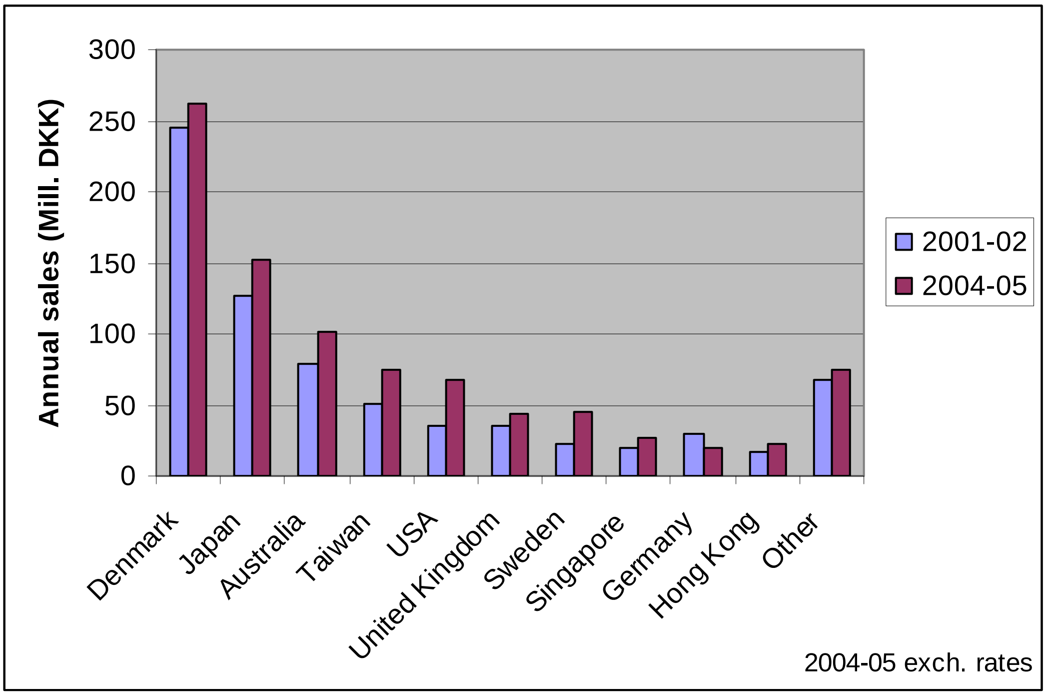



Exhibit 8b: Georg Jensen sales by market




Source: Georg Jensen company reports

Exhibit 9: Georg Jensen store designs


Store façade
New Bond Street, London

Store interior (old concept)
New Bond Street


Store façade
The Mall at Short Hills, New Jersey

New store concept
The Mall at Short Hills

Façade, Rodeo Drive.
Beverly Hills

Interior view. Rodeo Drive.
Designed by Tadao Ando.

[1] Thulstup, Thomas C. (2004), *Georg Jensen Sølv & Design,* Copenhagen, Gads Forlag. http://www.georgjensen.com/en/Corporate/TheBrand/
[2] Thulstrup, 2004; *Berlingske Tidende*, Jan 16th 2005, Business: 9
[3] Thulstrup, 2004
[4] *Berlingske Tidende*, Jan 16th 2005, Business: 4
[5] Thulstrup, 2004
[6] Thulstrup, 2004: 17
[7] Thulstrup, 2004
[8] Thulstrup, 2004
[9] Thulstrup, 2004
[10] Thulstrup, 2004
[11] Thulstrup, 2004
[12] *Markedsføring*, February 2006:
[13] *Berlingske Tidende*, December 5th 2004, MS:10
[14] Bloomberg cited in: *Jerusalem Post*, Jan. 4th 2006: 16
[15] Bloomberg cited in: *Jerusalem Post*, Jan. 4th 2006: 16
[16] *Berlingske Nyhedsmagasin*, March 18th 2005:64
[17] *Berlingske Nyhedsmagasin*, March 18th 2005:64
[18] *Berlingske Nyhedsmagasin*, March 18th 2005:64