

Extra casestudy deel II

Skagen Designs: Becoming an international player in designed watches

Towards the end of 2006 Charlotte and Henrik Jorst can look back at 15 hectic, but successful years. Their company was founded in an apartment in New York, from where its first marketing efforts took place. The two entrepreneurs started selling relatively expensive watches bearing a logo that American companies might use as company presents. During the Gulf Crisis it was, however, very difficult to sell watches in that price range. Therefore, in 1990 Charlotte and Henrik visited a watch fair in Basel in order to find a manufacturer who was able to produce the watches at a lower cost price. They found a Danish owned company, Comtech Watches, with headquarters in Aarhus and clock-and-watch factory in Hong Kong.

In 1992 Charlotte and Henrik had an annual turnover of US\$800,000, primarily through an advertisement on the back page of a big mail-order catalogue for Father's Day. Since then events followed each other in quick succession. In 1995 the chain, Bloomingdale's, included the Skagen Design watches in its assortment and other retail chains like Macy's, Nordstrom and Watch World have followed. In addition, the watches are sold in big gift and design shops.

In 1998 Skagen Designs had an annual turnover of almost US\$30 million; in 2005 turnover had increased to approximately US\$70 million.



Charlotte and Henrik Jorst considering different watch designs

Skagen designs – the story in brief

1986: Party at Carlsberg. Even though Henrik Jorst has brought his girlfriend, he manages to make Charlotte Kjølbye his neighbour at dinner, and they fall head over heels in love. Shortly after the party Carlsberg sends Henrik to New York. From New York Henrik manages Carlsberg's USA sales. Charlotte stays on for a year and a half in Denmark keeping in close contact with Henrik on the phone.

1988: Charlotte joins Henrik in the United States and reigns as Miss Carlsberg for the summer and fall months. After a Danish colleague sends them a few of his sample corporate watches to sell in the United States, Charlotte and Henrik embark on their dream of starting their own business and begin working in the world of watches. Charlotte and Henrik are married in May.

1990: Henrik quits his job at Carlsberg. Charlotte walks about the streets of New York trying to sell the Danish Jacob Jensen watches to watchmakers. They have hardly any money. Charlotte gives birth to their daughter Christine.

1991: The Jorsts design a few sample corporate watches and exhibit them at the New York Premium and Incentive Show in the Spring. At this fair, several retailers notice the watches and wonder why the two Danes present them as corporate watches and not branded goods. The retailers state that if the watches were available without the corporate logos they would purchase them for their stores. During the summer they produce 800 copies of four different watches with the name *Skagen Denmark*. Few months later all watches are sold out and an additional amount was produced.

1992: Sitting at the dinner table Henrik and Charlotte design 30 different models, all labelled 'Skagen Denmark'. In a New York street Charlotte meets one of the managers from the mail order giant 'The Sharper Image'. She takes a chance, and yes, he features the Skagen watches on the back page of the Father's Day catalogue. Everything is sold out. From the apartment in New York Henrik and Charlotte have a turnover of US\$800,000.

1993: There are not many states in the United States where business taxes are almost equal to zero. In Florida and Nevada this is, however, the case. One day they fly to Incline Village at Lake Tahoe – one of the world's best ski resorts. They lose their hearts and buy a house that is much too expensive, but big. The company moves into every room from kitchen cupboards to garage. They still do it all by themselves. Charlotte gives birth to their daughter Camilla.

1995: Five years after starting the company. Now, it becomes *really* big. Bloomingdale's takes the watches on trial. Sold out – on one single day. They engage employees in a small, rented office not far from their home at the lake. After a year the office is too small, and after another year the same happens again.

1998: The Magazine, Inc. puts Skagen Designs on the list of the 250 fastest growing, privately-owned companies. During five years the turnover has increased by almost 1,200 per cent. Finally, the rest of the company moves out of the villa at Lake Tahoe. New headquarters are opened in Reno, Nevada. An office is opened in Denmark to handle European distribution and an additional 80 stores throughout Denmark begin selling the Skagen Denmark line.

1999: The number of employees is approaching 100. Inc. Magazine's 'Inc. 500' lists the company as one of the fastest-growing companies in the United States. Henrik gives Charlotte a horse as present for their ten year wedding anniversary. The family moves from Lake Tahoe to a large house of 650 square metres on the outskirts of Reno. It is situated on the top of a hill with a beautiful view of the Sierra Nevada Mountains. Skagen begins its ongoing presence in major magazines such as *InStyle* and *GQ*. Distribution begins in the United Kingdom.

2000: Distribution begins in Germany and the Netherlands.

2001: Skagen Designs exhibits for the first time at BaselWorld – The Watch and Jewellery Show in Basel, Switzerland.

2002: Distribution begins in additional countries including Finland, Iceland, Ukraine and Kuwait.

2003: More countries join the Skagen Designs team and distribution begins in Belgium, Serbia, Montenegro, United Arab Emirates, Norway, France and Italy.

2004: To handle increasing growth, the European HQ office in Copenhagen moves to a larger facility. The European HQ targets large department stores in Germany and France.

2005: The former Director of Sales & Product Development, Scott Szybala is appointed as President. Scott's responsibilities are to oversee the daily operations as well as the strategic direction for Skagen Designs, reporting directly to Charlotte and Henrik, who continue to be closely involved in the company's product development and sales.

2006: Skagen Designs becomes an official sponsor of Team CSC, one of the best teams in professional cycling, with a record-breaking number of victories. Today, Henrik and Charlotte still approve all products that Skagen designs.



Collection of Skagen watches for men (left) and women (right)

Internal policies

Skagen Designs has its name from the Danish fishing village of Skagen; a popular retreat for artists from around the world. Many say this place has the perfect source of natural light and those who visit find its unique charm to be a mix between nature-given and man-made romanticism. This region has inspired, not only the brand-name, but also the Jorst design philosophy as well. The colours, shapes and simplicity inspire the design team. The design team is on the pulse of current fashions, with regular visits to design centres around the world including Switzerland, Italy, France, New York and Hong Kong. Skagen Design tries to stay true to its classic design philosophy and is never content to follow established trends.

The Skagen Designs' logo symbolizes the meeting of the Skagerak and the Kattegat seas that surround the village of Skagen.

Charlotte and Henrik have divided the work between them as follows. Charlotte is primarily in charge of sales and marketing, while Henrik is in charge of the company's finance and administration.

In the United States the watches are sold at very competitive prices compared with other design watches: typically at a level of US\$100–120.

The core competences of Skagen Designs are assessed as follows:

- Development of new watch concepts following the fashion trend with 'the finger on the pulse'.
- Human resource policy – both Charlotte and Henrik use a lot of time walking around and communicating
- with employees and to let them feel that Skagen Designs is one big team with the same family-oriented values in all parts of the worldwide organization.
- Quick and flexible management decisions.
- New products are introduced five times a year (November, January, March, May and August) providing
- retailers with seasonal updates and giving consumers the opportunity to update the style for each season.
- Well-developed partnerships with the 'upstream' specialists in the Far East who are in charge of the production at competitive prices.

Marketing the watches

In the United States Skagen Design products are launched through fashion papers like *Vogue*, *InStyle* and *Accessories*. TV shows like *Jeopardy* and *Wheel of Fortune* have been sponsored as well as actors in the series *Ally McBeal* and *The Practice*.

The company's national advertising is also placed in major industry publications as well as out-of-home advertising opportunities including billboards, buses and phone kiosks to support peak selling periods such as spring fashion, Mother's Day, Father's Day, fall fashion and Christmas.

In 2006 Skagen Designs became an official sponsor of the professional cycling team CSC. Its wins include some of the most prestigious trophies in the sport of cycling, including a second place in the 2005 Tour de France for Ivan Basso as well as Yellow Jerseys for David Zabriskie and Jens Voigt. Skagen Denmark's Team CSC watch collection is comprised of six new styles of performanceinspired, Swiss-made watches featuring ultra lightweight and durable titanium cases and water-resistant leather straps. Two of these new styles, the Ivan Basso Special Edition and the Ivan Basso 'Yellow Jersey' Special Edition, are numbered and endorsed with Basso's signature on the dials and case backs. In Spring 2006 Ivan Basso also won 'Tour of Italy' (Italian Giro) and he was one of the top favourites for the 2006 Tour de France. However, just two days before the start of the Tour de France in July 2006, Ivan Basso and Jan Ullrich were excluded from the Tour because of a doping scandal in Spain.

Competitors

As a fashion company Skagen Designs is competing with all the major international companies designing watches – for example, Calvin Klein, Coach, Guess, Gucci, Swatch, Alflex and Jacob Jensen. Most of these companies possess a financial strength many times larger than Skagen Designs.

Questions

As an expert in international marketing Charlotte and Henrik have called you in to get valuable input in connection with the international expansion of Skagen Designs. Therefore, you need to answer the following questions. If necessary, make your own conditions and remember to state the reasons for your answers.

1. What screening criteria should Skagen Designs use in connection with its choice of new markets for its watch collection?
2. Make a specific choice of new markets for Skagen Designs. Table 1 and Table 2 can be used to support your argument.
3. Which 'market entry mode' should Skagen Designs use on the chosen markets?
4. Skagen Designs has launched other product lines (e.g. sun glasses, branded items for the home) with varying success. What should be the guidelines for including other product lines in the Skagen Designs collection?
5. Which criteria should Skagen Designs use for its selection of future sponsor partners?
6. Skagen Designs is considering online sale of its watches. What problems and possibilities do you see for the company in this area? On this basis what are your conclusions?

Table 1 Volume of different watch markets, 2005

	2000	2001	2002	2003	2004	2005	2000–05 (%)
Retail volume in thousands of units							
Belgium	624.98	515.02	714.37	739.44	778.06	819.53	31
France	5,035.20	4,913.47	4,987.27	4,837.80	4,827.73	4,825.53	-4
Germany	7,501.72	7,452.94	8,217.55	10,284.34	10,918.50	9,859.88	31
Italy	5,712.08	5,482.23	5,366.33	5,874.31	6,525.52	6,893.24	20
Netherlands	5,613.00	5,850.00	5,931.00	6,073.00	6,200.00	6,414.00	14
Spain	12,299.70	12,018.98	11,810.19	11,533.47	11,308.69	10,989.01	-11
Sweden	2,491.00	2,565.00	2,641.00	2,719.50	2,800.00	2,884.00	16
United Kingdom	17,800.00	17,900.00	18,100.00	18,400.00	16,000.00	15,500.00	-13
Hungary	1,106.19	1,113.93	1,126.19	1,134.07	1,140.87	1,150.00	4
USA	63,954.47	55,441.04	50,370.68	48,500.85	51,593.56	53,037.50	-17
Mexico	35,690.68	38,721.57	34,946.59	47,598.71	46,780.14	47,851.56	34
China	57,500.00	60,000.00	61,000.00	61,900.00	59,725.00	64,000.00	11
India	33,469.00	35,876.98	38,829.72	41,778.67	47,232.00	52,324.80	56
Japan	9,864.95	9,751.41	9,615.49	9,530.93	9,431.18	9,333.77	-5
Australia	3,189.74	3,505.84	3,604.25	3,817.23	3,920.20	4,001.79	25
South Africa	23,117.73	21,081.80	26,000.23	15,925.30	18,117.89	16,348.31	-29
Number of watches per 1000 people							
Belgium	61.04	50.18	69.29	71.41	74.86	78.62	
France	85.71	83.22	84.04	81.09	80.49	80.04	
Germany	91.30	90.60	99.68	124.59	132.13	119.21	
Italy	99.03	94.78	92.51	101.03	112.03	118.17	
Netherlands	353.82	365.92	368.26	375.06	380.97	392.24	
Spain	309.56	299.56	292.26	284.13	277.52	268.82	
Sweden	281.11	288.76	296.44	304.19	312.12	320.36	
United Kingdom	303.53	303.13	305.59	309.62	268.40	259.19	
Hungary	108.22	109.21	110.68	111.82	112.85	114.08	
USA	232.45	199.78	180.02	171.95	181.46	185.06	
Mexico	363.59	388.41	345.29	463.43	448.98	452.90	
China	45.69	47.31	47.79	48.15	46.11	49.07	
India	33.19	35.00	37.28	39.51	44.00	48.05	
Japan	77.72	76.61	75.45	74.70	73.83	73.00	
Australia	166.54	180.59	183.30	192.60	195.87	198.05	
South Africa	527.18	470.37	569.51	343.00	381.02	336.62	

Source: Adapted from Euromonitor and trade sources/national statistics.

Table 2 Value of different watch markets, 2005

	2000	2001	2002	2003	2004	2005	2000–05 (%)
(US\$ million)							
Belgium	23.91	17.06	20.50	26.20	29.51	30.34	27
France	934.22	910.42	945.84	1,097.25	1,205.66	1,205.42	29
Germany	1,429.95	1,519.96	1,762.75	2,699.99	2,846.60	2,954.50	107
Italy	951.62	918.02	934.11	1,103.06	1,215.72	1,311.61	38
Netherlands	189.50	191.64	204.00	250.15	275.03	284.86	50
Spain	804.77	792.48	849.75	1,027.89	1,141.35	1,155.92	44
Sweden	214.69	198.02	218.48	273.54	312.97	318.41	48
United Kingdom	960.77	942.91	1,064.11	1,225.10	1,328.51	1,359.78	42
Hungary	19.56	19.50	21.98	25.40	28.33	29.09	49
USA	7,477.65	6,486.85	6,321.98	6,426.05	7,118.52	7,206.49	-4
Mexico	200.44	246.59	274.57	303.69	353.17	434.30	117
China	405.27	500.66	518.67	544.28	604.10	655.09	62
India	191.37	232.18	288.58	416.40	675.55	975.02	410
Japan	4,560.11	4,109.99	4,077.30	4,493.29	4,916.32	4,901.23	8
Australia	171.92	168.72	181.51	226.99	264.75	281.81	64
South Africa	245.67	221.85	235.62	228.68	323.93	451.58	84
US\$ per capita							
Belgium	2.34	1.66	1.99	2.53	2.84	2.91	
France	15.90	15.42	15.94	18.39	20.10	19.99	
Germany	17.40	18.48	21.38	32.71	34.45	35.72	
Italy	16.50	15.87	16.10	18.97	20.87	22.49	
Netherlands	11.95	11.99	12.67	15.45	16.90	17.42	
Spain	20.25	19.75	21.03	25.32	28.01	28.28	
Sweden	24.23	22.29	24.52	30.60	34.89	35.37	
United Kingdom	16.38	15.97	17.97	20.62	22.29	22.74	
Hungary	1.91	1.91	2.16	2.50	2.80	2.89	
USA	27.18	23.38	22.59	22.78	25.04	25.15	
Mexico	2.04	2.47	2.71	2.96	3.39	4.11	
China	0.32	0.39	0.41	0.42	0.47	0.50	
India	0.19	0.23	0.28	0.39	0.63	0.90	
Japan	35.93	32.29	32.00	35.22	38.49	38.33	
Australia	8.98	8.69	9.23	11.45	13.23	13.95	
South Africa	5.60	4.95	5.16	4.93	6.81	9.30	

Source: Adapted from Euromonitor and trade sources/national statistics.