



# Chapter 7

## Reconstruction and New Expansion (1990–2003)

***The Jøtul Petite, today called the Jøtul F 220. The Petite heralded a new direction in Jøtul's design line. The model was a best-seller and was important for the company's rejuvenation in the early 1990s.***

***Photo: Per Andersen***



Jøtul entered the 1990s in a state of deep crisis. As we saw in the previous chapter, in 1989–90 the company suffered great losses as a result of unfortunate foreign involvements in the late 1980s. In 1990 alone, Jøtul Industries [Jøtul Industrier] operated with a loss of 99.5 million kroner. Of this, "restructuring costs", that is, losses in conjunction with write-downs and shutdown of subsidiaries, amounted to 78 million kroner. In actuality the company was bankrupt, and it was only through large transfers from the parent corporation Aker Norcem that further operation was secured.

The cutbacks in foreign involvements were largely accomplished during 1990–91. After this process only the production company in Fredrikstad was left – the "actual" Jøtul. But here as well a rigorous reorganisation was needed. During 1991 the organisation was cut back to a production level that corresponded to half the capacity of the foundry. Several hundred employees were laid off, and the entire organisation was reorganised to reduce costs.

The reorganisation in itself was very demanding. At the same time the internal turbulence left the corporation unable to mobilise the resources that were necessary to retain its position in the market. In 1990 and 1991 Jøtul lost share in all the important markets. The largest was the decline in Norway, where Jøtul's turnover during 1990 alone dropped almost 25 per cent. Of course the total market in Norway was in recession during this period, mainly as a result of low construction activity and a general reduction in capital goods investments. But Jøtul's decline was much more severe than the total market reduction; in other words, the company also lost considerable market share to other manufacturers.

In the early 1990s Jøtul nevertheless gradually managed to resurrect itself. During 1992–93 the most demanding changes were completed. A more cost-effective organisation, combined with better market conditions starting in 1993, provided the basis for new growth, and in the subsequent years

turnover began to rise. While in the early 1990s the company had a turnover of between 210 and 220 million kroner, by 1996 the turnover had climbed to almost 300 million kroner. The growth continued in the second half of the 1990s, and in 1999 the turnover reached over 425 million kroner. At the same time earnings were good. Through the entire second half of the 1990s the operation made a profit.

The revitalisation of the company was based primarily on growth in Norway. Up until the middle of the 1990s, most of the marketing efforts were directed at the domestic market. In the late 1990s, however, Jøtul again began to turn its attention more actively towards the export market, and it was here that growth was strongest in the subsequent years. In 1995 Jøtul's export share was still below 50 per cent, which was considerably lower than it had been in the late 1980s. Five years later – in 2000 – it had increased to well over 70 per cent, which was higher than ever before. At the start of the new millennium Jøtul was thus more export-oriented than ever before.

In this chapter we shall follow Jøtul through the painful reorganisation process in the early 1990s, and on through the new period of growth that followed. We shall take a closer look at how Jøtul managed to rebuild itself after the serious blow at the start of the decade. Then we shall look more closely at the basis for the considerable growth in the second half of the decade, including the ever-increasing significance the export markets once again assumed in this period.

### **Cutbacks and reorganisation**

By the start of 1991, most of Jøtul's foreign subsidiaries had been shut down or sold. The only companies Jøtul still had abroad were Jøtul AB (Sweden), Jøtul Inc (USA), Jøtul S.A. (France) and Jøtul GmbH (Germany). In addition, there were the Norwegian subsidiaries Jøtul VVS and PDS A/S. The plan was for these companies as well to be sold as soon as possible. The sole possible exception in this regard was Jøtul A.B., which was the only subsidiary that showed passable earnings.

Jøtul VVS and PDS A/S were sold during the spring of 1991. The other subsidiaries were more difficult to sell. The biggest problems were with the German subsidiary – Jøtul GmbH. This company was in such a bad state that the board considered in the spring of 1991 whether to declare it bankrupt. Such a solution would produce a loss of between 11 and 15 million kroner. In the summer of the same year, however, a German company appeared, Olsberger Hutte, which wanted to buy the company. Jøtul accepted the company's offer even though financially it provided no greater benefit than a shut-down would have produced. The sale resulted in a loss of about 10 million kroner.<sup>368</sup>

But even the companies that were reasonably solid were difficult to sell. The American subsidiary Jøtul Inc., for one, did not manage to attract interested buyers, despite the fact that the company had a passable equity capital situation and acceptable profitability. The same was true of Jøtul S.A. It was therefore decided to retain these companies for the time being, since they were not causing Jøtul any direct losses. But no future ambitions were attached to them. They would be kept running with a minimum of risk, which meant retaining the smallest possible inventories and as little administration as possible.

As a result of the cutbacks in the organisation it was natural to gradually dissolve the group structure. In August 1991 the operating corporation A/S Jøtul with all assets and liabilities was merged into Jøtul Industries. At the same time the corporate name was changed to Jøtul AS. The remaining subsidiaries were placed directly under the leadership of the manufacturing company.

### **Reorganisation in Fredrikstad**

During 1991 the production in Norway again became the core activity in Jøtul. However, this did not mean that this part of the corporation avoided demands for reorganisation. Simultaneously with the cutbacks in the subsidiaries, the manufacturing company in Fredrikstad was heavily restructured. This occurred primarily during 1991.

As the starting point for the restructuring of the activity in Fredrikstad, in December 1990 a so-called "zero-base budget" was worked out. In accordance with this budget, the organisation was to adopt an annual production level of 37,000 units in the coming years. This corresponded to a reduction in production of 40 per cent compared with 1989, and corresponded to barely 50 per cent utilisation of production capacity.

The whole organisation was to be adapted to this level of production during 1991. This meant that a significant number of the staff would have to go. Layoffs had indeed been carried out in 1990, when the number of employees was reduced from 302 to 279. But the major cut came first in conjunction with the zero-base budget, which was structured around a base work force of 170 persons. At the same time that the budget was adopted, layoff notices were given to 110 employees.

The major portion of the layoffs were in production. But the administration was slimmed down as well. For instance, the management group was cut from seven to three individuals. In future it would consist of the administrative director, who would also be responsible for the marketing department, an operating director who would be responsible for operations and research and development, and finally a financial officer with responsibility for finance, personnel and IT.<sup>369</sup> So there would no longer be separate persons in charge of key tasks such as marketing, export, and research and development work.

In addition, the budget required a significant cutback in all investments in plant, operations, marketing, and research and development. As the budget stated: "New organisation involves sharp reduction in the production apparatus with a transition to a single shift, reduced levels of ambition and effort in the R & D department and a marketing department adapted to the reduced turnover".<sup>370</sup> In other words, the budget signalled a general reduction in the ambition level in all strategic areas. Of primary importance was to cut costs, not to rebuild the organisation with an aim to strengthen the market position.

The restructuring naturally led to a sharp reduction in costs. According to the budget for 1991, the fixed costs would be reduced by 30 million kroner over the course of the operating year. In this way one would achieve "a lower risk profile than previously", as it was stated.<sup>371</sup> The budget operated at the same time with a net result of 8 million kroner in the black. However, this presupposed a consider-



***In 1991 Vinko Janjak was hired as the new CEO of Jøtul. Janjak had a long career behind him in Norcem's cement division.***

able group contribution from Aker beyond the 80 million that was infused in 1990. Despite this shot in the arm, the company had lost equity in 1990, and the board calculated that the company needed an additional 40 million in group contributions to begin rebuilding its equity capital.

For the employees the time of reorganisation and cutbacks was naturally extremely difficult. Many remained unemployed, enduring all the problems which that entailed. And the remaining employees lost many of their closest work colleagues. However, management instituted a close co-opera-

*The news that 110 men had to be laid off aroused concern in Fredrikstad. From Fredrikstad Blad [Fredrikstad News], 29 November 1990.*



tion with the workshop association in conjunction with the reorganisation. The employee representatives were included in the work of planning the zero-base budget. Furthermore, there was great understanding for the measures that had to be taken. The company was in crisis, and most realised that a rigorous reorganisation was crucial for further operation. Great emphasis was placed on keeping employees informed during the process. All of those who had to go were invited to meet with representatives of management, and many of those laid off were gradually rehired as production began to increase.

### **A crossroads**

As we have seen, the board and administration in the first years were strongly cost-oriented. This was natural, since the primary concern was to bring the company out of the crisis. In particular, efforts were focused on reducing the fixed costs. In this manner the company would be less vulnerable to changes in turnover. In this area the company was largely successful. Along with the group contributions from Aker the restructuring caused Jøtul by 1991 to have a profit before taxes of 18 million kroner – or 10 million more than the board had set as a goal in the budget. In the following years as well, operations showed a profit. At the same time the equity capital was rapidly rebuilt. In 1990 the board had set a goal to build an equity capital share of approximately 30 per cent over the first four years. But by 1992 the equity capital share was already 42 per cent.

Financially the reconstruction proceeded quite rapidly, and by the mid-1990s Jøtul had become a rather solid company. The reconstruction was primarily based on cost cutbacks achieved by reducing investments in most areas. However, there were limits to the amount that investments could be streamlined within fundamental strategic areas such as product development and marketing efforts. The requirements for product development in the stove and fireplace market in the early 1990s were presumably even tougher than before. Moreover, the competition was fiercer, making great demands on marketing efforts to hold on to market share. Finally, one goal was to be able to better utilise production capacity. However, this was not possible without increased exports. So Jøtul again had to start taking a more active interest in the export market.

The requirements in these areas directly contradicted the requirements for minimising costs and investments, and it was very important in the early 1990s to weigh these opposing needs against each other. But there was not always agreement on where the cutoff point should be. The major difference of opinion in this matter existed between the board and the administration. The board was primarily interested in keeping costs down. The administration wanted to pay more attention to rebuilding the company through a revitalisation of the product development and marketing efforts.

The differences between the board and the administration in these matters were primarily related to differing ambitions. For the administration it was naturally important to build up the company's foundation. This would primarily have to be done through an active marketing strategy, product development and the like. The owner, the Aker group, had other objectives. Aker had no industrial ambitions for Jøtul. The company did not figure in the group's strategy for the future, and the goal was to sell it. For Aker it was therefore more important to build up solid finances as quickly as possible and not to invest in rebuilding measures that would first produce results in the long term.

# Jøtul grep sjansen

AV ØYVIND FINSTAD

For ett år siden ga styrefor-  
mann Gerhard Heiberg i  
Aker datterbedriften Jøtul  
den aller siste sjansen. I dag  
er det full jubel ved bedrif-  
ten. Selskapets ledelse kan i  
år levere regnskapstall til  
Aker-konsernet som er  
bedre enn det Aker krevde.  
Pustehullet som des kriseramne-  
de idstødfabrikanten fikk av Hei-  
berg, har ledelsen og de ansatte  
berytet seg av. For første gang  
siden 1986 går Jøtul med over-  
skudd.

Målet for i år var å gå med et  
overskudd på 10 millioner.

— Selskapet får et årresultat  
på rundt 12 millioner kroner av  
en omsetning på 250 millioner.  
Her er vi kjempeløyst med  
overskuddet, sier administrerende  
direktør Vinko Janjak i Jøtul,  
som rett før jul arrangerte en jule-  
avslutning for de ansatte med op-  
timistisk budskap.

## Levd på nåde

Jøtul, med sine nesten 150 års  
virksomhet, er de siste årene dre-  
vet på Akers nåde. Selskapet opp-  
levde tøffe år på 1980-tallet. Da  
falt totalmarkedet for idstøder  
med mer enn 50 prosent.

I løpet av tiåret fikk man økende  
konkurranse på idstøde sekto-  
ren, ustabile energipriser, stigende  
rentenivå og stagnert boligbyg-  
ging. Dette skjedde mens Jøtul  
satset offensivt på å bli størst i  
verden i idstødemarkedet, og  
kjøpte opp konkurrenter i utlan-  
det som de tapte på.

Ifjor høst ønsket Aker-ledelsen  
å seige Jøtul etter flere år med  
sørgelige resultater. Ifjor hadde  
bedriften et underskudd på 23  
millioner kroner av en omsetning  
på 315 millioner.

Den belgiske idstødfabrikant-  
ten Dove la inn et bud på Jøtul.  
Men styret i Aker med Heiberg i

spissen var ikke fornytt med  
pris-tilbudet, og utsatte salget.

Aker ville heller gjøre drøsten-  
mer attraktiv for nye salgsstø-  
støtte ble gjort. Samtidig gikk styret  
inn for å gi Jøtul en aller siste  
sjansen for å se om bedriften kunne  
drives lønnsomt.

## Tiltak iverksatt

Etter at styret i Aker bestemte  
seg for å ikke selge Jøtul, ble en  
rekke tiltak gjennomført. Det første  
var at 110 ansatte av selska-  
pets 286 ansatte ble sagt opp.  
Oppgørelsene skjedde i alle ledd.

Som følge av at eksportmarke-  
det tok seg opp, ble 40 oppføl-  
ger trukket tilbake. I dag har Jø-  
tul 216 ansatte.

Ledelsen reduserte også antall  
produkt-enheter fra 55 til 36. En  
avtale ble inngått med Løngehøi  
for å gjøre selskapet langt mer  
leveringsdyktig. Alle de tiltak  
som ble iverksatt medførte at pro-  
duktiviteten har steget med over  
20 prosent fra ifjor.

## Dobler eksporten

Janjak opplyser at høsten ble  
langt bedre enn forutsatt for be-  
driften.

— Det gjaldt særlig på eks-  
portsiden. Salget til utlandet ble  
nesten 50 prosent bedre enn bud-  
sjettet. Vi hadde beregnet å selge  
18 000 enheter på eksportmarke-  
det, men solgte 20 000. Det er  
helt fenomenalt. Innstøten har  
vært upåklagelig.

Det er særlig i Benelux-landene,  
Frankrike og Spania Jøtul har  
hatt suksess i år.

Årsaken til at Jøtuls produkter  
når frem til langt flere kunder  
utenfor landets grenser, mener le-  
delsen skyldes en ny markeds-  
strategi.

— Vi har utført langt større  
oppøkende virksomhet overfor  
våre kunder, og har hatt et nært  
samarbeid med importørene. For  
eksempel regner vi med å tredob-  
ble eksporten i England i neste år  
fra 500 solgte enheter i år til  
1500, sier Janjak som roser alle  
ansatte i Jøtul for fremragende  
arbeid i året som gikk, og som  
forventer at 1992 blir like bra  
som 1991. □



PRODUKSJONSVEKST: Jøtul går i pluss, dobler eksporten og øker produktiviteten med over 20 prosent.

Foto: TH. OLSEN



GOD INN-  
SATS: Admini-  
strerende direktør  
Vinko Janjak (til venstre)  
og klubbfor-  
mann Arne  
Ejerhøns i Jøtul  
takker hver-  
andre for god  
innsats for året  
som har gått.

Foto: TH. OLSEN

SCAN-FOTO A/S overtar  
salgretten til bildene i VGa  
og Aftenpostens arkiver og gøres  
til et befristet datterelskap i Schib-  
sted-gruppen. □

The differences came most clearly into focus in conjunction with budget matters. The administration wanted to set ambitious goals for turnover growth and profits. In one sense there was good reason for this. As mentioned, operation at a profit occurred already in 1991, and good profits made room for greater ambitions. Despite the expectations of reduced total demand in both markets, the administration's proposal for the 1992 budget was based on maintaining the sales volume both domestically and abroad, at the same time that the profit goal was set at 20 million kroner. This would be achieved through a major expansion of investments in product development and marketing efforts. The board thought that the budget was far too ambitious, and it was critical of increasing investments in product development. Rather, the board wanted to reduce costs and admonished the administration to take "a sober approach in its evaluations and decisions".<sup>372</sup>

Such differences of opinion also came to light in conjunction with the preparation of the long-term plan for the period 1993–1995.<sup>373</sup> The administration was aiming for a growth in turnover of 20 per cent for the period. The net profits were to be improved from 20 million to 33 million kroner. These objectives, however, were based on a gradual increase in investments from 6 million (1991) to 12 million in 1994 and 1995. However, the board was sceptical of the plan. It did not want to increase the fixed costs before the turnover objectives were met. "Strong concern" was expressed about such a cost development.<sup>374</sup> The board wanted more concrete investment plans.

As we can see, the board took a much more active position with regard to the management of the company than had been the case previously. The board exerted more influence not only by contributing to the main points in the company's strategy, but by becoming more actively involved in most aspects of the business. In these circumstances, the difference in opinion would, by necessity, become more apparent. But the board's changing role in Jøtul in these years is presumably only natural. It is quite common for boards to get involved more directly in operations during difficult periods. In companies that are doing well, the need is not as strong for any type of external corrective.

### **Towards a more expansive marketing strategy**

Of course we should not exaggerate the differences of opinion between the board and the administration. The board also understood that Jøtul's existence depended on such things as active marketing and product development efforts. And it was hardly due to ill intentions that the board asked questions about practically all measures that involved new costs. Rather, the board regarded this as its duty. Jøtul would not tolerate any mistakes after the problems the company had endured in recent years. And yet the board's attitude began to change over time. Eventually, as Jøtul consolidated and grew stronger financially, the administration was also given freer rein. This was expressed both in a more active effort in product development and a more ambitious marketing strategy, first domestically, later in the export market as well.

***The reorganisation produces results. By 1991 Dagens Næringsliv [Today's Business] announced that the company was operating in the black.***



***Tore Beck was chairman of the board of Jøtul during the difficult reorganisation years. Beck was CEO of Leca, another subsidiary of the Aker Norcem group.***

The rebuilding of the domestic market started quite early. In this regard there was much catching up to do. As mentioned earlier, the total Norwegian market had declined appreciably since 1987, at the same time that Jøtul had lost market share as the result of turbulence within the company. Although in the late 1980s Jøtul had enjoyed a market share in Norway of about 70 per cent, by 1991 it had fallen to a little over 55 per cent.

In the spring of 1991 the "Market Norway Improvement Project" was implemented. The objective of the project was to strengthen the sales strategies, improve the warranty and complaint system, and optimise the distribution apparatus. A new incentive system aimed at the dealers also had to be set up, with rewards for dealers in the trade through bonus arrangements and the like. An effort would also be made to secure more steady order submissions over the course of the year. Key elements in this task were specifically to establish new sales and payment connections with dealers, to build up a new marketing organisation and to phase in a systematic marketing effort.<sup>375</sup>

The ambitions that served as the basis for the improvement project reveal how weakened Jøtul stood in its former primary market. The point was not to win back earlier positions, but primarily to prevent further decline. This basically defensive goal also characterised the strategy plan for the period 1992–94, which was worked out in the autumn of that year.<sup>376</sup> Here the zero-base budget served as the blueprint, which implicitly indicated that no expansion of production was contemplated during the plan period.

In the "Market Norway Improvement Project" a more active dealer policy was included. In the autumn of 1991, regional dealer meetings were held for about 140 dealers, and a total of 400 people participated. The goal of the meetings was to rebuild trust in the company. The dealers would be told about Jøtul's current situation and plans for the future. In addition, the opportunity would be used to inform them about new products and ideas for further dealer co-operation.<sup>377</sup>

Of major concern was the rebuilding of the dealers' confidence in the company. This was utterly crucial in a time when competition in the Norwegian stove and fireplace market was perhaps tougher than ever before. Several foreign manufacturers had made an active push into the Norwegian market, and some of them had gained a quite strong position. This was particularly true of the Belgian manufacturer Dovre, which in the early 1990s had built up a market share in the Norwegian market of about 25 per cent.

Moreover, the dealer structure was in the process of changing considerably, which also posed new challenges for dealer strategy. In the early 1990s the distribution of stoves and fireplaces was being transferred from dedicated heating dealers to the big chain stores, such as Norgros (Byggmaker), NKL, Løvenskiold-Vækerø (Maxbo) and others.<sup>378</sup> This meant that to an increasing degree was encountering dealers who because of their size could exert significant pressure on the manufacturers. The chains were less interested in establishing exclusive ties to one supplier than the heating dealers had been, but they often used the opportunity to play suppliers off against each other in order to press for lower prices and other terms. Nevertheless Jøtul did obtain an agreement with Løvenskiold in 1994 to become sole supplier of stoves and fireplaces to the corporation's new chain. However, it was impossible to obtain such agreements with other chains. In addition, it was ques-



tionable whether this was even desirable. Agreements of this type had their price. The chains wanted something in return for the exclusive supplier arrangement, primarily ample discounts. Yet the chains remained the most important market channel in the 1990s.

To an increasing extent, Jøtul had to resign itself to living side by side with other suppliers in the large building-supplies dealerships. In such a context it was more important than ever to be able to compete in terms of price. But even more important was to be able to deliver products that would catch the attention of consumers. It was impossible to escape a more active focus on product development.

Even though the zero-base budget from 1990 paved the way for reduced product development activity, this did not occur in practice. In 1991 the board stated that this was an area that would "take on great importance for Jøtul's impact in future".<sup>379</sup> However, the board wanted to take a much more critical stand to the product development effort. The market's desire for new product types had to be evaluated in greater depth than previously. Moreover, niche products with limited market appeal had to be withdrawn from production in order to avoid continuing small series runs with poor profitability.<sup>380</sup> Finally, the time required for recouping investments in new products had to be reduced, although this was not explained in greater detail.<sup>381</sup>

#### **Adaptation to new environmental requirements**

To a great extent, quite specific external conditions were prompting the need for new products. In the early 1990s the Norwegian authorities began to set stricter requirements for emissions in conjunction with wood burning. In 1991 new environmental regulations were announced that would also encompass emissions from home heating. There was also a growing trend to focus on the environment in a number of other countries in which Jøtul operated, especially in Sweden and the United States. This placed demands on Jøtul to develop emissions control technology that could be

***Dealer meeting in Fredrikstad. In the early 1990s dealer meetings were reinstated as a communications channel to the dealers. They had been a low priority for many years.***

adapted to both existing and new models. In Norway it was announced that new environmental regulations would go into effect on 1 January 1994. In the long-term plan for 1993–1995, which was worked out in the autumn of 1992, the goal was set to make available a complete environmental spectrum before this date.

This meant that the company had a little over a year to develop emissions technology adapted to the new Norwegian requirements. Initially Jøtul stood quite well equipped to meet such a challenge. As we have seen in Chapter 6, by the early 1980s the company had already developed environmentally friendly combustion technology (the secondary combustion system). Of course there was not a large market for this technology in the 1980s, and Jøtul eventually withdrew the clean-burning models from production. But the expertise had been developed, and in this regard the company was not starting from scratch. For this reason the new environmental regulations were considered positive for Jøtul in a market context.

In early 1992 extensive work on further development of secondary combustion was begun. The goal was to develop new stoves with this technology before the end of 1993. In addition, all existing models were to be upgraded in order to meet these requirements. At the same time the work began on developing emissions technology for open fireplaces, and the goal was to have those ready by the autumn of 1993.

The new emission requirements were delayed, however. Not until after a long period of reports and hearings were the new regulations finally adopted in 1997. The regulations operated with a grace period of one year. Jøtul thus did not reap the full benefit of its advantage over foreign competitors as had been anticipated. But Jøtul already had clean-burning models in production that were largely adapted to the requirements that went into force, and this in itself was a market advantage.

Towards the middle of the 1990s product development had again become a key area of focus. The activity was given more resources, and eventually it was also organisationally realigned in order to strengthen the development work. In early 1995 the technical division was reorganised with the intention of providing a better environment for product development. The division, which previously included R & D, production, logistics and operations, was divided up, and R & D became a separate area of activity. The heightened environmental requirements in Norway were an important factor behind the reorganisation. However, there were also other concerns. In the mid-1990s Jøtul was again in the process of turning its attention outwards to other markets. This too imposed significant additional demands on the product development work.

#### **The export market is rebuilt**

Even though great attention was devoted to the domestic market in the early 1990s, this did not mean that the export markets were not important from a turnover standpoint. Out of a total turnover in 1992 of 43,000 units, approximately 55 per cent went to export.

However, export sales in this period suffered from a lack of concentrated marketing effort. Sales were spread across numerous countries, and in many cases they occurred more or less accidentally. Out of an export in 1992 of approximately 24,000 units, 5,375 went to France, 3,086 to the United States, and



***How Jøtul's clean-burning technology works. When the air supply to the stove is reduced using the regulator handle at upper right, the air that passes over the glass is reduced. The combustion chamber is assured sufficient preheated air nevertheless through the holes in the vault. This air ensures complete combustion of the gases emanating from the fuel, and properly balanced with the remaining air supply and the correct temperature in the combustion chamber, a visible after-burning effect is obtained under the vault.***

1,688 to Germany, while the remaining 14,219 were dispersed in small numbers in many countries. A 1993 report pointed out that Jøtul lacked any kind of comprehensive marketing strategy for the Spanish market, despite the fact that the company had considerable turnover in Spain. Nor were there any long-term plans for such activities.<sup>382</sup>

This fragmentation of the export turnover was unfortunate. Small volumes made it difficult to do focused marketing in individual countries, and such a marginal placement put the company in a weak position with regard to dealers. It was therefore obvious that a greater effort had to be directed at certain selected markets.

It took a good while, however, before a more targeted export strategy was carved out. Naturally it was decided quite early to focus mostly on the markets in which Jøtul still had subsidiaries to take care of imports, that is, the United States, France and Sweden. But even the relationships to these countries had long been marked by considerable ambivalence. This was primarily because the markets oscillated sharply even over short periods. For example, the market in the United States and France could swing from "very positive" to "moderate". This was apparently the reason why the administration struggled to decide where the most effort should be directed.



***From the laboratory. Here testing was done on the products' combustion, emissions and heating effect.***

In late 1994 the board emphasised "the importance of high priority for the export markets".<sup>383</sup> It was decided that Jøtul's export strategy should be a central theme for the board in the coming period, including which markets, distribution forms and products on which to focus. In the board's opinion, important factors for international growth would include charting the potential, competitive situation and marketing requirements for the various markets.

In conjunction with the export effort, the board wanted the company to focus on development of market strategies rather than on product development strategies. Based on experience, however, it was difficult to ignore the product development aspect, especially if one desired concentrated growth abroad. Without products adapted to the individual markets, it was difficult to become anything more than a niche company in the specific markets. This had been well proven in France. Here the dealers had long told Jøtul that the company was lagging behind many of its competitors in terms of introducing new products. In addition, there were many dealers who did not care for Jøtul's designs.<sup>384</sup> The importance of product development became evident in conjunction with the good results in France in 1993. Besides the new market strategy, the results were closely linked to the fact that at the same time a new fireplace model was launched that was specially adapted to the French market.

*Throughout the 1990s more emphasis was placed on developing models that were specially adapted to consumer preferences in the largest export markets. This fireplace with a so-called "guillotine door" was developed for the German market.*  
*Photo: Per Andersen*



The alternative, therefore, was to focus on one or two major markets. In this way the company could exploit the product development capacity as efficiently as possible. At the same time emphasis had to be placed on those markets where Jøtul's product profile was already a good match. The main focus of the export effort was determined over the next year. In a new strategy plan that was presented in the summer of 1996, it was determined that France and the United States would be the primary markets for Jøtul in the coming years. In addition, the way was paved to define Sweden and Scandinavia in general as an extension of the Norwegian market. Germany, England and Italy were given the status of markets under development, but here no efforts would be made in product development or marketing campaigns. <sup>385</sup>

### **The United States becomes the major market**

It was difficult, however, to give equal attention to turnover level and product suitability. France and the United States were Jøtul's biggest markets. But they were very different when it came to product preferences. In France it was wood stoves that represented the biggest market. In the United States, on the other hand, this market was declining, while the demand for free-standing fireplaces was climbing. A new product area was also in the process of expanding in the United States: gas-



*Fireplace stove developed with the American market in mind.*

fired units. In this sense these two major markets presented quite different demands as to shape and design, and in this aspect shared few synergetic effects.

The United States presented the greatest options in terms of product strategy. The main question here was how far to enter into the gas market. This was an area where Jøtul had little expertise at first. True, Jøtul Martin had produced gas-based fireplaces, but little of this expertise had remained in Jøtul after the company was sold in 1990. For a long time there was little interest in focusing on this area. For instance, Jøtul had an agreement with the Belgian company EFEL for production of a gas-based model, model 100, but this agreement was terminated in 1992. At the same time it was decided not to focus on this sector, even though it was emphasised that developments would be followed closely in this area.<sup>386</sup>

But with the focus on the United States, gas once again came to the forefront. Here both the current and the potential markets were large. In the early 1990s the annual growth rate within the gas sector had been over 30 per cent, and by the middle of the decade this sector had become utterly dominant in the United States. Of a total market in 1996 of 2.1 million units, gas accounted for 72 per cent.

*In the second half of the 1990s Jøtul began to focus more strongly on the American market for gas-fired units. Several gas fireplaces were then developed. In the late 1990s this market began expanding rapidly, and Jøtul took an active part.*



The market for stoves and fireplaces using solid fuel, on the other hand, was in stagnation and partial decline.

Europe seemed to present a similar interest in gas, even though here wood-fired units still dominated. The American market for gas products was already large, and that alone could presumably justify an increased focus on this sector, was the thought at Jøtul. And since the interest in gas was increasing in Europe as well, a focus on gas products could also be beneficial in other markets.<sup>387</sup>

Certain efforts in this area had already been attempted. In 1992 Jøtul had begun a co-operation with the British company Stovax to produce gas stoves and fireplaces. The first practical result of this co-operation was a gas fireplace called Jøtul 3 Gas. The model was introduced in the United States in 1995–96, and it was extremely well received. Jøtul therefore continued its co-operation with Stovax and at the same time began to negotiate with American companies to initiate co-operation in this area. Eventually this led to an agreement with the Superior Company for the development and manufacture of gas-fired stoves and fireplaces for the American and European markets.

The development and production of the new gas models was done at first at Stovax and Superior. But for Jøtul the co-operation brought with it access to valuable expertise and technology in the gas area which eventually made it possible for the company to develop gas products on its own.<sup>388</sup> In 1996 two positions were set up at the development department in Fredrikstad which would be devoted exclusively to developing gas products. The same year a co-operation was also established with Jøtul's importer in the Benelux countries – Helex – to sell gas-based stoves and fireplaces on the European markets.

In the ensuing years Jøtul experienced a fairy-tale development on the American market. As early as 1996 there was significant growth in turnover. From 1996 to 1997 turnover in the United States rose by 50 per cent, from 40 million kroner to 60 million kroner. The growth was primarily due to increased sales of gas products. The expansion in this area continued the next year, when turnover rose to almost 83 million kroner. And in 1999 sales virtually exploded. In that year Jøtul had turnover of about 169 million kroner in the United States, which corresponded to an increase of 104 per cent compared with the preceding year. This meant that the American market had become bigger than the Norwegian one, which that same year had a turnover of 139 million kroner. For the first time in Jøtul's history, a single export market was bigger than the domestic market.

There were basic differences between Jøtul's first great expansion period in the United States in the latter part of the 1970s and the expansion that occurred in the latter part of the 1990s. While the expansion in the 1970s was almost exclusively demand-driven, the one twenty years later was to a great extent the result of an active marketing strategy on Jøtul's part.

The expansion in the 1990s was largely the result of a comprehensive market adaptation built on two basic premises. First, as we have seen, the focus on the gas sector was derived directly from the desire to win market share in the United States. Second, Jøtul concentrated on adapting new products to American taste preferences. Such an adaptation to national needs was nothing new, of

***In 1998 the American Bret Watson was hired as President at Jøtul Inc. in Portland, Maine. Watson had a great deal of experience in the American stove industry, including his tenure as marketing director of Hearthstone.***



course. But in conjunction with the effort in the United States during the 1990s, more intensive efforts were made to develop models with a specific export market in mind.

It was in the American market that Jøtul made the greatest attempt to adapt its products. In 1998 Jøtul established its own product development division in Portland, Maine, U.S.A. The background for this initiative was, first, that the development department in Fredrikstad could not develop new products suited to the American market fast enough. Second, it would secure greater proximity to the American market, so that both product and design development took place closer to the target market, and more in accordance with American preferences. Third, the department would concentrate especially on the development of gas-based units, which had their major market in the United States.

It was Eivind Foght Lindqvist who started up the Portland division. Lindqvist had been employed in the export department at Jøtul from 1991 until the summer of 1993, when he was appointed to the position of managing director of the subsidiary in the United States. Quite soon, however, the leadership of the Portland division was taken over by an American, Bret Watson. Watson had extensive experience in the American stove business; he had been marketing director at the big stove manufacturer,

***International dealer meeting in  
Fredrikstad. In front are CEO  
Vinko Janjak and export  
manager Gunhild Bognæs.***



Hearthstone. Watson also brought with him other people from his previous employer, including Shawn Malloy, who had worked with product development in the company. People were also recruited from other American manufacturers, including Vermont Castings. All in all this recruiting secured Jøtul access to valuable American expertise.

The adaptation to stove and fireplace cultures of specific countries was important, as it had been for Jøtul ever since the company began operating in the export market in the 1970s. At the same time, throughout the late 1990s there was an increasing trend towards international convergence in design and shape. In this market, as in many others, there was a clear trend for the products to start looking similar. This convergence has in recent years also made it possible to develop products targeted to larger markets, or even whole regions. For Jøtul this is naturally an advantage, since there are significant benefits of scale in being able to do fewer but larger production runs. Gradually it has therefore become a basic rule in product development to design products that can be sold in as many markets as possible, while of course also leaving an option open for adaptation to special needs where deemed particularly important.<sup>389</sup>

### Growth – but how?

In the mid-1990s the international stove and fireplace industry was still extremely fragmented, as it had always been. Neither in the United States nor in the European countries did any individual player dominate. It was largely only in Norway that a single manufacturer could dominate as strongly as Jøtul had. For example, there were no companies in the United States, France or Germany that had more than 10 per cent of the total market.

In the mid-1990s, however, there were signs of incipient restructuring of the industry. In the United States this occurred during 1995 and 1996 with several large buyouts and mergers, and it was expected that a similar trend would also take place in Europe.<sup>390</sup>

How should Jøtul handle this development? In the spring of 1997 the board discussed this question. It was clear that Jøtul could either remain passive in the face of this development or choose a more active strategy. It was thought that a passive strategy might mean that Jøtul would eventually be swallowed up by other manufacturers. In such a scenario the main question was whether the company wanted to influence who might be the potential new owner. Such a strategy, however, was not desirable. "Based on its strong brand name and well established distribution network, Jøtul has a good foundation for significant growth and wishes to assume an active role in restructuring the industry", as the board stated.<sup>391</sup>

*A loyal employee leaves the table. At his departure in 1997, Egil Knudsen had been employed at Jøtul for 48 years. He represented the old tradition, an industrial worker with a lifelong association with one company.*



## 48 år ved samme bedrift

**Kongens fortjenestemedalje.** I nesten 50 år har Egil Knudsen (i midten) arbeidet på Jøtul. I går ble han hedret med Kongens Fortjenestemedalje i handelsstandens lokaler av ordfører Svein Ruskhof Hansen. Knudsen var ikke mer enn 15 år da han startet opp som lærling i verktøymakererlaget ved bedriftens datertende anlegg i Lodalen i Oslo. Han fulltet med da bedriften hoppet nytt anlegg på Helsefyr. Og da Jøtul flyttet til Kråkerrøy, fulgte Knudsen etter på grunnet av det vanskelige arbeidsmarkedet på sluttet av 80-tallet. De siste åtte årene har den tidligere Oslo-mannens vært bostedt på Kråkerrøy. Mens han startet som verktøymakerlærling, har han opp gjennom årene vært blant annet bedriftsholdende og driftsleder. Teknisk utdanning ble gjennomført mens han arbeidet i Oslo, og da Knudsen gikk av med pensjon var nyålderskriftet, som påkjenningen kvalitetsingeniør.

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