

The Challenger Credo
How Challenger Brands
Can Compete Against
Brand Leaders.

*A Summary of Eating The
Big Fish by Adam Morgan*

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The Challenger Credos

How challenger brands can compete against brand leaders.

Reversing the food chain is never easy.

It's not just that brand leaders are bigger and enjoy proportionately greater benefits; it's that the superiority of their advantage increases almost exponentially, the larger they get.

But there are advantages to being a Challenger. You don't have to be all things to all people. You can choose a place to stand and something to believe in. And if some choose to navigate by you, and others choose to sail right on by, well, so be it; the one thing we don't want to be is what Wal-Mart calls 'the mush in the middle'. To be just another second-rank brand is to put yourself into the mouth of the big fish and wait for its jaws to close.

Being a Challenger is not about a state of market; being number two or three or four doesn't in itself make you a Challenger. A Challenger is, above all, a state of mind. It is a brand, and a group of people behind that brand, whose business ambitions exceed its conventional marketing resources, and in consequence it needs to change the category decision making criteria in its favour, to close the implications of that gap.

If we want or need to think like a Challenger, while the overall 'marketing model' may indeed have significantly changed over recent years, there are still some core principles for us as Challengers to live and thrive by. These principles have been distilled into the Eight Credos of successful Challenger Behaviour, which are in this booklet.

The First Credo: Intelligent Naivety

We are often taught that experience of a category is vital, so it is striking that so many of the Challengers who have really shaken up the categories around us are new to it. The founder of Vitaminwater had no experience in soft drinks, yet built a brand he sold to Coca Cola for \$4.1 bn. James Dyson trained in furniture design, but went on to reinvent the way we saw something as dull as vacuum cleaners. What we shall call Intelligent Naivety has changed the categories around us more profoundly than all the experience in the world.

Intelligent Naivety enables us to ask those simple upstream questions that, as we become more steeped in the category, we lose the ability to ask: 'Why does this category have to be all about this? Why can't it be about that instead?' Eric Ryan, for example, was working in advertising when he was struck by the way that cleaning products all focused on problems and solutions, such as the effectiveness of germ kill. He asked himself why one couldn't create a far higher level of emotional involvement with this category, one much more in keeping with the design quality and pride that people take in their homes. Such questioning led to the creation of method — a premium home-care brand that has delivered prodigious growth of over 900% in the decade since its inception.

The recognition of the opportunity to put an entirely new emotion into a category with one's brand is the second key way that Challengers use Intelligent Naivety to break through.

The brainchild of a small group of designers and software engineers, Simple Bank was their answer to a simple question, "what would banking look like if it didn't suck?". To bring this vision to life Simple have styled themselves as a kind of anti-bank, injecting beautiful, engaging, and userfriendly design at every touchpoint in their customers interaction with the business. And it seems to be working. Simple saw growth of 330% in 2013 with over \$1 billion in transactions processed during the same period.

The next benefit of Intelligent Naivety is the recognition of the potential power of overlaying the practices of one category onto another — An unlikely collaboration between Greater Ormond Street Hospital for Children

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and Formula 1, has seen lessons from their intricately choreographed pitstop procedure applied to the hand-over of a patient from an intensive care ward to a surgical unit. This has resulted in a halving of mistakes, and undoubtably saved lives.

Finally, Intelligent Naivety has the considerable benefit of not knowing what is 'possible' and what is 'impossible'. Dan Shrimpton, the co-founder of Peppersmith, a confectionery company specialising in natural chewing gum products perhaps sums up this attitude best. Despite being assured by experts that viable alternatives to synthetic ingredients didn't exist, they decided to test natural gums anyway. And to the amazement of people who had worked in the industry for decades, they were incredibly successful.

The Second Credo - Build A Lighthouse Identity

Success as a Challenger comes through developing a very clear sense of who or what you are as a brand/business and why - and then projecting that identity intensely, consistently, and saliently to the point where, like a lighthouse, consumers notice you (and know where you stand) even if they are not looking for you. This credo looks at the roots, source and nature of such identities, and how successful Challengers have built them.

Challenger Brands do not attempt to navigate by the consumer. Instead, they invite the consumer to navigate by them. These 'Lighthouse Brands' have four key elements...

1. A Point Of View

Lighthouse Brands have a unique point of view on the world, based on a belief or a value system — Audi, for example, anchor everything they do around the concept of progress. From aluminum space frames in their cars, though to futuristic airport terminal aesthetics in their showrooms, right down to the race winning fuel efficiency of their diesel Le Mans cars.

2. Salience

Lighthouse Brands are highly visible. They demand our attention by

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projecting their beliefs insistently and consistently in everything they do. Challengers do not break through in a mature category simply by being a little more convenient or trustworthy; they need a wholly stronger and more emotional relationship with the consumer. You may never have flown with Virgin Atlantic for instance, but you could probably tell me what they stand for.

3. Built On Rock

Lighthouses are built on rock: on a brand or product truth that is indisputably theirs. The embrace of diversity at the heart of MAC cosmetics, for example, is based firmly on its origins in the Toronto drag scene.

What we are creating here is not a Lighthouse Image, which would simply inform the communications strategy, but a Lighthouse Identity, which will impact every aspect of the business.

The Third Credo: Become The Thought Leader

There are two kinds of brand leader in any category: the Market Leader and the Thought Leader. While the Market Leader is of course one kind of brand leader in the sense that it has the dominant share and the distribution, the Thought Leader is the brand in the category that everyone is talking about, that is seen to be setting or resetting the agenda in the category. This is best achieved by surprising the consumer with behaviour that breaks some (though not all) of the category's conventions.

The most common kinds of convention that Challengers choose to play with in order to take Thought Leadership seem to be these...

1. Representation

Conventions of Representation are the conventions surrounding how a brand portrays itself, including naming and product descriptors (Help Remedies are unusually plain speaking for the pharmaceutical industry, their painkillers simply have 'Help, I have a headache' written on the front of the tin), and even sometimes extending a visibly different brand

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architecture, like Benefit's 'Fixing it' and 'Faking it'. Critical here is to recognize that these brands do not break convention for the sake of it: instead they do so both to signal their distinctive identity and to prompt consumers to consider the category in a fresh way.

2. Medium

Conventions of Medium encompasses distribution, message delivery and physical packaging structure. For example, Festina launched their range of waterproof watches by packaging them within transparent water-filled pouches, making an invisible attribute unmistakable.

3. Product Performance

Conventions of Product Performance are self evidently those surrounding what your product actually does, over and above what it is expected to do, the Toyota Prius dramatising the energy transfer of its hybrid engine on the central screen housing the satnav system, for instance.

4. Experience

Conventions of Experience are those surrounding the product or service experience beyond pure product performance – Secret Cinema for example (a London based immersive cinema company) puts on events of such theatrical extravagance that the film itself is arguably often left playing second fiddle.

5. Neighbourhood And Network

The fifth convention we can break is that of Neighborhoods and Networks, who we partner with to create our unique offer, Nike and Apple partnering up to launch Nike+, the first mainstream overlay of digital gamification onto the world of personal fitness.

6. Relationship

As the fundamental relationship between brands and consumers continues to change, there exists an opportunity for brands in categories which still observe a 'barrier' between brand and consumer (whether physical, such as a bank counter, or informational, such as lack of transparency). They can become Thought Leaders by removing one or more of those barriers and thereby opening up an entirely new kind of relationship with their consumer.

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Thought Leadership involves deliberately breaking some of the conventions of the category, while grounding yourself in others. The sense of momentum this helps to create is not a one-off act of irreverence, it is the start of a longer term ambition to be seen as a brand that is constantly at the forefront of a fresh way of seeing and thinking about the category and its possibilities.

The Fourth Credo: Create a Symbol of Reevaluation

Challengers are brands in a hurry; most consumers, however, are locked in habitual behaviour and purchases. To break through then, Challengers often determine to create an initial and dramatic Symbol of Re-evaluation, that will jolt their chosen target market out of their complacency regarding the category and therefore their choices within it.

We might want to prompt a significant re-appraisal of how consumers view the brand, for instance at the 2008 Superbowl Audi America dramatised its opposition to 'Old Luxury' with the launch of its \$120,000 R8 supercar. Besides image and consideration shifts, the car lured people into Audi showrooms who had not previously taken the brand seriously as a luxury car.

Or the area of complacency we need to puncture might be consumers' perceptions of the category as a whole. Few people in the UK gave much thought to school dinners until TV chef Jamie Oliver pointed out that we spent less on lunches for school children than we did on lunches for prisoners. Suddenly, he had a nation's attention.

It is said that a moon rocket uses half of its entire fuel supply to leave the earth and reach its desired speed. The same is true of getting a brand off the ground—the real effort and difficulty lies in achieving that initial critical momentum.

The Fifth Credo: Sacrifice

The greatest danger facing a brand today is not rejection, but indifference.

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Most brands we see around us are not really marketing, they are merely tweaking indifference, their marketing makes no significant difference to our feelings about that brand one way or another. But a Challenger does not have the time or the luxury of indifference — they know that weak or parity preference will simply not be enough; their only currency will be strong preference. And to create strong preference they will need to reach out and bind certain groups of consumers very strongly to them. They must accept that they will need to take actions and communicate messages that will by the same token leave other groups of consumers cold, and sometimes even put off. So strong Challengers have to be single-minded, even if it means sacrificing what might seem to be important markets or messages.

Challenger hotel chain Citizen M did this in a typically dramatic fashion in their drive to make the luxury hotel industry affordable. They literally took a red pen to a photo of a traditional hotel room, and stripped away all the frills that were unnecessary and superfluous to the needs of their target traveller, the 'global citizen'.

Sacrifice is crucial to maximizing a Challenger's consumer presence, especially given its comparatively limited marketing resources. It concentrates the internal and external expressions of identity by eliminating activities that might be diluting, and by stripping away secondary marketing activity. It also enables strong points of difference to be created by focusing on a narrow, intense loyalty rather than a weak, universal appeal.

As we will see in the next credo, the sacrifices Challenger Brands make also allows them to overcommit on what really matters.

The Sixth Credo: Overcommit

When a karate black belt attempts to smash a brick in two with his bare hand, he aims not at the brick itself, but at an imaginary point two feet below it. In other words, it is a triumph not of commitment, but of overcommitment. The same approach is required of Challenger Brands, it is only overcommitment which will push through the inertia and resistance they will inevitably encounter.

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Zappos are a good example of this philosophy in action. As one of the world's largest online shoe retailers, one might expect them to share the impersonal and labyrinthine customer service departments that are commonplace in that industry. In recognition of this, they have overcommitted to service, and made it a cornerstone of their internal culture. In their own words, they are a customer service company that happens to sell shoes. This manifests itself in the way they measure success. Writ large on a prominent whiteboard in their Las Vegas headquarters, their daily sales figures sit just above their most recent Net Promoter scores (all in the 90s). The message is simple: making customers happy makes us money. And in that order.

The hotel chain Citizen M, as we saw on the previous page, sacrificed unneeded fripperies as a necessary step to overcommit on what mattered most to its travelers: high quality design, immersive and functional technology, and a luxury service tailored to each customer.

The Seventh Credo: Enter Popular Culture

Much has been written about the changing communications landscape. On the one hand, it is more challenging to break through than ever before: traditional media are waging a desperate battle against fragmentation, clutter and audience distraction. On the other hand social networks and communities have created entirely new kinds of opportunities for Challengers to build high degrees of social salience and interaction on limited budgets.

The thought that brands must increasingly concern themselves with how to make themselves a vital part of peer to peer communication has to be constantly reassessed in line with the evolution of our online world, yet the core underlying concept is one that we see as having been critical to Challengers for years.

South Africa's first budget airline, Kulula, provides an interesting example. Back in 2010 during the Soccer World Cup, Kulula had publicly taken a stand against competitors opportunistically raising their prices. Having

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cheekily skirted FIFA's regulations around what businesses could and couldn't say and show in their communications, they had incurred the wrath of the Football Federation's lawyers. Rather than meekly back down, Kulula put out another ad. This time they offered free flights to the president of FIFA, Sepp Blatter. Or more accurately anyone with the same name, a name that just happened to be shared by a small adorable dog. Their very public irreverence put them firmly on the side of the ordinary South Africans who were weary of FIFA's heavy handedness.

As an aspiring Challenger Brand, then, we need to recognize not just the human need to share, but also how and why it can be stimulated, from a brand point of view, in a way that benefits both parties: the Challenger Brand's need to get people to spread our word for us, and people's need to enjoy profitable human interaction. And we need to think about how we restructure our own personal strategic mindset, our organisational structures and our business partners to ensure that we are constant manufacturers of such social salience and mythology.

The Eighth Credo: Become Ideas-Centred

Successfully entering a category as a Challenger is one kind of problem; continuing that success is another one entirely. Challengers need momentum – actual momentum (the source of return on investment) and perceived momentum (the sense that this is the brand to watch). And the reason most Challengers lose momentum after initial success is that they fail to realise they have to change to stay the same. Changing in this sense doesn't mean changing their core identity, but rather changing the way the consumer experiences it.

This refreshing of the experiential relationship is one that is fed by a consistent stream of ideas – not just technical innovation and product news (although these can be important) but marketing and communication ideas that will stimulate the consumer's imagination.

The Lighthouse Keeper

What does it mean to be the 'Keeper' of a Lighthouse Brand, in a world where the consumer is an increasingly active participant in commenting on, and interacting with the brands around them?

We still have to have a very clear sense of what we need to stand for. We still need to clearly project that sense of ourselves. But we also need to recognise that we now have entirely new kinds of communications and content partners, some of whom will be powerful shapers of perceptions of our brand. Some we pay, some we don't. Some we brief, some we don't. Some are strident, some playful. Some are selfish, some community-minded. But on all sides they will play, essentially one of four roles:

1. Proposition ("Love This")

Target has a number of Facebook groups devoted to loving it.

2. Opposition ("Hate This")

'Keep Austin Weird' is a community rallying cry, mostly seen on bumper stickers and T-shirts, resisting the increasing commercial homogenization of a proudly idiosyncratic town in southwest Texas.

3. Play And Display ("Look At This")

Ikeahackers is a community of people who are innovating with basic IKEA products, then posting and sharing their ideas with like-minded souls (a television base turned into a tortoise tank, for example).

4. Create/Re-Create ("Make This" or sometimes "Put This Right")

These centre more on product-centric issues. Whereas Opposition has to do with a macroissue or brand (people who hate Starbucks, for instance), this has to do with making or improving products within a brand. This is a trend frequently seen in the gaming industry, but perhaps exemplified by the highly influential co-creation platforms created and nurtured by Blizzard, the makers of the worlds highest grossing video game World Of Warcraft.

The more interesting and important question for us to devote our energies to as Lighthouse Keepers, then, is how to build our ability to feed, trigger, and respond to each of these sources of consumer energy around

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our brand. So we still have to keep the Lighthouse. We are of course going to actively engage with the consumer, but we are not going to simply give over what we stand for to them; they don't want that, and nor should we. We are going to recognize the ways in which communities of consumers unite around Challengers such as ours, that stand for something in the popular imagination, and explore ways to feed the most beneficial forms of this kind of energetic community.

In Conclusion

Brand Leaders are a law unto themselves. They have no relevance at all to second rank brands, which need to pursue fundamentally different kinds of strategies to survive and grow. The new models for the new business world for us to actively learn from are no longer brand leaders but:

- i) Second rank brands
- ii) Outside our category
- iii) Who have achieved significant growth over the last 3 years

In other words, Challenger Brands.

The last 15 years have seen an exponential increase both in the conversations about Challenger Brands, and in the number of brands actively and publicly pursuing a Challenger Brand strategy. The range of possible Challenger stances or narratives that studying these recent Challengers offers as stimulation for our own positioning goes way beyond the simple 'David vs. Goliath' stance that is sometimes seen to typify the Challenger. Indeed eatbigfish offers another short book called Overthrow on 10 such types of Challenger stance.

The possibilities open to us as Challengers continue to be both rich and inspiring. Becoming a true Challenger Brand is still a demanding and ambitious path to choose, but there is at least an ever greater body of knowledge to draw on from those that have passed this way before. Fresh ways to shade the odds in our favour.

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eatbigfish is a brand consultancy whose unique focus is Challenger thinking and behaviour. Our expertise is grounded in The Challenger Project - our ongoing study of how Challenger Brands succeed by doing more with less. We act as catalysts rather than consultants, and through our collaborative approach we provide inspiration and frameworks which enable 'would be' Challengers to deliver breakthrough solutions for their teams and brand.

You can explore our wider offer at www.eatbigfish.com, email us at hello@eatbigfish.com, or if you want to speak to someone please call one of the numbers below.

London

Teresa Murphy
teresa@eatbigfish.com
+44 (0)20 7234 9970

New York

Chad Dick
chad@eatbigfish.com
+1 203 227 6919

San Francisco

Mark Barden
mark@eatbigfish.com
+1 415 891 8348

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The essential book for Challenger Brands. A bestselling study of 50 Challenger Brands around the globe identifying the commonalities in their approach to brand development. The 8 Credos of Challenger brand thinking cover preparing the right mindset, strategy development, in market behaviour and maintaining success.

“Challenger isn’t a state of market, it is a state of mind. This way of thinking is as important and powerful for a hugely successful brand as it is a start-up, and this book will show you why.”

Andy Berndt, Google Creative Lab

Details: 336 pages

Year: 2009 (2nd Edition)

Author: Adam Morgan

Publishers: Wiley

ISBN: 978-0470238271

Buy a copy: Barnes & Noble
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