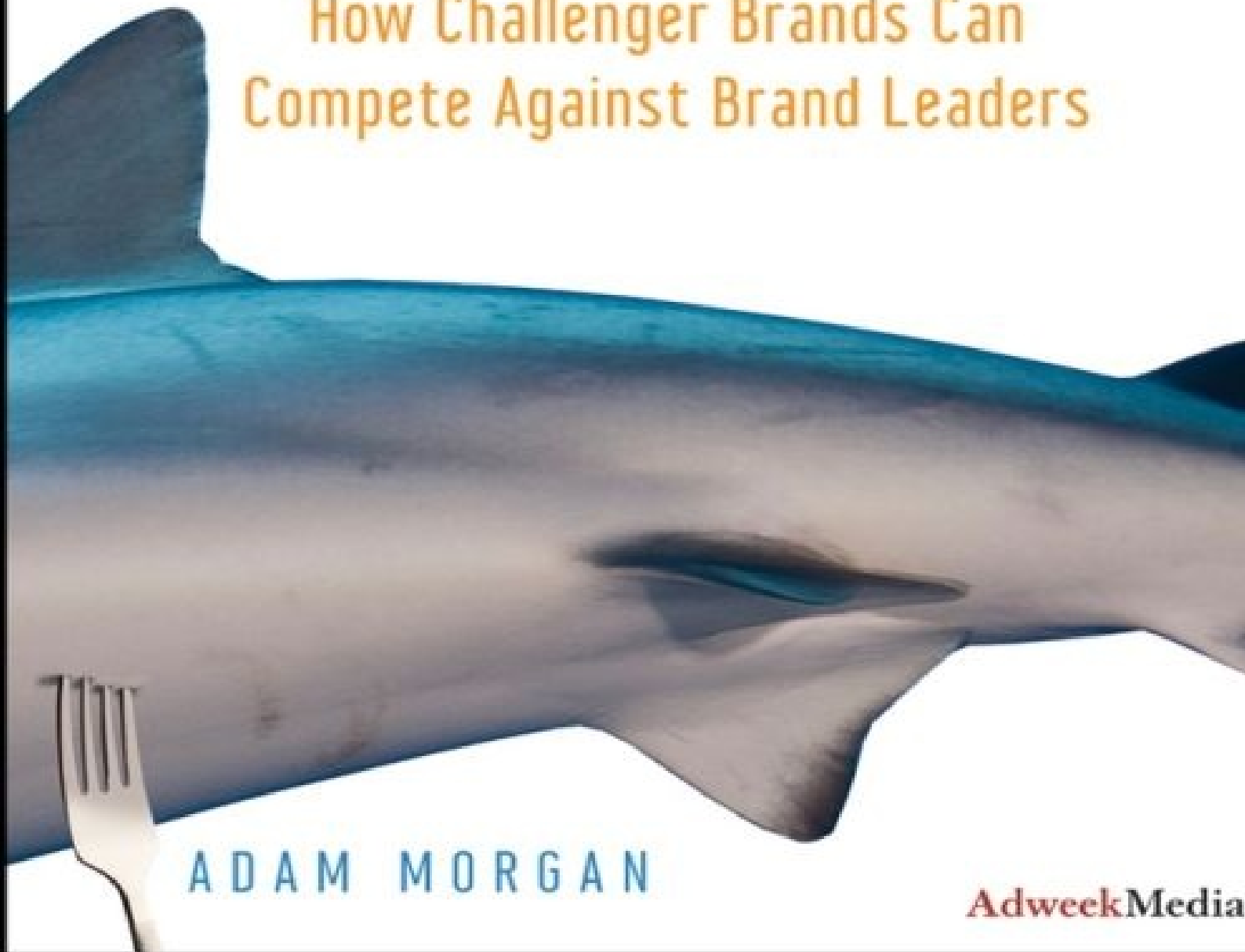


REVISED & EXPANDED
SECOND EDITION

EATING THE BIG FISH

How Challenger Brands Can
Compete Against Brand Leaders



ADAM MORGAN

AdweekMedia

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SECOND EDITION

ADAM MORGAN



John Wiley & Sons, Inc.

Published by John Wiley & Sons, Inc., Hoboken, New Jersey
Published simultaneously in Canada

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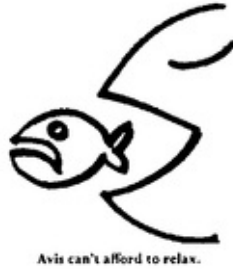
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Library of Congress Cataloging-in-Publication Data
Morgan, Adam.
p. cm.

Includes bibliographical references and index.
eISBN : 978-0-470-52775-7

1. Product management. 2. Brand name products-Management. 3. New products. I. Title.
HF5415.15.M67 2009
658.8'27-dc22
2008022827

When you're only No.2, you try harder. Or else.



Little fish have to keep moving all of the time. The big ones never stop picking on them.

Avis knows all about the problems of little fish.

We're only No.2 in rent a cars. We'd be swallowed up if we didn't try harder.

There's no rest for us.

We're always emptying ashtrays. Making sure gas tanks are full before we rent our cars. Seeing that the batteries are full of life. Checking our windshield wipers.

And the cars we rent out can't be anything less than lively new super-torque Fords.

And since we're not the big fish, you won't feel like a sardine when you come to our counter.

We're not jammed with customers.

Preface

“Everybody pulls for David, nobody roots for Goliath”

—Wilt Chamberlain¹

In the beginning was Avis. The little fish, aiming to reverse the food chain.

And Avis begat the Pepsi Challenge.

And the Pepsi Challenge begat Apple 1984.

And they all had a love child together called Richard Branson. Who was then knighted by Her Majesty the Queen for services to The Underdog.

And that was the way we thought Challengers went, really. All doing the same sort of thing, all very successfully. All plucky underdogs, all asking us to take a position. All creating the impression that this hugely crowded category was in reality simply a matter of a two-horse race and asking us who side we were going to take: Were we with the little guy or the big guy here?

And from then on, every decade there seemed to be one new iconic battle between Challenger and leader. And those iconic battles always seemed to take essentially the same form: Small Challenger makes public challenge to Market Leader, in open pursuit of column inches, news footage, sympathy and sales. A charmingly scrappy David against a visible and, now we realize, strangely sinister Goliath. There was nothing wrong in any of these Challengers and everything right about this stance of course—but it was always at its heart exactly the same stance. David versus Goliath.

Yet the past 15 years have seen a remarkable new diversity and flowering of Challenger thinking around us, in three important and distinct senses: the number of brands openly adopting a Challenger stance, the diversity of Challenger stances they have taken, and the change that some of the most successful of these Challengers have made to the fundamental way we think about and interact with long-established categories.

THE NUMBER OF BRANDS OPENLY ADOPTING A CHALLENGER STANCE

The first significant recent development in the world of Challenger brands is in the number of brands (and other entities—countries and cities, for example) explicitly adopting this Challenger brand stance: Large companies from North America to Singapore to South Africa openly declaring they wa

and need to think like Challengers, company-wide. And alongside them we find an even larger number of commentators discussing brands through this explicit lens: If you Google “Challenger brand” today, you find people writing about the Challenger brand approach in business from India to Australia to Mauritius, ranging from the fields of politics to education, via soap powder and social networking sites along the way. The concept and language of a Challenger brand has become mainstream and explicit part of the marketing landscape (whether it is always fully understood or not).

THE DIVERSITY OF CHALLENGER STANCES

The second key development in Challenger brand thinking over the past 15 years lies in the diversity of Challenger stances we see taken by Challengers in their chosen marketplace. One of the purposes of the second edition of this book, in fact, is to help us intelligently look at options other than the default Challenger model (which one might characterize as essentially a cluster of attributes around the David versus Goliath theme). Understanding this broader diversity, and how we use it to our advantage, is going to be central to our success.

It is not hard to see why there has been this overarching focus, historically, on “David versus Goliath” as to what it really means to be the Challenger. It is undoubtedly partly the influence of the four iconic Challengers we noted earlier, and how well that stance has worked for them. And may well also be to do with the implicit influence of military metaphor that underlies so much of the language of marketing (targets, share battles, etc.). For what has been the most influential thinking on how a Challenger succeeds within military conflict? The doctrine of guerrilla warfare, whose philosophical authors and successful practitioners in the real world—Che Guevara, Mao, the Viet Cong, Lawrence of Arabia—have made this perhaps the most famous military strategy in the world.

But of course there is a much wider range of Challenger stances one can take than this. For a long time the real scope of the diversity of stances available to us seemed more genuinely visible in the spectrum of political, rather than business Challengers. At either end of the tonal range, for example, one might put the open confrontation of the rioting Paris students of 1968 on the one hand, and the gentle (but more effective) challenge by Gandhi to the British on the other. In between we have seen how political Challengers combine the strident with the charming, the steel with the velvet glove: look at the self-styled “Raging Grannies” who doorstepped President George W. Bush over Iraq, for instance, or the smiling Katharine Hamnett, chatting cordially with Mrs. Thatcher in Downing Street while simultaneously wearing a T-shirt that screamed “58% don’t want Pershing” (the cruise missile scheduled to be sited in the United Kingdom). What a brilliant combination of charm and stiletto edge, wielded—and how intriguing to wonder, we thought, how we as Challenger brands might achieve this kind of potent combination.

But in the recent brand world, too, we are finally coming to see a far richer range of Challenger attitudes, natures, and tones. JetBlue, Red Bull, flickr, Zara, Linux, innocent—each of these has taken a very different approach in order to succeed. They have had to—for, of course, the stance you take as a Challenger is of necessity heavily influenced by the cultural and category context in which you find yourself. (So, for instance, if there are 150 drinks in the energy drink category, and they are all being marketed as irreverent mavericks, then one thing a genuine Challenger to Red Bull is not going to try to be is y

another irreverent maverick. It will need to find a different way to challenge the conventions of the category or the culture around it.)

And with this fresh diversity from both the physical and digital brand worlds has therefore come the ability to better define the potential choices available to us of the different kinds of stances a Challenger can take in their chosen marketplace. For instance:

- i) The Missionary—like Dove, as an agent of change in the beauty category
- ii) The Visionary—exemplified by method's vision of a relationship with cleaning that transcends functional germ kill
- iii) The Enlightened Zagger—typified by Camper's championship of "slow" in a fast world
- iv) The Real and Human alternative—personified by Ben & Jerry's
- v) The People's Champion—a torch famously carried by Wikipedia and Linux
- vi) . . . As well as, yes, of course, the stance of the feisty little David

These six different stances, and six others are discussed in detail in Chapter 12. In that chapter we will also go on to explore how the nature of this diversity may shed some insight on how long-lived Challengers successfully and continually renew their relationship with the consumer. It will suggest, in fact, that perhaps the whole notion of how one maintains Challenger longevity lies in intelligent evolving across this Challenger typology.

THE CHALLENGE TO THE FUNDAMENTAL WAY WE THINK ABOUT LONG-ESTABLISHED CATEGORIES

The third key development in the centrality of Challenger thinking to marketing and business is the way in which some of the new Challengers are not simply gaining share or changing brand ranking but threatening to fundamentally overturn entire categories and our frameworks for thinking about them. Twenty years ago, we saw Establishment brands threatened by new Challengers (IBM); now we see the fabric of entire industries and the behavioral cultures we attach to them threatened by this new generation.

Let's briefly consider some obvious examples. While YouTube is evidently a Challenger to television in terms of offering its own live TV channels as well as being an alternative source of entertainment, it has also in the process in effect redefined our notion of quality entertainment. Quality in visual entertainment, one could argue, is no longer about wonderful production values and compelling narrative—post YouTube, it is now simply about how good or fresh the idea is and the emotional effect it has on us (and the person we pass it on to). Wikipedia challenges not only the way we receive authoritative information (Microsoft's Encarta and Encyclopedia Britannica are casually brushed aside by a site that now accounts for one in every 200 online visits), but also our long-held notions regarding credible sources of it (the "amateur versus expert" debate). The foundations have been pulled out from under the conventional music business by iTunes. Game changes such as the Tata Nano and the \$100 laptop look as though they will come to create a profound shift in the automotive and computer businesses. Will social networking sites bring down conventional e-mail? What will the Kindle e-book reader do (if anything) to the book business? Will we see a generation of consumers used to "free" Challengers (free music, free entertainment, free texts, free search, free

software, free newspapers, free gaming, free calls) question the whole value and transaction model more broadly in every aspect of their lives? (And could this translate into packaged goods?) What will be the impact of environmental Challengers not just on the way we vacation, but on the whole way we think about packaging and what we really need and don't need in that packaging?

And all this structural change before, of course, we have really begun to explore the intimate related future of communications.

A STRATEGIC MODEL, WITH SOME CONSISTENT PRINCIPLES

While this broad and multifaceted emergence of Challenger diversity has been taking place, our context for it—the context of the marketing, consumer, and brand landscape—has obviously also been changing enormously. In our marketing world, some things are new (social everything), some things are back (product performance), some things are wrongly written off (TV), and some things are trumpeted and then forgotten. And the socio-digital economy has currencies all its own that we are having to learn, even as they flex and evolve themselves.

While we might disagree on this implication or that implication of the changes around us, one thing is clear to everyone, it seems: Marketing, or rather the transition that marketing is making, is now to be seen as a journey without maps. We know, because influential CMOs have told us, that the old marketing model is broken, and certainly we have all lost confidence in it. What we don't yet know—because it is in a state of continual emergence and experimentation—is what the nature of the new model is that we are supposed to replace it with.

So, at one level, a thorough understanding of successful Challengers is ever more interesting and important to us. Even if we yet lack a coherent model, we can at least take some consistent principles with us. And perhaps these principles should be Challenger principles, for in a very real sense this new world will make necessary Challengers of us all.

It is these principles—which we'll come on to call the Challenger credos—that the book offers for us as a framework as we move forward. A constant way of thinking for us and our team to help us steer our brand into a dynamic and rapidly evolving future.

CHANGING CRITERIA

Discussing Challengers in this new world is not without its difficulties, though—it is obviously often hard to be entirely clear who is challenging what. Who and what is Facebook challenging, for example? MySpace? Google? E-mail? Basic human concepts of what it means to be friends? What are we to make of the new brands from India and China—that Tata Nano, for instance (a four-seater car costing \$2,500)? It is not going to be sold in Peoria or Paris any time soon, but it will significantly affect the shape and nature of car purchasing and thinking in emerging markets. And China's Infosys, Wipro, Lenovo—are they Challengers? Or still, in effect, products and services with logos (to the

Western world at least)? What of the new brands to Africa, such as One Laptop per Child (OLPC)? Not yet a threat to Dell's sales, but it certainly challenges our conceptions of what can be done with technology in poor economies—and it certainly stops and makes me think about exactly what I need from a highly overspec'd computer that I am going to buy for my 13-year-old sons in London.

So I have modified in one significant way over the past 10 years my definition for Challengers include in the study. When we researched the book originally, my partners and I wanted to see three or five years of success before writing about any of the brands we considered. Now, if we were to wait and give each brand the five-year test, we'd either be risking many of the more famous ones becoming clichés, or perversely ignoring some of the most profound potential shifts any of us as marketers have to consider. So let us, with our eyes wide open, embrace a slightly different approach in this edition. Let us look at well-established Challengers, for the main part, but accept that we will need to consider some of the more important new contenders before it is yet clear what their real mid-term trajectory is going to be. And we accept as we go along that there are some much larger challenges posed to the fundamentals of the world around us, and we explore these toward the end of the book.

AN OVERVIEW OF THE FLOW

After exploring some of the key challenges facing us as number two, three, or four brands and reviewing the argument about why we need to think differently from a Market Leader, the book then goes on to discuss the key commonalities Challengers seem to share in terms of Attitude, Strategy, and Behavior. (See the following page.)

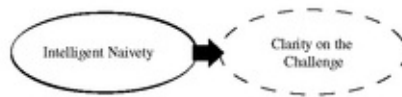
Once we have looked at each of these principles in turn, we go on to look at what it means to be a Challenger brand driver (or Lighthouse Keeper) today, and close by discussing the “ghost in the machine” for all of this: how Challengers manage and indeed lean into risk.

For those of you familiar with the first edition, each of the credo chapters has been substantially updated and considerably revised, and there are two wholly new chapters (Chapter 5, “Monsters and Other Challenges,” and Chapter 14, “The Scope of the Lighthouse Keeper”).

Finally, the book is designed to be practical, and a series of exercises towards the end is intended to provide stimulus when applied to your business. In addition, you can see some of the interviewees talking on video by following relevant links to a web site for the book; these links are indicated at the end of each chapter. This is not simply to be digitally current; it is because in many ways it is the way Challengers talk, as well as what they say, that is the crucial factor in understanding the underlying Challenger mindset we will need in order to succeed.

The Challenger Strategic Approach

Stage 1: Attitude & Preparation



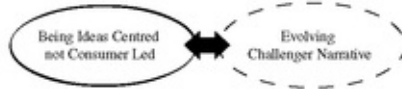
Stage 2: Challenger Strategy



Stage 3: Challenger Behaviour



Stage 4: Sustaining Challenger Momentum



Foreword

The true test of an idea, a model, an organization or a brand, is whether it can withstand the test of time. There has never been so much testing in such a short period of time as in the last nine years.

Nine years ago, Google and YouTube did not exist; the iPod was one idea, of many, in Steve Jobs' head, and the founder of Facebook was not even allowed to drive. Cable fragmentation and consumer zapping were the issues marketers dealt with, not streaming, downloading, or a la carte and on-demand viewing and listening. We had desktops and laptops then, but no BlackBerries or Treos to check at midnight or before brushing our teeth in the morning. The world seemed to have more curvature; now it feels it is virtually flat with competition for goods, services, and labor coming from anywhere and everywhere. Nine years ago, there was no 9/11 and institutional data mining for surveillance and consumer journalism were the subjects of only fiction books and movies.

Eating the Big Fish was also published nine years ago. At the time, Adam Morgan made waves describing the philosophy, profile, and behavior of a Challenger brand trying to dethrone "The Big Fish," perceived to be infallible and invincible. He was clear in articulating the amplified challenge of a Challenger brand within the changing consumer dynamics of the time. He spoke of: a consumer who was not listening, believing, or consuming like she used to; the fluidity and permeability of categories that would no longer fit within the well-defined segmentation boxes of a marketer; and the ineffectiveness of communication that could not capture consumer's imagination in a world where no one was actively listening.

Adam described the Challenger mind-set as "An ambition that exceeds conventional marketing resources and the preparedness to accept the marketing implications of the gap." Challengers can break through by understanding their Big Fish and radically simplifying consumer choice, or by creating new criteria for evaluating a category, or by dramatically changing the sand box. It is all about making tough choices; not about focus, but about Sacrifices. It is about letting go and saying "no" to the existing multiplicity of marketing options; to concentrate energy on the ones that matter the most. Within this framework, Adam created the Lighthouse brand concept. Lighthouse brands have a clear and unapologetic point of view and invite consumers to navigate around them. They are not afraid to flaunt their values even at the expense of alienating some consumers. And they live consistently delight and surprise consumers, using every possible angle at their disposal, especially the nontraditional. Brands like the Mini Cooper, Harley Davidson, The World Wrestling Federation, Mountain Dew, and Unilever's Axe have lived by the Challenger principles for many successful years.

I read Eating the Big Fish in the year 2000 as I was beginning my journey as Chief Marketing Officer of PepsiCo Beverages International. Leading the marketing efforts for the quintessential Challenger brand company in its most intense category and its most competitive market gave me the playpen to bring Adam's concepts to life. I have been a believer ever since.

But times change, thinking evolves, and in nine years, the winds of change have been transformed into the typhoon of change. Wired magazine called our times the Petabyte age, an age where infinite information can be stored, processed, and organized to drive innovation in every field and every industry and provide more customized choices than ever before. In this world of algorithm-based

thinking there is sometimes the tendency to eliminate or discard the models of the past, even when the past is measured now in months or years instead of decades. As marketers then, one of the toughest questions we will face before embracing new options is: “Within this ocean of change, what are the key principles and process that we must maintain?” I will submit to you that in a world where information overflows our capability to absorb it and the foundations of science and marketing are challenged by it, where consumers are wired 24-7 and are blessed and cursed by choice, where institutions, leaders, and brands are exposed by the vigilant and omnipresent eye of consumers, Adam’s Challenger brand and Lighthouse Identity principles are more vital and vibrant than ever.

I was very happy when Adam told me that he was going to revise *Eating the Big Fish* and was truly honored when he asked me to write its foreword. I have enjoyed this assignment thoroughly. In the revised edition, Adam confirms the principles of his 1999 book but brings them to life through new and up-to-date examples of Challenger brands behaving as such within the new world order. Like lighthouse itself, there is *semper aliquid novi*, or always something new, but the book is firmly grounded within the bedrock of the original Challenger brand essence.

My journey through this book was different from the first time, though. Life has taken me into new adventures and now I am blessed to manage a truly phenomenal Big Fish. So I have reread his book from a very different point of view. In spite of my eternal agnostic mind and my firm belief in constant evolution, I was still able to confirm its concepts. In fact, I now firmly believe that the new world order requires a Challenger brand mentality even when you lead. Categories are constantly being restructured and competitions have been amplified by the steroids of technology and the democratization of media. Megacategories like personal computers, software, music, beverages, and financial services are being resegmented every day, opening the doors to new leader-Challenger discussions. This forever changing environment, where consolidation and fragmentation coexist, implies that potentially every David could play Goliath and every Goliath could play David in an aspect of a broad-based business.

Importantly, as the pressure for returns on investment continues for companies and their marketing investment, affordability, and predictability of available media will force everybody to break with convention. Therefore, breaking and transforming needs to be not only the privilege of the Challenger but also, the obligation of the leader.

For overexposed, overinformed and overwhelmed consumers, a brand with Lighthouse Identity can truly be more relevant than ever. It can be an aid for navigating the storm of choice, a trusted haven to satisfy all her needs within a defined space. The new order requires that any brand with aspirations, Challenger or not, relies on a solid rational bedrock, is enhanced by a strong and authentic emotional connection, but is also inspired by a true sense of mission in the world. All of this guided by a thorough understanding of its history and DNA coupled with a genuine and authentic sense of purpose. Within this model, the Lighthouse Identity brand understands the need for total transparency and consistent dialogue with its consumer, without forgetting its self-referential and unapologetic essence.

Finally, Adam’s Challenger mind-set presents three timeless principles of universal appeal. First, “Intelligent Naivety” will encourage any business to consistently embrace doubt and ask the toughest transformational questions required for constant innovation and rejuvenation. Faith is, after all, an active exercise in doubt. Second, to have a self-referential and unapologetic point of view, the brand will have the obligation to answer to itself its big questions first. This means big questions cannot be delegated to consumers because consumers “do not know what they do not know” and their opinions

are always grounded on what is and not in what can and must be. Third and last, the Roman poet Lucretius's call for *Semper Aliquid Novi*, or always something new, reminds us of the need to constantly delight and surprise but always within the essence of the lighthouse.

As I said, this is a timeless book and its principles transcend market share position. To transcend we must challenge, especially when we lead!

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