



Strategic Brand Marketing



**CHALLENGER  
BRANDS**

Winning with Challenger Brands

Fall 2019

## What is a Challenger Brand?

**Not all new brands are challengers! Most are extensions of the status quo, following the competitive herd by proliferating choice, or defending share of existing brands.**

Challenger brands transform existing categories or create new ones by questioning the status quo and forcing leaders to respond.

**Challenger brands may or may not have tangible product differences to leverage. Yet they all introduce something new and different to the category.**

- **Next generation - leverage new technologies or web-enabled**
- **Introduce a new mindset – champion people or environment over profits**
- **Address an injustice or lack of choice – David vs. Goliath**
- **Champion democratization – make elite products and services accessible to all**
- **Enhance the experience – provide a better experience for customers**

The Virgin logo is written in a red, cursive, handwritten-style font.The Uber logo is the word 'Uber' in a bold, black, sans-serif font.

# Characteristics of Successful Challenger Brands

Effective challenger brand strategies have these key strategic elements in place from the start, long before they build a web site or design a marketing campaign:

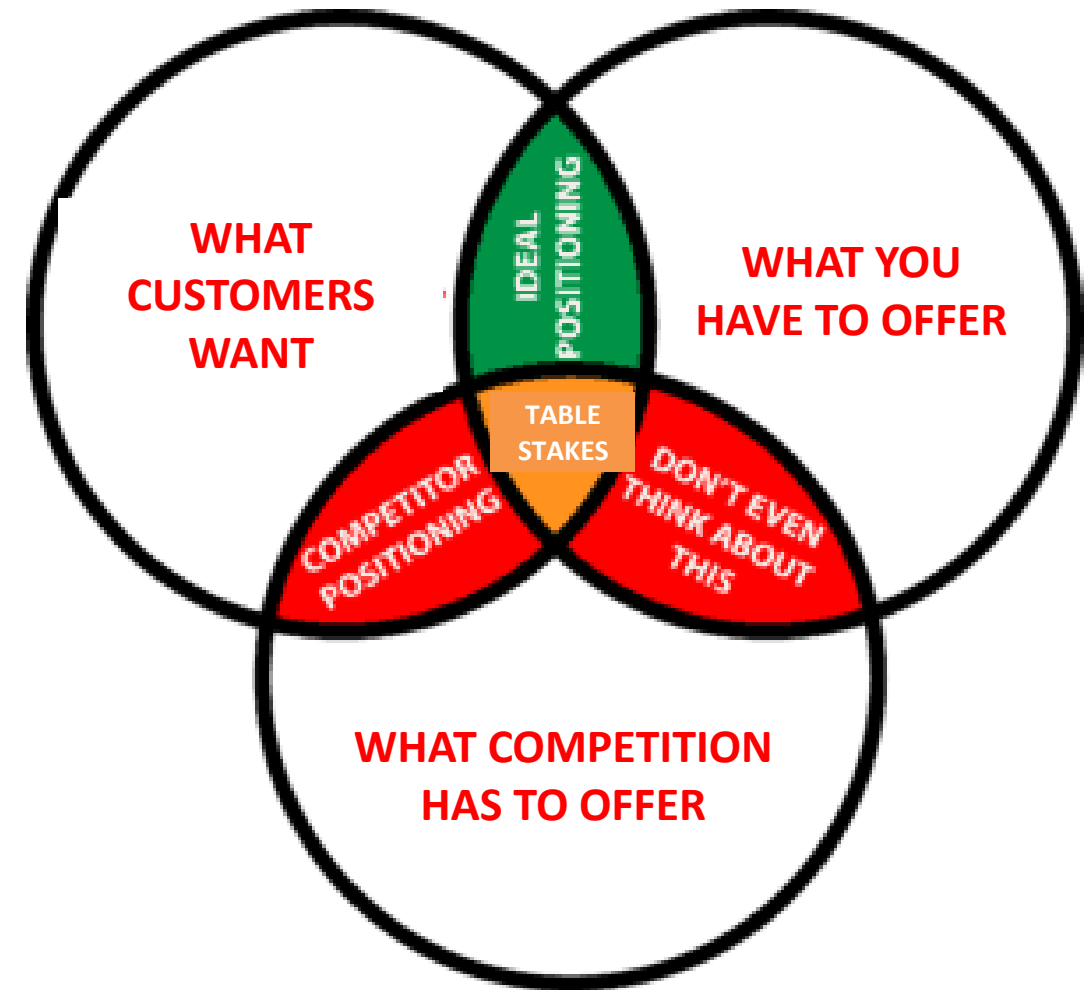
Brand Identity and Architecture	<ul style="list-style-type: none"><li>• Have a multi-dimensional vision of the company they intend to build and the brand that will represent it that includes personality, capabilities, values, noble purpose and more</li><li>• Identify a name and architecture that encompasses future offerings and potential acquisitions</li></ul>
Value Proposition	<ul style="list-style-type: none"><li>• Clearly articulate a statement of who they are, what they do and why they do it</li><li>• Craft an origins story that serves as starting point for explaining why they exist and the problem they solve</li></ul>
Positioning	<ul style="list-style-type: none"><li>• Provide compelling reasons to choose the brand over alternatives</li><li>• Understand likely sources of business, both in terms of who will buy and what will be displaced</li></ul>
Inspiration	<ul style="list-style-type: none"><li>• Describe why success is important in ways that motivate the team</li><li>• Articulate a purpose that resonates with customers</li></ul>
Risks and Challenges	<ul style="list-style-type: none"><li>• Anticipate and plan for all types of competitive response (legal, marketing, product, pricing)</li><li>• Posit contingency plans in case key assumptions don't hold</li></ul>

## Positioning Challenger Brands

Communications for challenger brands often focus on their value proposition, yet is not enough when entering an existing competitive category. Prospective customers need a compelling reason to switch.

Developing a positioning for a challenger brand is complicated by several factors:

- Few substantial or meaningful points of difference inherent in the product or service itself.
- Little or no data to provide insights about customer profiles, pain points, purchase habits and decision drivers
- Difficulty gaining distribution without proof of demand, which often results in launching with a DTC business models.
- Limited marketing funds to build awareness and credibility, increasing the importance of and reliance on online presence and word of mouth.



## Challenger Brand Positioning Success Stories

We identified six brands that have experienced strong success in highly competitive categories. These brands demonstrate there are many strategic alternatives for differentiating challenger brands that do not rely on tangible product differences.

the OFFICE OF  
**ANGELA SCOTT**

Unique design and personality

*allbirds*

Reverse positioning based on removing standard category attributes

**Supreme**

Emotional benefits based on scarcity



Customer experience

**BODYARMOR**

Affiliations and partnerships



Different category frame of reference (breakaway)

# The Office of Angela Scott

the OFFICE OF  
ANGELA SCOTT

**Category:** Luxury women's footwear

**Basis of Differentiation:** Design and personality

**Positioning:** For women who work hard and mean business, Angela Scott reinforces confidence by offering menswear quality, comfortable footwear that is stylish, sexy and intelligent.

Does the world really need another brand of women's shoes? Truthfully, probably not. However, The Office of Angela Scott first caught my attention with ads on Instagram emphasizing unique designs and a 'look at me!' personality. Each fashion photo featured a confident woman in a chic yet wearable outfit featuring beautifully-crafted, timelessly-styled oxfords, loafers or brogues, and the tagline, "For Women Who Mean Business". In Scott's words: "I wanted to change this concept of women running in high heels behind men." This highly differentiated positioning celebrates the power of women to be both stylish and sensible.

Since launching in 2012 as a mainly DTC brand, Scott has extended her line to include casual footwear and achieved distribution at Nordstrom and Neiman Marcus. With shoes priced mainly in the \$350-\$475 range, this is definitely not a shoe for every woman, but for those who want to make a splash, Angela Scott is a brand that helps women stand tall in flat shoes.

Shop Collections About

the OFFICE OF  
ANGELA SCOTT

Find Your Perfect Fit

We Believe in  
Celebrating the  
Immeasurable  
Power of Women.

There is such beauty in a woman's strength. And strength comes from confidence; so when you have a shoe that supports who you are, the possibilities are limitless.



<https://theofficeofangelascott.com/>

Read more:

<https://www.forbes.com/sites/carolinecastrillon/2019/04/01/how-fashion-entrepreneur-angela-scott-celebrates-the-power-of-women-through-shoes/#17ce103d1d1d>

<https://robbreport.com/muse/discoveries/angela-scott-2849216/>



## AllBirds

**Category:** Men's, Women's and Children's Casual footwear

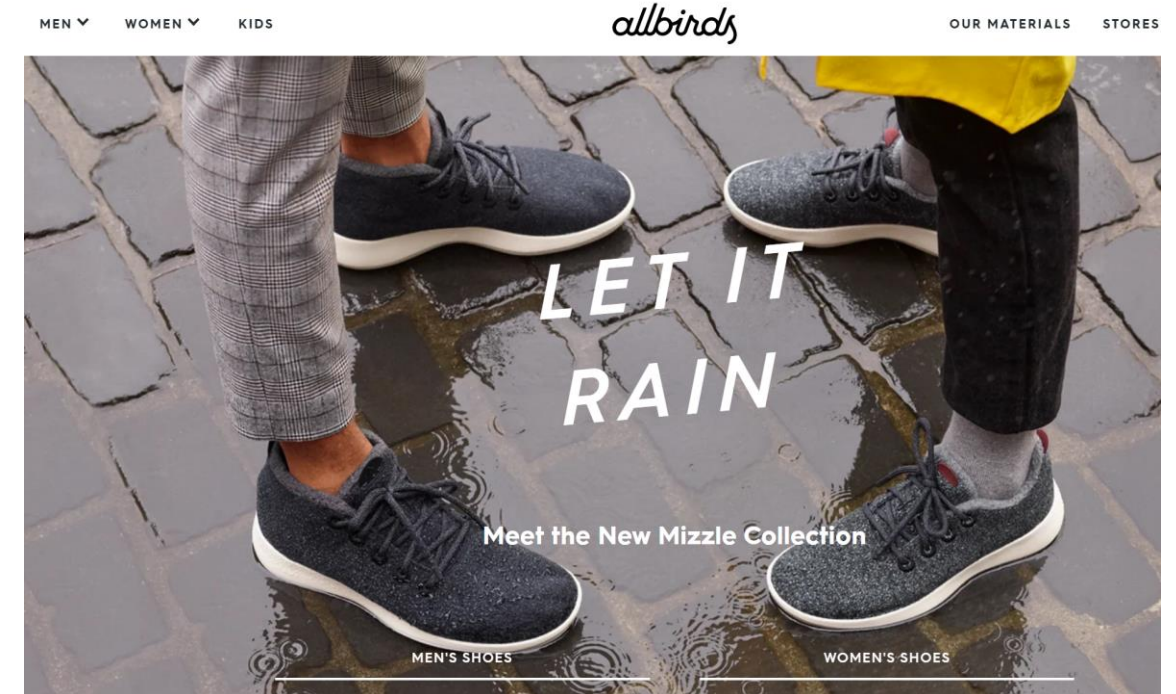
**Positioning:** For people who value practicality over style, Allbirds offers the most comfortable footwear available because it's crafted from natural, renewable, washable fibers like merino wool at affordable prices.

**Basis of Differentiation:** Reverse positioning

Allbirds uses what Harvard business professor, Youngme Moon, would characterize as a 'reverse positioning' to set its brand apart. Rather than add irrelevant features for the sake of differentiation, Allbirds strips away features consumers expect from a sneaker (e.g., technology, performance), and in exchange doubles down on comfort, ease, value and sustainability. It is extravagant, but in a different way than expected. In this, the brand flies in the face of adidas and Nike that rely on high tech fibers and flashy designs with unisex shoes that are made of humble natural fibers. Add to that a limited range of styles ("runner," "lounger" and a loafer-trainer hybrid made from Eucalyptus pulp) that are washable and affordable (about \$110) and you have a recipe for a unique challenger brand that is neither premium priced nor discount.

With distribution limited to online and a handful of stores in major cities like San Francisco, New York and London, and pop-up events in major markets, this challenger brand has sold over a million pairs of shoes since its founding in 2016. What's more, the shoes are so popular that scarcity fuels word of mouth marketing that only adds to the brand's allure.

*allbirds*



<https://www.allbirds.com/>

Read more:

<https://www.wsj.com/articles/how-the-worlds-most-comfortable-shoe-is-challenging-nike-and-adidas-1526917726>

# Supreme



10/01/2019 05:45pm NYC

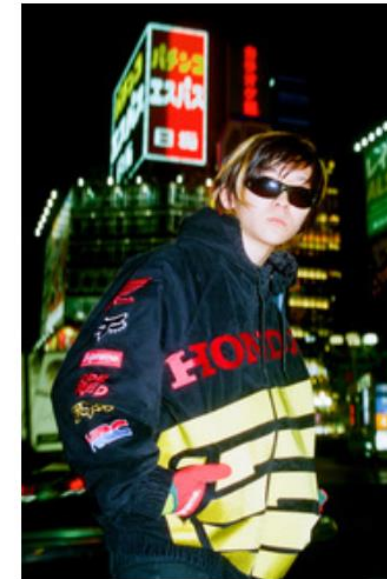
**Category:** Streetwear

**Basis of differentiation:** Customization and scarcity

**Positioning:** For people who appreciate one-of-a kind clothing that makes a personal statement, Supreme offers extremely limited collections by top streetwear designers and other collaborators that increase in value over time.

The clothes themselves are nifty, but nothing new. In fact, as many of the designs are collaborations with big brand name manufacturers, the main difference is often the Supreme logo. The real key to positioning success was creating emotional benefits through customization and scarcity. Each new design, featuring pop-culture imagery and logos that make them feel like contemporary art, is released in very limited quantities that quickly sell out. While the initial prices are not exorbitant, each item grows more valuable on the resale market, leading customers to view it an investment. Some items resale at 20 times their original value!

While the brand has been around since opening a store in NYC to serve the skater culture in 1994, its appeal has expanded dramatically without losing its coolness.



09/30/2019

Supreme®/Honda®/Fox®  
Racing

Supreme® has worked with Honda® and Fox® Racing on a collection for Fall 2019. The collection consists of a Puffy Zip Up Jacket, Work Shirt, Moto Jersey Top, Crewneck Sweatshirt, Moto Pant, V1 Helmet, Vue Goggles and Gloves.

Available in-store NY, Brooklyn, LA, London, Paris and online October 3rd.

Available in Japan on October 5th.

\*The Supreme®/Honda® CRF 250R will not be available online.

<https://www.supremenewyork.com/>

Read more:

<https://www.businessinsider.com/supreme-fashion-brand-so-expensive-viral-skateboarding-2019-5>



## Fever Tree

**Category:** Cocktail mixers

**Basis of differentiation:** Customer experience

**Positioning:** For people who enjoy premium cocktails, Fever Tree takes the drinking experience up a notch by offering exotic mixers in a range of unique flavors that pair perfectly with high end spirits.

The mixer category has been exploding, and Fever Tree is just one of several exciting new craft mixers challenging Schweppes and other long-time brands. With premium alcohol brands enjoying soaring popularity, Fever Tree's ginger beers and tonic waters have quickly gained distribution in specialty shops, liquor stores, and restaurants.

The brand experience is flavorful and a tad high-falutin' with fun flavors like Elderflower and Aromatic that mix with snobby gins and vodkas to create a high end drinking experience. A pairing wheel on their web site encourages customers to venture beyond the usual gin and tonics and mules. Placement at high end venues is an important part of the differentiation strategy. Fever Tree can be found at trendy NY watering holes, and the brand counts 9 out of the 10 top restaurants in the world as customers, further enhancing the mystique.

Fever Tree now claims to be "the world's leading premium mixer brand." In 2018, sales grew 53% in the UK, with 42% market share. U.S. sales revenue grew 21% to \$46.7 million in 2018, with sales accelerating in the second half. Not bad for a brand that started in the archives of the British Library.



Read more:

<https://www.thespiritsbusiness.com/2019/03/fever-tree-reports-40-revenue-growth-in-2018/>

# White Claw



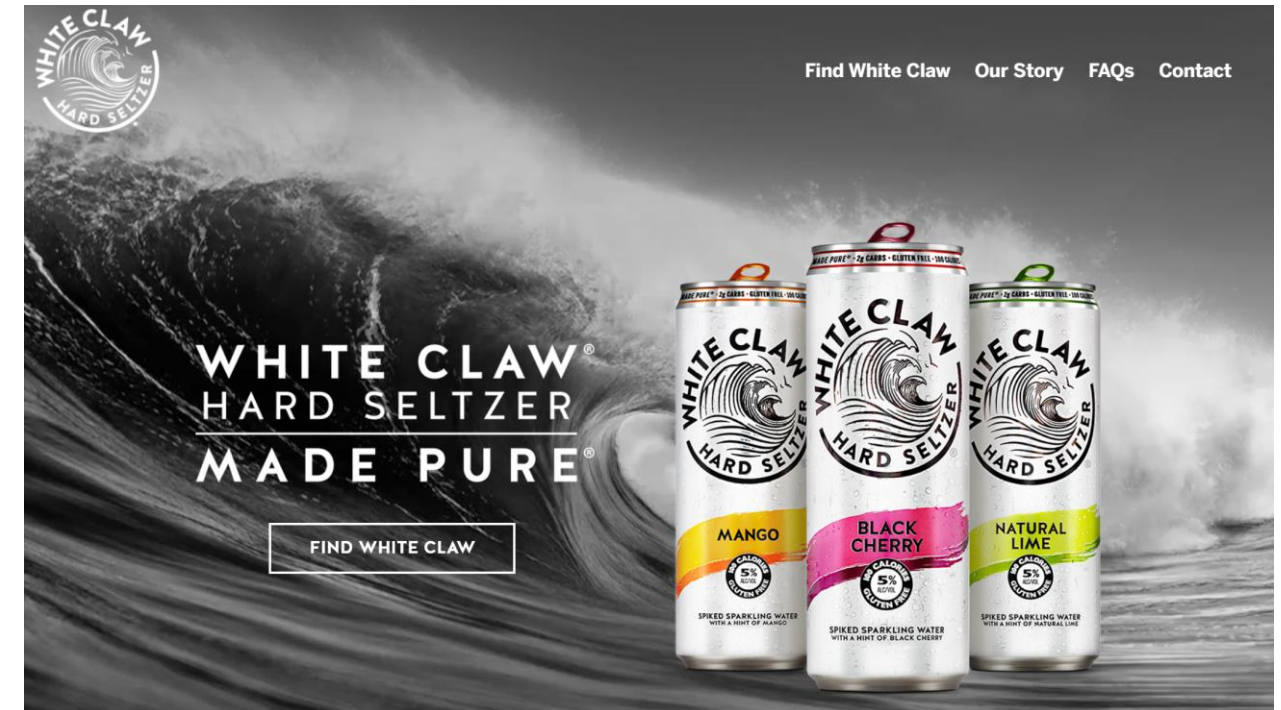
**Category:** Hard seltzer

**Basis of differentiation:** Distinctive category frame of reference (breakaway)

**Positioning:** For people who want a healthier alternative to beer, White Claw spiked sparkling water has all the refreshment of beer, with just 100 calories and 2 g carbohydrates per serving.

By any measure, hard seltzer is a marketing phenomenon. The category has grown at a triple-digit rate since 2016, and is expected to reach \$1 billion in sales in 2019. Hard seltzer now outsells all craft beers combined and even outsells Budweiser. The category is dominated by just two brands, with White Claw claiming 60%, and Truly another 30%. The two brands are so popular, there's even a shortage!

The success of White Claw, which is brewed, not formulated (an important tax distinction) is arguably due to its 'breakaway' positioning. In a breakaway positioning a brand compares itself to a category other than the one it is competing in (think Swatch competing as a fashion accessory, not a watch). For White Claw, the frame of reference is beer, not other spiked or hard canned alcoholic beverages like hard cider, hard root beer or vodka-soda (i.e., Smirnoff Ice). At 100 calories per 12-ounce serving with a similar ABV vs. Budweiser's 145 calories, and a range of 'regional flavors,' White Claw speaks to people who "consume quite a bit of sparkling water" and want to make healthier choices when drinking alcohol. With that positioning, not surprisingly, 70% of hard seltzer drinkers are women.



<https://www.whiteclaw.com>

Read more:

<https://www.thedailybeast.com/how-the-hell-is-white-claw-hard-seltzer-outselling-budweiser>

<https://www.cnn.com/2019/09/06/business/white-claw-shortage-trnd/index.html>

# BodyArmor

**Category:** Premium Sports Drinks

**Basis of Differentiation:** Brand affiliations and partnerships

**Positioning:** Designed for serious athletes, BodyArmor and BodyArmor Lyte offers better-for-you hydration that top professional athletes appreciate because it has no artificial flavors, preservatives or sweeteners.

After just two years on the market, BodyArmor has a 4% share which puts it third behind giants Gatorade and Powerade and makes it the number two brand in convenience stores. It is one of the fastest growing beverage companies in the U.S. with 2018 sales of more than \$400 million, and is set to reach \$700 million in 2019.

While there are some ingredient and flavor differences, what truly sets BodyArmor apart and explains its appeal is the company it keeps. With an initial star-powered \$6 million investment by Kobe Bryant, the brand boasts an impressive roster of elite athlete endorsers/investors: James Harden. Mike Trout. Baker Mayfield. Andrew Luck. Richard Sherman. Skylar Diggins. Megan Rapinoe. To name a few.

Just this month, the brand signed a deal with Major League Soccer making it the official sports drink of MLS as of 2020, easily visible on cups, bottles, and towels on all MLS sidelines. This move has Inc. magazine wondering if it could become the number one sports drink brand.

# BODYARMOR



The image shows two bottles of BodyArmor Fruit Punch SuperDrink on the left. The bottles are black with red and white labels. The label on the left bottle says "Fruit Punch", "28oz SUPERIOR HYDRATION", and "BODYARMOR SuperDrink". The label on the right bottle says "Fruit Punch", "SUPERIOR HYDRATION", and "BODYARMOR SuperDrink". To the right of the bottles is a promotional graphic with the text "THE MORE NATURAL SPORTS DRINK" in large, bold, black and red letters. Below this text is the claim "More Natural Ingredients than Gatorade Thirst Quencher & Gatorade Zero". To the right of the text are three circular icons: a leaf for "NATURAL FLAVORS & SWEETENERS", a coconut for "COCONUT WATER", and a person running for "POTASSIUM-PACKED ELECTROLYTES".

<https://www.drinkbodyarmor.com/>

Read more:

<https://www.inc.com/jeff-haden/can-bodyarmor-become-number-1-sports-drink-in-us-a-new-partnership-with-major-league-soccer-could-be-a-key-step-in-journey.html>



## Recent New Brand Engagements

**Our consulting and research engagements span B2B and B2C brands. Whether for existing or challenger brands, our approach to brand strategy and positioning development is flexible and tailored to the team's needs.**

### STRATEGY & POSITIONING

- **Abbott:** Assisted in development of a strategic marketing plan for new mitral and tricuspid heart valve offerings
- **Carefresh:** Conducted qualitative research among small pet owners to understand their relationships to their rabbits, hamsters and gerbils which led to breakthrough 'home' positioning.
- **Genentech:** Led the Gazyva brand team through an effort to more effectively position the product as the next generation drug to replace Rituxan and capitalize on successful clinical trials
- **Concur:** Evaluation of adoption among corporate travelers to inform messaging and product road map.
- **HFRI:** Conducted in-depth interviews with hospital customers to understand concerns and opportunities in accounts receivable management. Developed new positioning to drive trial interest and refresh the brand.

### PRODUCT DEVELOPMENT

- **HDIS:** Created customer segmentation to reveal opportunities for new brands to address unmet needs among younger women who suffer from incontinence.
- **Darigold:** Led in-depth qualitative exploration of organic dairy purchasers, evaluation of alternative names/positionings.
- **Healthy Pet:** Segmented market and identified opportunities for new eco-friendly cat litter products. Tested alternative positionings and packaging.
- **Outward Bound:** Sized market for youth and adult outdoor wilderness experiences and developed new messaging and offerings to extend the brand to new audiences.

### LAUNCH PLANNING & MEASUREMENT

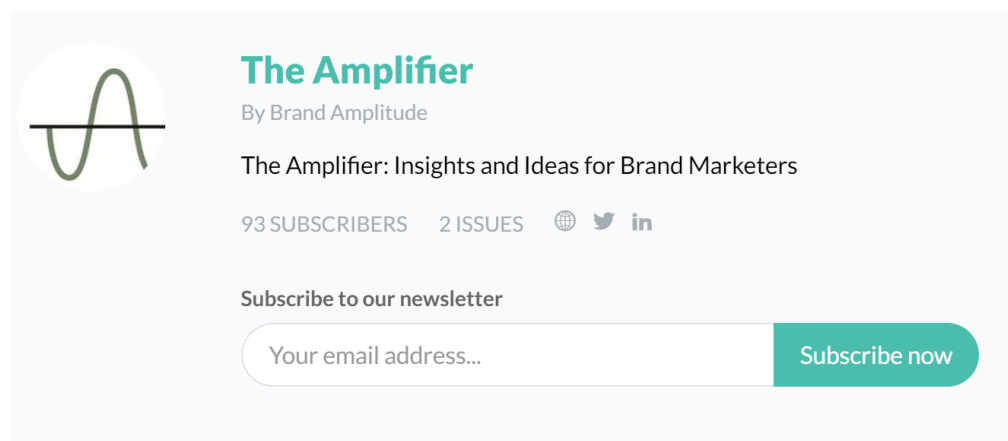
- **Jet:** Designed and conducted research to track progress driving awareness and conversion and determine most effective tactics.

## Sharpen Your Marketing or Your Team's Skills

Contact us to learn more about how we can help.




- Strategic marketing planning
- Brand positioning and messaging
- Brand extensions and architecture
- CX and EX elaboration
- Marketing for non-marketers

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