

BRANDING

Case Study: How Do You Compete with a Goliath?

by Jill Avery

FROM THE OCTOBER 2016 ISSUE

“It feels weird eavesdropping like this,” Alejandra Chirinos told Ricardo Rodriguez, her marketing VP, and Miguel Martinez, her head of sales. They were in a conference room in Lima watching a focus group in Surrey, England, via Skype as the group discussed the fashion ponchos designed and manufactured by Alejandra’s five-year-old company, Tela.

Ricardo chuckled. “They know they’re being watched,” he said.

Soledad Orellana, the market research consultant who’d arranged the session, concurred. “There are cameras everywhere in that room.”

This was Alejandra’s first focus group. She’d agreed to it because Soledad and Ricardo had convinced her that Tela needed to up its marketing game if it was to compete on an international stage against the U.S.-based poncho maker Saira. While Tela’s ponchos were made in Peru of local, sustainable materials, Saira’s were made in Bangladesh of cheaper materials and labeled “Peruvian design.” But Saira had launched a few years before Tela and had quickly captured a 60% share of the category across markets in western Europe and North and South America—in fact, in every South American country except Peru. This was mostly due to its smart and heavily marketed “buy one, give one” business model: Like TOMS with shoes and Warby Parker with eyeglasses, Saira donated one poncho to a person in need for each one a customer purchased.



OWEN DAVEY

Tela had a social mission too. It employed traditional weavers and set up programs to teach weaving to underprivileged women. And not only were its ponchos authentically Peruvian, but they retailed for \$40 to \$70, whereas Saira charged \$60 to \$100. But the company hadn't been able to get those messages across outside its home market, and Peru was too small to provide a platform for continued growth.

Ricardo, a Lima native who'd been working as Saira's head of marketing for South America, had decamped from the U.S. company's São Paulo office to help Alejandra figure out how to better position her brand. She was thrilled to find someone with his experience, not to mention a shared love of the product and Peru. Together they'd decided to invest a sizable portion of their meager marketing budget to partner with Soledad on developing and testing several marketing messages in key expansion markets, such as the UK.

On-screen, a British facilitator stood facing ten compatriots. "If you had to use one word to describe the ponchos in your hands, what would it be?" she asked.

"Soft," replied a woman with dyed red hair.

An older lady spoke next: "Peru."

"Real," said a man with a nose ring.

"I know this isn't one word, but I have to ask a question," said a guy in the back. "This is the same poncho as Saira's, right? With a different label?"

The facilitator didn't flinch, but Ricardo winced. "Ouch, that stings," he said. He had come to believe that Saira's charitable giving was just a marketing ploy designed to cover the fact that the quality of the products didn't warrant their high prices.

"It's not a bad thing," Miguel countered. "If customers see no difference between our products and Saira's but ours cost less, it will be easy to take some of their market share."

This was an ongoing debate between the two: Should Tela emphasize the quality and authenticity of its products, or their affordable prices? Alejandra had always argued that the company should promote its social mission. It sometimes infuriated her that Saira had claimed the crown of "do

good” poncho company before Tela had had a chance to make a mark. But her colleagues and Soledad agreed that the company needed one simple story to sell to customers around the world. Saira had “buy one, give one.” What did Tela’s brand stand for?

Alejandra held up a hand to stop Ricardo and Miguel. “We’re not here today to rehash old arguments,” she said. She looked at the screen. “Let’s first listen to what they have to say, OK?”

The Social Mission

Soledad and Ricardo had come up with four concepts to test. The first emphasized Tela’s support of local entrepreneurs and workers; the second its made-in-Peru bona fides; the third its price point. The fourth was a combination of the other three.

As the facilitator read the taglines associated with the first concept—“Tela isn’t just about style; it’s about livelihood” and “Our ponchos keep you warm and keep women entrepreneurs in business”—there was lots of nodding among those in the focus group. The red-haired woman talked about how she tried to buy only “socially responsible” products, and a young man agreed it was important to “give back to a cause.”



Alejandra smiled. “See, I told you mission matters,” she said, forgetting the directive she’d given moments before. “Maybe we’ve found a winner.”

“Not so fast,” Soledad warned. “That was just the first one.”

Ricardo was only too happy to jump back into the conversation. “Unfortunately for us, Saira has already staked out that territory,”

he said.

“Yes, but it’s *our* territory too,” Alejandra replied. “I founded this company to give Peruvians stable, well-paying jobs and to help develop a new class of entrepreneurs. That’s who we really are.”

“You don’t have to convince me that what we do is more effective and important than what Saira does,” Ricardo said. “They hand out donations; we create employment and develop economies. But they sold their social mission first and better. We can’t compete. We’d look like copycats—

ones with a much more complicated message.”

“Or you could ride in their marketing tailwind,” said Soledad. “A lot of small companies have grown by attaching their sails to the biggest ship.”

As if on cue, the man who had mentioned their rival did so again.

“I would say that doing good is why Saira has become so big in the UK. When you buy a poncho for yourself, you’re helping someone else. It’s easy to understand. I guess I care about helping weavers and the Peruvian economy, too. But putting warm clothes on a child’s back? That just feels good.”

Ricardo gave Alejandra an “I told you so” look.

Authenticity

The facilitator turned to the next concept, the one positioning Tela as the maker of “authentic Peruvian ponchos” with an emphasis on tradition and back-to-the-land craftsmanship.

As soon as she finished reading them, a young woman spoke up. “I don’t understand the distinction you’re trying to make. I know the knock-offs you see in Tesco and Topshop aren’t made in Peru. But Saira’s are, right?”

“Wrong!” Ricardo shouted at the screen.

The facilitator explained the differences between the two companies’ supply chains, and Ricardo got excited. “I’m telling you, this is Saira’s Achilles’ heel,” he said. “The people buying these ponchos want to know they’re getting the real thing, and my old colleagues are shaking in their boots, worried that someone will expose their product as the fraud it is.”

Miguel shook his head. “You really think they spend time thinking about us? They’re too focused on world domination. And what are you suggesting—that we go on the attack? Accuse Saira of cultural misappropriation? Not only would that diminish our brand, it would be like a flea kicking an elephant’s toe!”

Alejandra shushed them. The Saira fan was talking again; she was beginning to think he worked for the company. “Does it really matter where they’re made as long as the quality is good and you know you’re helping someone?” he asked.



“It matters to me,” said the man with the nose ring.

“Yes!” Ricardo shouted, pumping his fist as if he were watching a soccer match, not a focus group.

“I disagree,” the redhead said. “And Saira’s not lying. It’s a design from Peru that’s made in Bangladesh—where they probably need jobs too, by the way.”

Several others in the focus group murmured in agreement. Ricardo groaned.

Affordability

The facilitator turned to the taglines designed to emphasize Tela’s affordability: “Fashion at the right price” and “A poncho for real people.”

Miguel leaned forward. “If Saira has an Achilles’ heel, *this* is it,” he said to Ricardo. “Customers might say they care about social mission or authenticity, but all they really want is a nice poncho for a good price.”

“This is where Saira’s size helps you,” Soledad said. “They’ve built up demand, and you can swoop in and win over the more price-sensitive consumers without having to spend a lot.”

Case Study Teaching Notes

Jill Avery teaches the case on which this one is based in her branding course.

What drew you to this story?

I’ve been researching how underdog brands can position themselves as passionate and determined by calling attention to their disadvantaged status. While in Buenos Aires I visited Paez and

“And I don’t need to tell you how little we have to spend,” Miguel said. “At least compared with Saira.”

“But will a \$20 price difference matter that much?” Ricardo asked.

“Let’s find out,” said Soledad, pointing to the screen.

found that it was experimenting with several value propositions to compete against TOMS but hadn't yet given thought to labeling itself an underdog.

How do students typically react?

They are often reluctant to make hard choices about the positioning options and want to combine all the messages into one.

What lessons does the case offer?

Strong, compelling value propositions are relevant to consumers and durable against the competition. This case provides an opportunity to analyze some of the most common positioning options companies are using today—price, social mission branding, authenticity, and lifestyle.

The man with the nose ring was speaking. "Wait a minute," he said. "How can Tela provide the same quality as Saira at a lower price? I mean, if it's selling its ponchos so cheaply, are the weavers even making any money?"

"Because we're not ridiculously marking them up," Miguel muttered.

"It's like people don't understand that the buy one, give one model means consumers are essentially paying for two ponchos!" Ricardo said. On this point, he and Miguel saw eye to eye.

The older woman was telling the group why she liked this concept the best. "Saira is for young people. I'm on a pensioner's income, and I want to know I'm getting the best deal

out there."

After a pause, the nose ring guy spoke again. "Still doesn't make sense to me. Something's fishy."

Miguel put his head in his hands.

"This is one of the risks of a fast-follower strategy," Soledad said. "Consumers assume the lower-priced product is lower quality."

"Which is why we should emphasize authenticity," Ricardo replied. "Let people know our product is the real deal." Alejandra admired his persistence.

"We're not done yet," Soledad reminded them.

A Combination?

“I’m not sure why we’re even testing this batch,” Miguel said as the facilitator turned to the last concept, taglines that combined all of the other positions.

Alejandra knew they were doing it only to placate her, but she couldn’t help feeling that the more complex message was the most accurate one. Tela didn’t just offer authentic ponchos made in Peru, or ones that helped women and families, or ones people could afford. It offered *all* those things, and she wanted consumers to understand that.

The facilitator read the taglines: “Locally sourced and mission driven, without passing the cost on to you.” “The real thing at an affordable price.” “Buy Peru, build Peru.”

When she finished, a long silence hung over both rooms. Alejandra waited for someone—anyone—to speak.

“I’m sorry to say it, Jandra, but they look awfully confused,” Ricardo said.

It was another few seconds before the man with the nose ring said, “I don’t get it. What’s the brand?”

The redhead chimed in: “Is this supposed to be all the messages mixed together?”

Her comment elicited nods from her cohorts in Surrey.

Alejandra sighed. It looked like Soledad and the others were right.



The facilitator wrapped up the session, and the participants shuffled out, most giving a small wave to the cameras as they walked by. After the screen in the Lima conference room went black, Soledad was the first to speak.

“As I’ve said all along, the decision isn’t solely up to customers. Sure, the participants were leaning toward the social mission, but I have hesitations about that direction. Branding is like trying to

buy real estate in the consumer's mind, and I'm not sure you want to spend time and resources fighting for the space Saira already has. You might be better off finding an empty lot elsewhere. And at the end of the day, you need to land on a message that feels comfortable for Tela."

Alejandra had to laugh. "None of this is particularly comfortable," she said.

She was joking, but she didn't know how they were going to resolve this. Ricardo had deep industry experience, but she couldn't tell if his judgment was clouded by a personal desire to undermine his old employer. Miguel had been with Tela since the beginning but was acting the way any salesperson would. Her own instinct was to promote the mission even if it meant an uphill battle.

"It's not easy," Soledad said with a sympathetic smile. "You're figuring out what the soul of your company is."

"Or at least what we're going to tell the world our soul is," Alejandra replied. "I don't want to hide who we really are behind a message that's easier to explain."

Question: Which positioning should Tela use?

The Experts Respond

Mark Rampolla is a partner at Powerplant Ventures, a fund focused on remaking the global food system. He was previously the founder and CEO of Zico, a maker of coconut water.

ALEJANDRA HAS BEEN GIVEN a false choice. Yes, finding the right positioning is critical, especially for a small company facing serious competition. Yes, it's important to develop a clear, simple message. And yes, you have only one chance to own a piece of consumers' minds. But like life and careers, brands don't fit into neat boxes. The

business is always going to be deeper and wider than a one-sentence tagline. Instead of picking a statement that she's not comfortable with, Alejandra needs to find the mission she wants to champion.

Unfortunately, the process Tela is using won't yield that. The group needs to back up a bit. Alejandra should spend the little money she has on internal research first. Instead of asking how consumers view the brand, the company should ask questions like: Who is Alejandra? Why did she start this business? What are her values and personal interests? What is she trying to achieve

with Tela? Market share is relevant, but it's not a destination in itself. Is Tela about livable wages? The number of women empowered? These questions can help the company get to the core of who Alejandra is, what Tela stands for, and how it ultimately defines success.

Consumers are capable of appreciating layered messages.

Once the group has done that deep internal research, it can look outside the firm—not just to consumers but also to retailers, suppliers, and the weavers themselves to find out what those stakeholders think.

During the nine years when I ran Zico, we had three or four distinct positioning statements, but they all came back to our social mission. This was our touchstone: We wanted to see people drinking something more healthful, especially in a world of sugar-laden beverages. We initially positioned Zico as a postworkout replenishment for yogis. It was a very narrow choice, but we were able to reach a broader audience through that community. We eventually expanded to include endurance athletes and others. But we always came back to the mission of promoting healthful living—for our customers, our team, and the people in the communities where we sourced our coconut water.

Tela should expect that its message will similarly morph over time, but it should always return to the soul of the company: having a deep, sustainable impact on Peru and its people. It's possible to convey that while also signaling that the product is affordable and authentic.

Soledad should give consumers more credit. They are capable of comprehending and appreciating layered messages; the days of having to be authentic *or* affordable *or* socially responsible are gone. It's hard to come up with an elegant multifaceted message, but it's not impossible. That's what the group should aim to do: find a positioning that encompasses all the things Alejandra and her team care about. It might try something like: "Tela is the fabric of life. Fabric that warms us, protects us, connects us, inspires us, and benefits all of us." That would feel more like a mission and would attract investors, retailers, and consumers. People don't want a tagline; they want something to believe in.

Alejandra needs to focus less on Saira and more on Tela. You can't fly blind in the face of a large competitor, but it's far more important to know what *you* stand for. If the message is not true to her, it won't be true to anyone else.

Tomás Pando is a cofounder and the president of Paez, an Argentine footwear company.

SOLEDAD IS RIGHT that you can't be all things to all people, and it would be a big mistake for Tela to try. One of the major problems brands face today is dilution: too many messages aimed at too many target groups. This may work in the short term, but eventually sales and

performance will suffer, because nobody knows what your brand stands for. Alejandra can avoid this by picking one direction for her company's marketing—not a combination—and sticking with it for at least a few years.

It's important to put a stake in the ground with a clear, consistent message.

This case is loosely based on our experience at Paez, a maker of traditional Argentine *alpargatas*. Several years ago we took stock of our brand position and realized we had been confusing consumers. One year we'd talk about our social mission of building meaningful manufacturing; the next year it was our heritage. Like Alejandra, my cofounder and I were passionate about everything we were doing, so we wanted to promote it all. But the result was confusion. In Argentina consumers said Paez was about design. In Asia they said it was about being yourself. An added complication was the fact that TOMS, a clear leader in the alpargata and now the casual-shoe industry, had beaten us to the social mission message and was doing a great job with it. So we admitted we had made a mistake and froze everything until we could figure out one strong message.

Through internal discussions and consultations with agencies and mentors, we landed on a lifestyle message—Paez is about “enjoying the ride”—and we've stopped talking about other aspects of our company and product, at least for now. We want our brand to inspire consumers to be more independent, appreciate the journey they're on, and not take life too seriously. Once they understand that this is what we represent, we can add other important messages. We still plan to talk about our social mission and the authenticity of our product, but when we do, it will be under the umbrella of our lifestyle brand.

Tela needs to find its focus too. The positioning I find most compelling for it is authenticity. This is a Peruvian company founded and owned by someone giving back to the country she loves. If Tela can communicate those values in a creative way, it will have a leg up on the competition.

It shouldn't obsess about Saira. When you're David to a Goliath, it's tempting to try to exploit your competitor's weaknesses, but that's not enough to build a brand around. To feel fresh to consumers, you have to find your own niche, story, and products.

Alejandra seems very hesitant, almost afraid, to make a choice, but she shouldn't be. It's better to choose a position than to be in the middle of nowhere. If that position doesn't work, or if (and likely when) the competitive landscape, consumer preferences and values, or the company itself changes, you can always add to or adjust it. But it's important to put a stake in the ground now with a clear, consistent message.

A version of this article appeared in the October 2016 issue (pp.117–121) of *Harvard Business Review*.

Jill Avery is a senior lecturer at Harvard Business School and a former brand manager at Gillette, Samuel Adams, and AT&T.

This article is about BRANDING

 FOLLOW THIS TOPIC

Related Topics: ENTREPRENEURSHIP | CUSTOMERS

Comments

Leave a Comment

POST

2 COMMENTS

GIRISH SOMVANSHI 22 days ago

To begin with, I opine that the approach from Soledad seems wrong. Firstly, shouldn't a market share game begin with identifying customer segments? And if identified, all that they would have had to work upon was to identify the right message for that group. I will come to this in the later part of my comment.

The case is aptly named after the David vs Goliath story - the story that itself provides us the direction we seek.

David - in the story - was offered a host of armament when he accepted Goliath's challenge. Armor, Sword, Shield and all that the army had to help him compete. He rejected them all. In hindsight, we learn that those would have reduced his agility. He chose a sling and 5 stones - his strength, being a shepherd. Thus, my second question is, at the cost of being termed a cliché, isn't strategy all about making choices?

Translating the learning form the Biblical story and applying it to this case, I believe 'all' three are apt positioning, but 'all three' would be a blunder. The positioning that appeals the most to the 'right' customer segment - selection of which should be Alejandra's primary research objective - should be chosen.

For instance, Saira's customers who are price conscious, People who put quality and durability above all, Peruvians in Europe and Americas, or any other category that emerges as the important customer segment depending on the effort to returns ratio.

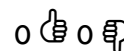
Finally, my experience tells me that a focus group works best when participants are as homogeneous a group as possible in the most important customer trait identified. A heterogeneous group will provide different directions depending on their Reason to Believe, leaving the discussion inconclusive - as observed in this case.

According to me, the flow of choosing the right strategy should have been

1. Segmentation
2. Research to identify the best suited Target group for Tela's business model
3. Insight generation, to identify the most capitalisable marketing trait that echoes with the Target group's reason to believe
4. Focus group of customers who value that trait the most to arrive at the positioning.

Last word from my end. The positioning opportunity that emerges from these exercises sometimes is not an 'already my strength', but you may figure out that this is an area that I can build with additional resources. If it does not fit your timeline and budget, back to the drawing board. If it does, it paves the way for changes in systems - all aligned to the Positioning. Since customer is the king!

REPLY



✓ [JOIN THE CONVERSATION](#)

POSTING GUIDELINES

We hope the conversations that take place on HBR.org will be energetic, constructive, and thought-provoking. To comment, readers must sign in or register. And to ensure the quality of the discussion, our moderating team will review all comments and may edit them for clarity, length, and relevance. Comments that are overly promotional, mean-spirited, or off-topic may be deleted per the moderators' judgment. All postings become the property of Harvard Business Publishing.