

# How to win as a challenger brand

A whitepaper by Kleber & Associates



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Throughout our history and popular culture, people have always related to the punchy underdog. These unknown ‘challengers’ arise from nowhere to confront established leaders, disrupt the status quo, and achieve success when all the odds are stacked against them. Think David versus Goliath, Nikola Tesla versus Thomas Edison, or Rocky Balboa versus Clubber Lang – these challengers were counted out by the popular establishment, but achieved victory with speed, careful planning, and ingenuity.

While history and the movies are filled with challengers, so is the business world. These “challenger brands” have found ways to excel in a crowded field of established competitors. Classic challenger brand stories include [Avis against Hertz](#), [Pepsi against Coke](#), or [Apple against Microsoft](#). With compelling storytelling, out-of-the-box-thinking, innovative market strategies, these challengers boldly nibble at the market share of industry giants, often achieving great success. Established brands that rely on their good name and attempt to stay above the fray can often find themselves overtaken by innovative newcomers.

Home and building products companies today have more tools and opportunities to challenge their competitors and attack the market from multiple angles. The key to success is committing to a strategy and doggedly pursuing it. We’ll show how with the right strategies, home and building product companies can build their brands, grow market share and increase profitability – no matter what their size.

## What is a Challenger Brand?

The marketing consultancy firm, [Econsultancy](#), defines challenger brands as brands that are “neither the market leader or a particularly niche brand, but one that sets itself apart with a driven mindset.” Furthermore, challenger brands distinguish themselves by, “The ability to tell a story, authenticity, caring about the community, and [having] purpose.”

Sometimes they can be disruptors like [Uber](#), which replaced taxis in many cities and revolutionized transit as we know it; [Airbnb](#), which until COVID-19 had the hotel industry on the ropes; and [Dollar Shave Club](#), which upended ‘Big Razor’ by being the first to offer inexpensive shaving products through a mail subscription service – a model for many businesses to follow.

More often than not, however, challenger brands are more subtle. For many years, The Home Depot and Lowe’s have been described as the [two gorillas](#) of the U.S. home improvement retail market. Chomping at their heels, however, is the number-three home improvement retailer, [Menard’s](#). RetailWire describes Menard’s as the “[most customer-centric DIY \(do-it-yourself\) brand](#).”

While the company only operates in 14 Midwestern states, Menard’s customers are fiercely loyal and drawn back to the store again and again thanks to creative pricing strategies, a focus on user experience, and a rebate program that resonates with its customer base. Thanks to its rebate program, customers who shop at Menard’s regularly are able to get deeply discounted, or even free, products. Menard’s customers also describe a higher price-to-quality perception of Menard’s retail products compared to competitors.

While disruptors tend to move quickly and break things, challenger brands are typically the tortoise moving [slow-and-steady](#) to win the race. Challenger brands don’t always come to the table with a flashy new product or revolutionary services. They do, however, identify a pain point in the marketplace and clearly demonstrate and communicate that they can provide the best solution. They exude authenticity and genuine concern for *specific* needs of the customer. Menard’s for example, identified that many homeowners are terrified to make modifications to their own home and holds their hand every step of the way, inspiring loyalty in the process.

A market challenger must identify the market players, define its own strategic objective, and set out to take more of the market share by targeting or exploiting the weaknesses of rivals. These shortcomings can include outdated products, inefficient product delivery methods, unrealistic prices, or bad customer service. A challenger brand is an aggressive competitor who isn’t afraid to ‘hit a nerve’ and is willing to take some risks to do it.

## Coming for the King: Challenger Brands Versus the Market Leader

By and large, the market leader is the brand that has the biggest market share in a specific category. A market leader often has a larger marketing and advertising budget than its competitors and typically leads in market reach/coverage, promotional depth, and new product introductions. They can afford to invest in new technologies, systems, and processes that fortify it against attacks from competitors. They also act as a reference point for competitors, who may decide to ignore, emulate, or confront the leader. Many companies take their cues from market leaders like Coca-Cola, The Home Depot, and Microsoft.

Market share is often identified as one of the most significant variables affecting a firm's profitability. As a result, gaining marketing share and striving to be the top player is the focus of many businesses. For example, General Electric decided that if it could not be number one or two in each market it served, the company would remove itself rather than participate as a tier-three player. As a result, the company sold its [air-conditioning](#) and [computer businesses](#).

Over the years, critics have questioned the relentless pursuit for higher and higher market share as the sole strategy for success. A company can be successful and quite profitable without holding the top market share. Consider Toyota, a company that initially did not pursue market share but sought to make affordable cars that customers liked; or Nintendo, the number three player in the video game market.

While Ford still sells the most vehicles in the U.S., Toyota [maintains the number-two spot](#) by thanks to a reputation of selling reliable, easy-to-maintain cars with high resale value. This reputation was strong enough to endure the massive [Takata airbag settlement](#) that affected most models of Toyota cars. While Sony PlayStation and Microsoft's Xbox continue to fight the video game console wars and focus more on single-player and online game play, Nintendo has differentiated itself by focusing on less powerful gaming platforms that are fun, unique, family-friendly, and based on group play. Recent iterations of Nintendo include the [Nintendo Switch](#), [Nintendo Labo](#), and [LEGO Super Mario](#) interactive sets.

In their own, different ways, Toyota and Nintendo have maintained customer loyalty and continue to eat at the market share by keeping costs down and fulfilling needs not met by the rest of the market.

### Traditional Strategies for Challenger Brands

What broad strategic options are available to challenger companies to help them compete? A company can adopt an aggressive stance to emerge as a challenger to the market leader or play it safe and remain a market follower or niche market operator. A challenger competes by adopting one of three strategies.

- Attacking the market leader with a superior product or service
- Targeting a company that is financially weak, sells outdated products, or has unrealistic prices
- Going up against smaller companies that fail to satisfy their customer and offer a better product or service

Market challengers can put these strategies into action by providing cheaper products of lower quality to attract buyers seeking lower prices ([Dollar General](#) has used this method to achieve

nearly 30 consecutive years of growth), offering a large choice of slightly differentiated products or services (North Carolina-based [Cook Out](#) is gaining steam on Five Guys by offering 40 flavors of inexpensive milkshakes), or reaching the customer through new distribution channels ([Avon](#) has adopted a policy of providing “access to all consumers anywhere, anytime”).

## What’s Different Today: New Strategies for Challenger Brands

The idea of market leader vs. challenger brand sounds like a simple concept, but not all challenger brands fit neatly into the categories of the little brand that could (Avis) or turn every category upside down (such as [Red Bull](#) or [Grameen Bank](#), the bank for the poor).

In the past two decades, the business environment has changed dramatically. Globalization, technology, digital media, and a new generation of consumers have opened up a new world of possibilities for strategic companies. Mass marketing has given way to fragmented markets, and social media is an essential part of the marketing mix. Millennial/GenY audiences have dramatically different ideas about owning things and property. They are difficult to persuade with their demands for personalization, immediacy and connectivity.

Given a tough economic climate, concern for the environment, and growing awareness of health issues, consumers of all ages have assumed new motivations and cultures, and taken on new habits and sensitivities. Emotional connections with brands are essential today, as customers reach out for positive experiences and a sense of belonging to a group that suits their individual needs. This will likely be even truer in the wake of the COVID-19 pandemic. With [less ad dollars to spend](#), brands will have to work harder to establish connections and meet the needs of the modern consumer.

A world this complex and fragmented offers a multitude of opportunities for brands. According to brand thought leader Adam Morgan, author of *Eating the Big Fish: How Challenger Brands Can Compete Against Market Leaders*, challenger brands “share a common mindset,” “have ambitions that outstrip their available resources,” and “are looking for ways to do more with less.” This determination among challenger brands drives creativity and innovation as they find new ways to compete.

A challenger brand doesn’t even have to be small—for some companies, a challenger mindset is a way of life and for others, it has become an essential business strategy. Even the world’s largest and most profitable companies can benefit from challenger-brand thinking. Consider Procter & Gamble (P&G). After [narrowing down its product lines](#) to those that were truly core to its business and divesting those that didn’t fit (food and prescription drugs), the consumer packaged goods (CPGs) leader decided to expand into emerging world markets, recognizing that growth for CPGs in those countries was likely to explode over the next several decades. P&G focused on countries where it already had strength and on existing products that offered opportunity for growth. For instance, in Asia, baby care was a logical choice since the company owns the world-leading brand, Pampers, and since most of the world’s babies will be born in Asia. Implementing its emerging market strategy, P&G started with China, Mexico, and Russia, leveraging the products that made sense for each market. The results have been dramatic: in 2000, 20 percent of P&G sales were in emerging markets, and by 2013, it was 39 percent. As of 2019, P&G was [growing sales at its fastest pace](#) in more than a decade.



Companies today have many choices about where and how to compete—selecting markets, customers, channels, product categories, even vertical segments within a chosen industry. By making choices that are right for its product, a company can narrow down the playing field and compete more effectively.

## Ten New Types of Challengers

In their book, *“Overthrow II - 10 Strategies from the New Wave of Challengers,”* an update to *“Overthrow: 10 Ways to Tell a Challenger Story”* Adam Morgan and Malcolm Devoy outline 10 types of challenger brands. These aren’t the only ways to be a challenger brand, but provide compelling examples of how to approach the topic:

- **Missionary** - A challenger brand looking to change something that is wrong or unfair in the world, and wearing that strong sense of purpose on its sleeve. Examples include [Tony's Chocolonely](#) and [Patagonia](#).
- **Real and Human** - A group of real people who genuinely care about what they are making, about their relationship with you, and about the people who are making it for you. Examples include [Zappos](#) and [Mailchimp](#).
- **Next Generation** - The Next Generation challenger questions the appropriateness of the establishment brand – or even the whole category – for the times we live in today. It challenges the relevance of the past to this new world, and identifies itself as a better choice for our new needs and circumstances. Examples include [Impossible Foods](#) and [Oatly](#).
- **People's Champion** - The People's Champion is a brand with a mandate – it sees itself as standing up for a group of people who have been short-served or exploited by the establishment for too long, because the market leader has been relentlessly putting its own needs (and profits) first. Examples include [T-Mobile](#) and [COPA90](#).
- **Enlightened Zaggar** - The enlightened brand deliberately swimming against the prevailing cultural or category tide. The Enlightened Zaggar often promotes the virtues of ‘slow,’ of simplicity and reduction, or the surprising benefits of less. Examples include [Vitsoe](#) and the [Slow Journalism](#) subculture.
- **Democratizer** - A challenger that takes something previously only available to the few, and makes it accessible to the many. Examples include [Warby Parker](#) and [Fenty Beauty](#).
- **Irreverent Maverick** - This challenger narrative is one of provocation, a poke in the ribs, deliberately setting out to entertain and engage – even court a little controversy. Examples include [Dollar Shave Club](#) and [BrewDog](#).
- **Feisty Underdog** - The Feisty Underdog is what many still regard (wrongly) as the classic challenger stance, in part because the history of challenger brands in the US is so strongly linked to it, from marketing icons like Avis and Pepsi to legendary sporting underdogs like the diminutive racehorse, Seabiscuit. In brand terms, the challenger that adopts this narrative aims to reduce a crowded competitive world to a simple, binary choice – creating the emotional illusion that there are in fact just two brands in a category for the consumer to choose between. Examples include [Bumble](#) and [Under Armour](#).
- **Dramatic Disruptor** - A brand and product that dramatically signals a real and significant product or service superiority. Examples include [Casper](#) and [Tesla](#).

- **Local Hero** - A challenger that champions the importance and character of local needs, local culture and local people, as opposed to the international market leader. Examples include [Patanjali Ayurved Limited](#) and [Eagle Lager](#) (acquired by Anheuser-Busch InBev in 2016).

## Building a Challenger Brand

Challenger brands have an opportunity to build their strategy for success by leveraging their unique advantages. Here are eight brand-building steps identified by Adam Morgan that can help brands become successful challengers:

### *The Eight Credos of Successful Challenger Brands*

1. **Intelligent naivety.** Take a step back and address the core issues facing the brand. Define the businesses that it makes sense to pursue, see all the possibilities within the category and evaluate whether or not certain strategies from the past need to be re-evaluated or left behind. Procter & Gamble's decision to focus on its core brands and pursue emerging markets is a good example of using intelligent naivety successfully.
2. **Create a lighthouse identity.** A challenger brand needs to have a clear sense of identity – who it is and what it is about – to provide an anchor that all other strategies are built upon. Once identified, that identity must be projected intensely, consistently, and saliently, like a lighthouse, so that consumers take notice. Consider Axe personal care products: its deodorants, soaps, and shaving creams are designed for one purpose – to help the “guy get the girl” – and the message is consistent throughout all of its communications.
3. **Take thought leadership out of the category.** Marketers sometimes think there is only one brand leader in each category. In reality, there are often two: the market leader, with the biggest share and distribution and the thought leader, the one that everyone is talking about. Becoming the brand that everyone is talking about can be as simple as changing one of the six conventions surrounding a category: representation, delivery, experience, product performance, neighborhood or relationship. Dove soaps took a bold step to change how beauty products were conventionally represented when it used “normal” sized women in their ads instead of models. Designer Missoni broke the conventions of neighborhood by partnering with Target to offer a lower priced clothing line.
4. **Create symbols of reevaluation.** Successful challenger brands attempt to attract customers away from their established way of thinking and elicit changes in the market. They may use emotional symbols to quickly impact the target audience. For instance, the Dodge Viper and Plymouth Prowler used radical designs to draw attention. Another successful brand image was one used by an anti-drug campaign that used fried eggs to symbolize what drugs did to the brain.
5. **Be willing to sacrifice.** Challenger brands are often smaller than the market leaders and have fewer resources, so it is necessary to choose what things to sacrifice in order to focus and direct their efforts to be more successful. Sacrifice can help a company to maximize its presence in chosen areas without diluting its message.
6. **Overcommit.** When a challenger brand decides to sacrifice something, it must overcommit to the activities that are left. If a social media strategy is chosen over other types of promotion, pursue it wholeheartedly and do not falter.

7. **Use communications and publicity to enter social culture.** Communications ideas and publicity are high-leverage assets and must be embraced by the challenger company. Marketers sometimes consider consumers only as the customers, those individuals who actually buy their products, but in fact, consumers are people who sometimes buy things. In the meantime, they are interacting with others in our social culture and influencing others whether they are actually buying or not. People share brand ideas or brand news because they find themselves in one of five situations regarding a brand:
  - *Bragging rights.* They have discovered something that makes them feel unique.
  - *Product enthusiasm.* They really like some aspect of the product.
  - *Aspirational identification.* They have found a brand with a strong identity and ethos with which they would like to be identified.
  - *News value.* A marketing activity has surprised, entertained, or shocked them enough to spark conversation with their peer group.
  - *Creative fingerprint.* They have found something that is valuable social currency that deserves to be passed along and added to their own digital footprint.
8. **Become idea-centered, not consumer-centered.** Challenger brands have achieved success with a simple idea: creative thinking. With deft and innovative products, distribution, pricing, and promotional moves, companies such as Avis (against Hertz), Apple (against Microsoft), and Pepsi (against Coca-Cola) have enjoyed success.

By staying true to an idea, a brand can establish momentum in the marketplace. Establishing momentum is important to challengers for two reasons – the actual momentum measured by growth in sales and revenue, and the perceived momentum that a product is making inroads into a category. Challengers offer customers the opportunity to be a part of something different and ahead of the curve. They offer new products and ideas while creating an emotional bond with its customers that keeps them coming back. Its communications and messages are always fresh, but rooted in a strong identity and purpose.

### Sustaining the Advantage – Key Recommendations

A challenger brand often has an opportunity to build a position for itself and take market share away from the market leader by capitalizing on any or all of the situations outlined below:

- *When the leader is distracted.* If the leader is going through a time of management or staff changes, downsizing, negative media coverage or times of regulatory pressure and other trigger events that could cause significant distractions in the company.
- *Where the leader is least likely to respond.* If the segment targeted by the challenger is not a focus area for the market leader, it may not attach too much importance to that segment. Targeting a niche segment, winning the segment, consolidating and moving forward with the next segment could be a strategic process that will keep the leader's focus on other, more important segments.
- *When the leader is least likely to respond.* Like a guerrilla strategy, stealthily creep up on the market leader when it is least expecting it. If the market leader is caught "napping," (and its structure would normally involve procedure, thus further slowing down response), the challenger could become a force. Promotional and shock pricing strategies combined with unconventional distribution, including a strong online presence, may be recommended.



- *When there is chaos in the market.* This could happen in times of economic stress, such as a recession, or when the leader sees competition building rapidly from many quarters and therefore requires time to devise a suitable strategy.

However, once a brand has started to make some progress in taking market share from the leader, it must work consistently to continue to grow. The brand must follow a combination of strategies that have been outlined above, consistently and repeatedly, using good market judgment. For this purpose, the marketing campaign must address new customer behavior and demographics while maintaining a constant relationship with its existing target audience. Without this effort, the positioning may be ultimately copied and potentially replaced by another brand or company.

## Lessons Learned

Home and building products companies can learn a great deal from these challenger brand stories. Deciding when, where and how to compete can help narrow the competitive field and set the stage for success.

In looking at successful challenger brands, it is important to recognize that “success” is relative. Success for a challenger brand might be in the form of increased sales revenue, increased market share or surpassing the leader. A challenger brand needs to do something different in order to succeed. The challenger brand must use speed, intelligence, grit and creative thinking if it is going to take on the mighty market leader and emerge successfully.

A challenger brand must attract unconventional market behavior if it intends to convert market share. This differentiation could be done through a variety of routes including product, communication, distribution or a combination of all. A challenger brand must adopt some novelty that distinguishes it from the leader and its own niche competitors, but also promises value to the consumer in terms of cost, convenience, comfort and other parameters to assist in the decision making process.

A challenger brand must make sure that its unique selling proposition is clear and distinct, whether it's in the offering itself or in the promotion. New technology, designs, and packaging can bring about real product and service differentiation, while creative advertising concepts and fresh promotional strategies can distinguish the challenger in the marketplace.

Finally, objectives for measuring success must be determined. In some categories, it may not be possible or necessary to become number one in the market to be successful; increased market share, expanded good will, higher sales, and improved profitability can be achieved at all levels of the rankings.

## How Can Home and Building Product Companies Succeed as Challenger Brands?

After learning about the different types of challengers, observing their performance in the marketplace, and looking inward at the company mindset, consider these recommendations:

- **Know your competition.** Know who the competition is and learn all about them. Consider a company that manufactures powder-coated aluminum deck railing. The competition is not only other companies selling products made of aluminum, but also manufacturers of wood, wood composites and even cable rail. Where does the opportunity exist to compete most effectively? [Franke](#) offers stylish faucets, fixtures, and accessories for the kitchen, and pursues a strategy of focusing on the upper end of the market, appealing to the architectural, design, and hospitality community with distribution through kitchen and bath showrooms.
- **Think and act like a challenger.** In the home and building products market, competitors come and go, design trends ebb and flow, and economic conditions greatly influence buying behavior. Companies in this arena must always think like challengers. Look for ways to follow the direction of the market, such as green and sustainable building trends. If research shows that homeowners are remodeling instead of moving up, find ways to appeal to that market, or if young professionals are moving into urban centers and lofts, tailor products as appropriate for that lifestyle. [Masonite](#), one of the market leaders in interior and entry doors, acts like a challenger by introducing new products that address market trends – it now offers environmentally friendly doors as well as streamlined, contemporary designs that suit the current preference for clean and simple looks.
- **Find a niche.** Know the markets that can be served most effectively and concentrate efforts. [Denver Stainless Outdoor Kitchens](#) knows that its products are best suited for higher end customers and focuses its marketing and distribution efforts on that market.
- **Differentiate your product.** If the leader totally dominates one market niche, look for opportunities to expand the market and position your product differently. While [James Hardie](#) offers fiber cement siding with a wood like appearance to the residential market, [Nichiha](#) offers fiber cement products that also look like stone, stacked stone, blocks, solid color options and more that are suited for commercial as well as residential applications.
- **Compete where winning is possible.** This goes hand-in-hand with finding a niche — know where you can lead the market and do not try to be something you are not. [Gerber](#) did not have the name recognition to compete head-to-head with [Kohler](#) and [American Standard](#) in the consumer plumbing market, so its marketing efforts were focused on building relationships with plumbing professionals seeking value and partnership.
- **Communications must be memorable, consistent, and creative.** Many of the most successful challenger brands are known for creating an outstanding image, whether through advertising, promotions, packaging, or social media presence.

## About Kleber & Associates

Founded in 1987, Kleber & Associates is the established leader in brand development and integrated communications for clients in the construction and building products industry. The Atlanta-based agency works in partnership with a variety of client brands that market products for both residential and commercial construction applications targeted to consumers, architects and designers, as well as developers, builders, remodelers and contractors. The agency addresses its clients' needs through a strategic, disciplined brand development process, combined with customized communications programming and an in-depth knowledge of the marketplace.

Agency Founder, Steven Kleber, is the current president of the National Remodeling Foundation (NRF) and the immediate-past president of the Center for Kitchen & Bath Education and Research (CKBER). He serves on the board of trustees for the Home Projects Council as well as on the Global Opportunities Board of the National Association of Homebuilders.

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