

**BOARDROOM
MATTERS**



SIZE ISN'T EVERYTHING?

Winning in a David and Goliath world

Whilst all good competitive strategy can be traced back to first principles, you may think that reaching back to biblical times is a step (or perhaps several steps) too far. However there are lessons that can be learnt from David's slaying of Goliath, and his subsequent rise to King, that are very applicable for FMCG Davids up against today's category Goliaths. In fact, given the ability of brands to gain and indeed lose favour more rapidly in today's world, we believe that Davids, Goliaths, and indeed the chameleons who play both roles across their different categories, have much to mull over.

So – what can we learn?

1. CHOOSE YOUR WEAPONS CAREFULLY

Taking on Goliath was never going to be easy given his superior size and power but whilst David was significantly smaller and seemingly weaker, he was not under-prepared. His careful selection of weapons (five stones and a sling), and his refusal to take heavy armour ensured that he neutralised some of Goliath's advantages, and provided him with a potential knock-out blow of his own.

To beat a category Goliath, Davids require the same degree of thought around choosing the weapons to fight with. In particular they need to focus on where within their business model they are going to neutralise the Goliath, and where they are going all-out to win.

David wasn't seeking to win on every dimension - he knew if he got in a close quarters fight he would lose - instead he took advantage of his speed of movement. For brands to do the same they need to be clear about what they stand for to consumers, how they are going to access them, and whether that is truly differentiated vs their Goliath. If that clarity of positioning can then be baked in to different elements of their business model then so much the better; if this is difficult for the Goliath to replicate, better still.

In Scandinavia Lumene has successfully beaten off the Goliaths of L'Oreal and Nivea in skincare. The business started with a provenance based positioning, however it successfully linked its brand to the Arctic natural ingredients (such as cloudberry and arctic heathers) that drive the effectiveness of the products. In this way they leverage Lumene's location and expertise in a way that is almost impossible for others to replicate.

Remaining focused on the weapons of choice is crucial if the assault on a Goliath is to be successful. Similarly, over-burdening a business with Goliath-like processes can only dilute the weapons a David possesses.

2. LOOK FOR AREAS OF WEAKNESS

David didn't play as Goliath expected him to; indeed he looked for where and how Goliath might be vulnerable to an attack and went straight for it, giving Goliath little chance to do anything about it.

FMCG Davids need to find a point of weakness at which they can fire with maximum impact. To find this weakness they need to know their competitors and their economics and understand where and how those competitors can play. This knowledge can be used to find spaces where the Goliath will struggle to respond - typically where the vanilla nature of their positioning or approach restricts them.

Cristaline identified a fundamental weakness in the major water brands, namely their 'single source' policy and the costs associated with it. Adopting a multi source strategy gave them an economic advantage that the major brands couldn't compete with.

3. CHOOSE YOUR MOMENT

Goliath had offered the Israelites the chance of deciding the battle by man to man combat twice a day for forty consecutive days and had been turned down every time. After that amount of time, it is pretty likely that Goliath wasn't expecting an attack, least of all from a diminutive harpist.

Brands need to identify the right moment, and the right way, to go on the offensive. Goliaths can often be blindsided by fundamental shifts in consumer trends such as the flight to convenience or the current focus on value, or they can simply miss opportunities to redefine the landscape in their sector. They remain locked-in to the same strategy until past the end of its useful life.

In the US Burts Bees attached itself firmly to the growing interest in 'Natural' products within a highly science driven market. They then went about building the brand using guerrilla tactics - using alternative channels such as Starbucks, supporting this with heavy engagement with consumers online. When, and only when, the brand had real traction did they take the fight directly to the Goliaths in the mass market channels.

In the UK Superdry redefined a fashion segment by incorporating Japanese imagery into 'Americana' style clothing. They capitalised on their distinctiveness and increasing awareness by rapidly rolling out stores before the clothing Goliaths could attempt to replicate their success.

4. BALANCE RISK AND REWARD

David took on the head to head fight as he saw the potential to for it to open up a route to kingship (and was confident in his chances of winning!). Brands need to apply the same principles. Provoking a category Goliath isn't worth the risk if the end game isn't sufficiently attractive (or defensible). This endgame can take two forms - owning a profitable niche (suing for peace) or taking over category leadership (overturning the regime).

Innocent took on the juice Goliaths but were confident there was a sufficiently large, lucrative and poorly served market within fresh fruit drinks. To target this market they went against conventional wisdom in terms of flavours, texture and the production process to create a better smoothie product supported by a more compelling brand that competitors found very difficult to replicate. Innocent also saw that expanding and taking leadership of the smoothie category could give them a platform to launch an assault on adjacent categories (supported by one of the Goliaths).

5. HAVE GOD ON YOUR SIDE

Whilst David took on Goliath apparently alone, he had enlisted divine support. Whilst today's FMCG Davids may find that direct route more difficult they can enlist the support of the closest things to divine powers in their world - namely the major retailers or indeed Goliath brands from other categories.

'Loving the retailer' may seem counter-intuitive to brands accustomed to fighting for listings but retailers can be powerful allies for Davids, provided both sides are clear about what they need. Retailers dislike power being placed in the hands of a dominant category Goliath, but moreover they dislike the laziness that can come with it - often resulting in tired, high maintenance, low growth categories heading towards commoditisation. If a David can offer something different to the retailer that will deliver growth in the retailer's cash margin the door is ajar for a more productive relationship. If a David can go beyond that to help drive the category in terms of its merchandising, its rehabilitation from the promotional drug, and it's alignment with the retailer's objectives around its supply chain, sustainability etc, then active support from the trade is possible. Clearly the retailer will still bargain hard - but win-win is possible.

In the UK, Dormens are a David in the nut category, and up against the might of much bigger competitor KP Nuts (owned by United Biscuits). They managed to solve one of the retailer's key issues, namely how to present the nuts well in a space-efficient and low maintenance way, via pioneering 'clip strip' distribution - obtaining rapid gains in distribution and sales as a result.

In the ice cream market in the UK and Germany, R&R have very successfully licensed chocolate Goliath brands such as Nestlé and Mars to take on their Goliath Unilever, giving them some of the muscle of a Goliath without compromising on their ability to trade effectively.

WHAT QUESTIONS NEED ASKING?

Are you a David, a Goliath, or both – and how should this impact what you should do?

1. What are your weapons – and will they be effective?
2. What's the weakness of your opponent – and how are they likely to respond?
3. Is now the right moment to attack?
4. What is the end game – and is it worth the risk?
5. Who can play Goliath and how can you get them on your side?

If you would like to develop a winning competitive strategy, then please get in touch with us and we'd be delighted to discuss how we can help you make a knockout blow.

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