



The plucky few

Challenger brands aren't defined by their position in the market, but by their approach to marketing. Rob Grant explores what it means to be a modern day challenger and what all brands – big and small – can learn from 10 of the most disruptive brands in Australia and New Zealand.

Conventional wisdom says the young learn from the old, the child from its parent, the naïve newcomer from the wise and worldly master. In a nutshell, Luke Skywalker and Obi-Wan Kenobi in *Star Wars*.

Yet, despite being often younger or smaller, challenger brands can flip this logic on its head. Brands that set out to change the world – or at least the part they play in it – often exhibit a passion and purpose that attracts attention, as these qualities are lost by the incumbents.

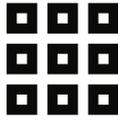
Strategies used by challengers, often born from a necessity to cut through the clutter with paltry resources, are focused and innovative. They often better remember what marketing is all about: creating true value in the lives of your customers. In short, challenger brands can offer the established players lots of lessons. Not least, how to avoid being too easily challenged.

Marketing has compiled a 'top 10' of Australasian challengers, all with strategies marketers from all walks of life can learn from. Our hit list contenders are relatively new in their fields, but they demonstrate strong commercial and peer-recognised success. This includes huge investments, interest from bigger players and overseas expansion. They're clearly doing something right... so what is it?

Challenger archetypes: Time and time again, challenger brands tend to exhibit a recurring set of traits. They form a set of characteristics common to brands that seek meaning and growth beyond their means. Understand them, learn from them and look out for them on your turf!



FOUNDER FUELLED – use their founder prominently in their public persona.



DIGITAL DIEHARDS – place digital at the core of their offering from the outset.



COMMUNITY CARERS – strive to nurture a passionate fan base of advocates.



NAUGHTILY NICE – adopt a cheeky, playful tone, to humanise their worthy side.



SOCIAL STRIVERS – tackle social and environmental issues at their offer's core.

10 Powershop Utilities (electricity)

Electricity supply was a big, unwieldy industry ripe for disruption and Powershop, originally from New Zealand and now active in Australia, felt it could do things differently. With a green energy-based proposition – it is owned by the region's largest 100% renewable generator – it sought to engage the significant segment of environmentally conscious consumers.

But how to cut through the noise with small budgets, especially in a low-involvement category? Powershop formed strong, smartly aligned partnerships with organisations such as activist group GetUp and the charity Oxfam, and let it do the marketing for it. For a cut of the action, of course.

LESSON: Form the right partnerships to tap into the customer bases of other players and reinforce your values at the same time.

GoGet Automotive (rental)



How do you like the idea of a car on your doorstep that you can rent for \$5 per hour and access at the swipe of a card? This is what car rental membership scheme GoGet offers its members. Established by Nic Lowe and Bruce Jeffreys, a very hands-on and visible pair, the idea started in Newtown, Sydney. It's a hugely compelling customer proposition, so good it has spread largely by word of mouth. There is *only one* catch: where do the cars live? For this it was vital for GoGet to nurture close relationships with councils and local government across Australia, to persuade them to provide dedicated bays for the cars. It took this relationship focus further by connecting with small businesses, especially not-for-profit, in its target suburbs, promoting them through its friendly monthly newsletters. Now it works with property developers, at the early stages of a project, to ensure new buildings have GoGet car spaces.

Thanks to getting all sides of the model right – customer, councils, commercial and community – GoGet now operates in five Australian cities. Never underestimate friends in the right places.

LESSON: Treat wider stakeholders, upon whom your business depends, like your most valuable customers.

Sendle B2B (logistics)



Low-cost parcel delivery service Sendle is a disruptor in the mould of Uber or Airbnb. It owns no vans and employs no drivers, yet it can deliver parcels across Australia by smartly utilising the spare capacity of existing delivery trucks.

Sendle started, as all good challengers should, by targeting a niche audience. In its case, small business owners. It then used a low-cost marketing model, favouring direct channels, referrals and PR, and monitored the results prudently. With tiny budgets, it

was crucial every cent spent delivered a proven return. Campaigns were A-B tested, with alternative iterations trialled side-by-side in a fight for survival – the loser is dumped or refined. It's pretty analytical, nerdy work, but it delivers results. In 2016, Sendle took out the NSW Telstra Business Award and received a hefty round of funding from investors. All the number crunching is paying off.

LESSON: Make every dollar count by focusing your spend on low-cost, measurable channels and analyse the hell out of every transaction.

Starts at 60 Media



It's not fashionable in marketing circles to target seniors. Which makes Starts at 60, a digital media platform aimed at Australian Baby Boomers, all the smarter. The business was founded in Brisbane in 2012 by Rebecca Wilson, the prominent face of the brand and an activist in the fight for the aged population's rights.

From the onset, it spoke to its older readers on equal terms – unlike the patronising or clichéd tone of some titles – and involved them heavily with different aspects of the community. It helps in the early days of a business if your

content is written by your customers, because it's free. Exponential growth rates since launch has seen the traditional media world take notice, with Seven West Media investing in the platform in 2016. With an ageing population, it seems now a no-brainer to target this audience. As is often the case with challengers, an approach seems obvious once executed. Easy to say in hindsight.

LESSON: If every other brand is targeting Tom and Dick, target Harry – your media spend will be cheaper and you'll be appreciated all the more.

Nourished Life Retail (beauty)



At the heart of many challenger brands is a founder frustrated at the status quo in a given category. Irene Falcon discovered to her shock, after feeling ill and looking for an explanation, that the beauty products she used daily were laced with chemicals. Addressing this situation became the founding purpose of her start-up, Nourished Life, which offered a resource for like-minded souls looking for a toxin-free life. Falcon's first action was to build a community, using a blog and several social media channels. Only later the e-commerce element was added,

converting Nourished Life into a full-scale online retail player to be reckoned with. Rapid growth followed, that must surely have attracted the attention of traditional, mainly 'bricks and mortar' beauty product retailers, plus a raft of business and industry awards. Despite this success, community engagement remains a core business activity, meaning Nourished Life effectively has its own media channel. Pretty handy when your budgets are dwarfed by the big guys.

LESSON: When developing a new product or service, build a passionate community – your future sales force – before launching.

Adam Morgan

the lively little fish

To call Adam Morgan the guru of challenger brands is a gross understatement. After writing arguably the definitive text on the topic, *Eating the Big Fish*, in 1999, he established a specialist UK-based consultancy named after his book, to solely work with challengers – genuine or wannabe. He now passionately writes, speaks and advises on the challenger approach to achieving brand growth beyond your means, including regularly in Australia.

Countless changes to the business environment have occurred since Morgan's original thinking. Not least, the rise of start-up culture and a wave of business global mega-challengers, with business model disrupting strategies, such as Uber and Airbnb. *Marketing* speaks to Morgan to understand what being a challenger means in 2017.

MK: What is your current working definition of challenger brand?

Adam Morgan: Obviously, challengers challenge. They challenge something about the category or our culture that makes us sit up and rethink. It stimulates us to re-engage with a category.

It's a state of mind, rather than a position in the market. Your business ambition exceeds your access to marketing resources. You can't buy your way into the market share you want. You have to do something to change the rules in your favour and create a new way of engaging with customers. This gives you a disproportionate share of mind and share of imagination, which generates growth.

What has changed for challengers, since you started working with them?

First, I think it's now about challenging something rather than someone. Tesla challenged all of our assumptions about the relationship between a green car and a sexy car. It challenged trade-offs we thought were fixed. People often mistake a challenger for someone who is challenging

another brand. I think the first thing to get really clear is they challenge something about the category or the culture around the category, and then get everybody else to sign up.

Second, is the notion of disruption. When I first wrote *Eating the Big Fish*, clients really wanted to be the Virgin of their category. They really meant a fresh, engaging, irreverent brand, with an iconic, youthful and hip take on the clichés of the category. Now if you asked them, they'd say, 'I'd like to be the Uber of my category.' They want some deep, disruptive activity that will utterly transform people's engagement and relationship with them. Of course, it's entirely unrealistic for most branded companies. But I completely subscribe to the idea you need to challenge your assumptions and can't be complacent in this current day and age.

How does acting as a challenger today help a brand achieve its goals?

They don't get complacent. They're constantly pushing for better, always trying to create an engaging narrative that really makes people notice. They're trying to create that sort of salience in a market. That kind of mental availability and desire to be famous.

Again, it's a mindset and all the benefits that come from that, about pushing for better and challenging assumptions. Challengers have an ideology they're inviting you to buy into, rather than simply a product difference that is more easily copied. It's about continually pushing to reinvent oneself, to offer something more substantively attractive to consumers.

Select publications by Adam Morgan

Eating the Big Fish (Wiley, 2009, second edition)

The Pirate Inside (Wiley, 2004)

Overthrow: 10 Ways to Tell a Challenger Story (PHD, 2012)

A Beautiful Constraint (Wiley, 2015)

UBank

Financial services (banking)



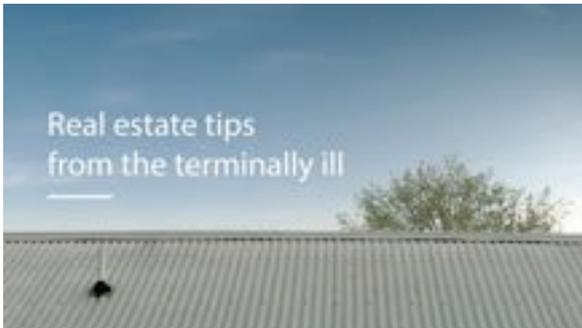
Being a challenger under the watch of a large, established parent can't be easy. Especially in a highly regulated, staid category like finance. All credit then to UBank. In banking terms it is still a little guy, but manages to be genuinely disruptive, despite the ownership of big four stalwart NAB. It acts like a little guy, and even pokes fun at the large players, with customers not caring about the irony.

At times you must imagine the parent company's board cringing at some of its work, but it's effective. In 2016, it ran a controversial campaign showing terminal diseases discussing their priorities in life. These ads attracted many consumer complaints. They even had the

audacity to challenge the Australian dream, suggesting the goal of owning your own house may not be the most important thing in life. Challenging stuff indeed, but it got the brand noticed and, more importantly, fit perfectly with its brand purpose: to get people to think twice about their financial decisions.

With innovation, UBank follows the start-up creed of 'build, measure, learn, repeat'. New products are launched in beta form and tweaked until they are right. It allows them to be fast to market and responsive to customer needs, as great challenger brands must be. Life's not perfect, so don't try to be.

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LESSON: Develop products and communications with their human emotions visible and weaknesses on show – that's how the real world works.

Karma Cola

FMCG (beverages)



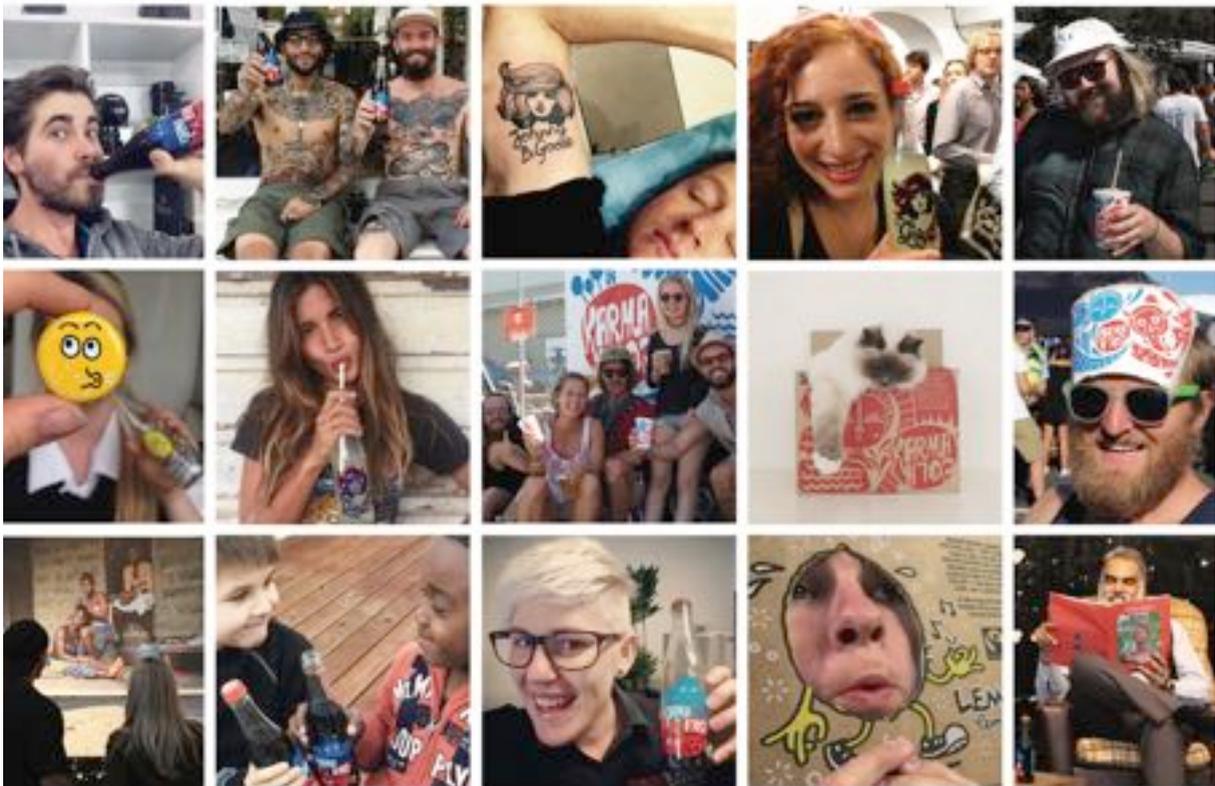
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Challenger brands no longer need a big, bad enemy to fight. But it helps. By taking on the giant, global cola duopoly of the Coca-Cola Company and Pepsico, free-trade drink brand Karma Cola had a market waiting to be tapped.

As the flagship brand in New Zealand's All Good Drinks Group, Karma Cola is enjoying success around the world. Its brand proposition is based on transparency, to create a clear contrast with other cola brands that closely guard their secret recipes. Its ingredients, all ethically sourced and organic of course, are clearly labelled on

pack and in its communications. Only simple, natural foods are used that everyone knows, such as vanilla bean, roast barley malt, coriander, nutmeg and lime. For good measure, from every bottle sold a donation is made to fund development work in Sierra Leone, where its cola beans are farmed and generously paid for.

To add warmth to its serious side, Karma Cola adopts a cheeky tone in its largely social media- and event-based communications. How does it describe a new chilli cola to celebrate the Day of the Dead? Mexafrickin awesome.



LESSON: Exhibit absolute transparency across your entire business, to earn trust as a new brand or defend against any suspicion.

Where are they now?

Perennial challengers of the past

Virgin

Arguably the definitive global challenger, Richard Branson's Virgin brand always acts with a strong self-belief and commitment to take on the big guys. Plus, everything Virgin does is with style and cheek. This consistent attitude and tone allows it to spread into multiple categories, as it operates way above any ties to products or services. Virgin has popped up everywhere in Australia and New Zealand, such as in communications, health, banking and retail, with varying success. It's the airline business that delivers the acclaim and returns. An earlier incarnation as Virgin Blue fought a strong fight in the low-cost space for decades. Eventually undercut by competitors Jetstar and Tiger Airways, it repositioned in 2011 and showed that a full-service offering focused on business travellers could still be fun.

Optus

The launch of Optus in 1992 was in the classic challenger mould of that era: find a hated big guy and offer an alternative. Such was the public's dislike of the incumbent communication monopoly Telecom (later rebranded to Telstra), customers flocked to the new outfit. For a few decades Optus reaped the rewards. It benefited further from the struggles of other entrants who never quite cracked the market. Remember 3 Mobile or Orange? Lately, Optus has returned to some genuine challenger communications. After ditching the wild animals that served it well for years, it signed-up English comedian Ricky Gervais. In his deadpan ads promoting the Optus tie-up with Netflix, he speaks freely and self-deprecatingly about getting paid a lot to make the ads.

Body Shop

Beyond success or failure, another thing commonly happens to challenge brands: they get bought out. After independently achieving worldwide success on an environmentally-conscious platform, founder Anita Roddick sold The Body Shop brand to cosmetics giant L'Oreal in 2006. At the time, many suggested this would be the death for the brand, selling out to the very type of company it had long rallied against. But the brand is still active in Australia, New Zealand and around the world. Despite being owned by a giant company, it has stuck to its original purpose and still actively campaigns for worldwide bans on animal testing for cosmetics. Roddick claimed she was acting as a 'trojan horse' in making the sale and L'Oreal now has a total ban on animal testing everywhere in the world.

Challenger Trump

As an arch-conservative, billionaire and now President of the United States of America, it's hard to think of Donald Trump as a challenger. Yet his tactics in winning the Republican primaries and the presidential election were straight from the challenger playbook.

Faced with underdog, outsider status and lower funding than rivals, Trump encountered similar obstacles to businesses that try to win in big player dominated markets. It helped that he was a TV celebrity and a well-known businessman. But he still had to challenge the norm to break through. And that's exactly what he did.

From the outset, Trump whipped his loyal fans into such a frenzy of support they did a lot of the work for him – a common tactic of challenger start-ups. He had strong, controversial viewpoints, based on seemingly deep insight into his audience. Whether by accident or genius, he tapped into the prevailing mindset of a niche, but significant number of voters. He didn't care if people outside this group were upset. They weren't his target. His media strategy, if you can call it that, was laser-focused. With budgets incapable of competing in traditional, above the line media, he used Twitter and giant supporter rallies to devastating effect, especially in earning free media coverage. By being deliberately provocative – to put it mildly – his messages were remembered and repeated. In the end, he won with support from only one-quarter of eligible American voters (almost one-half didn't vote at all). It didn't matter. Love him or more likely loathe him, Trump challenged the system, exploited its weaknesses and won decisively.

What can marketers learn from this? First, target a well-defined niche and intimately understand their frustrations. Next, be memorable, simple and newsworthy in your messages, using a targeted media strategy that helps you 'own' one or two channels. Finally, be prepared to make enemies on the way, the same ones that rile your loyal customers. They'll love you for it all the more.

Vinomofo

Retail (liquor)

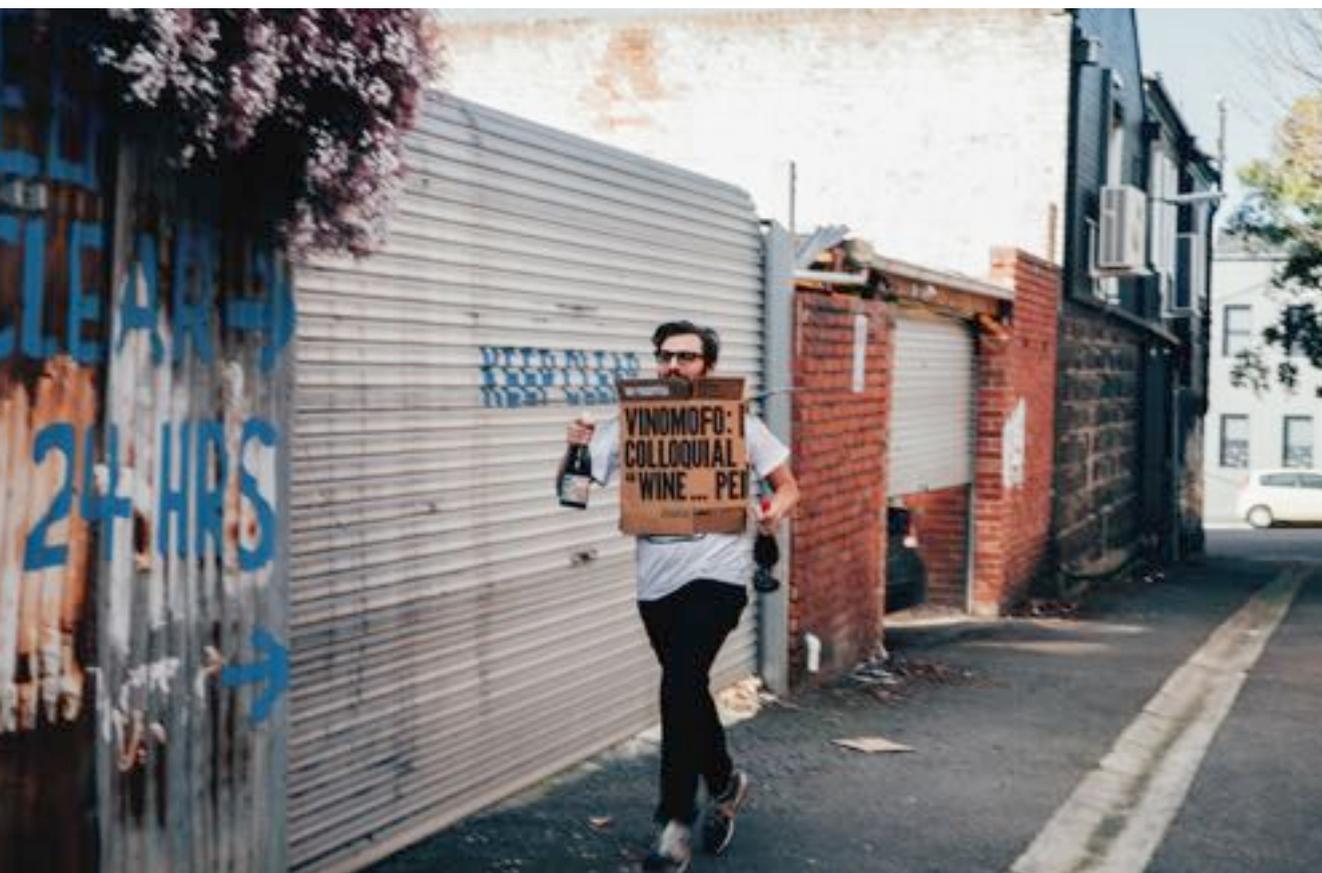


Behind the in-your-face attitude of Vinomofo, a rapidly growing online wine retailer, lies a simple proposition: great wine at cheap prices. From this solid base, it differentiates by removing the stuffiness from the wine world, with its light, honest and cheeky approach. Its name instantly announces it is not cut from the standard cloth. Hero wine choices include The Orgy, Duck Sauce and Old Money, which fit its attitude. An oft-quoted mantra it uses is 'no bowties and bollocks'. Launched in 2011 in Adelaide, Vinomofo now has over half a million

customers and a raft of awards, such as Online Retailer of the Year in 2015. Last year, they received \$25 million of investor funding and international expansion began recently, starting in Singapore.

Does it rile the competition? It seems, yes. Vinomofo claims major retailers pressured suppliers not to deal with it. Thankfully it grew big enough, quickly enough, to call the shots. Mofos indeed.

Read our in-focus profile of Vinomofo on page 26.



LESSON: Examine how incumbents act, talk and look, then do the exact opposite to stand out and attract attention.



Who Gives a Crap FMCG (household)



Need to stand out as a new brand? Your name is a good place to start. Who Gives a Crap, a socially-conscious toilet paper brand founded in Melbourne in 2012, defies people to ignore it from the very outset.

Although Who Gives a Crap markets itself in a light-hearted way, proudly using toilet humour and awkward puns, the brand's purpose is deadly serious. Literally. The company donates 50% of its profit to help build toilets in

the developing world, in an effort to halt life-threatening diarrhoea-related diseases. For good measure, it manufactures all products from 100% recycled paper.

In only five years, the brand is a glowing success, with brand extensions beyond toilet paper and a recent launch in the US. Established multinational toilet tissue makers, already facing pressure from private label products, must be crapping themselves.

LESSON: Don't be afraid to skirt the boundaries of decency if you want to get noticed, providing your brand purpose allows.

Canva

Software (design)



Illustrating that challenger brands barely even need a specific category to challenge, DIY design site Canva brought the ability to create professional designs to everyday people and businesses. No one else was really offering the service, but the need still existed.

Now valued at over half-a-billion dollars, thanks to major overseas investment, it would be easy for Canva to forget its founding philosophy and attitude. But culture is king at this Sydney-based start-up. Because the business

started in entrepreneur Melanie Perkins' mum's living room, a cosy familial feeling is central to the brand's proposition.

To ensure employees live the brand's friendly values, initiatives like free gym memberships, on-site chefs and overseas trips help maintain a caring mindset. Apparently the company even releases doves to celebrate success. Perhaps this is what won it the award of Australia's Coolest Tech Company two years in a row?



LESSON: Ensure the company culture supports the brand's attitude – if employees aren't feeling it, neither will customers.