

# David and Goliath: When do underdog businesses benefit from neighborhood giants?

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Is being located next to a big-name competitor always bad for your small business? A new study in the *Journal of Marketing Research* shows that contrary to accepted belief, the presence of a large, nearby competitor can actually boost the sales of smaller brands.

"When the owner of Los Angeles's Coffee Bean & Tea Leaf could not stop Starbucks from moving in next door, he at first admitted defeat," note authors Neeru Paharia (Georgetown University), Jill Avery (Harvard University), and Anat Keinan (Harvard University). "However, soon after, he was surprised to see his sales shoot up, so much so that he began to proactively locate new stores next to Starbucks."

To test their theory, authors examined the buying habits of people shopping for books in a small, locally owned bookstore. Some shoppers were told that the bookstore's only competitors were other small bookstores. A different group was told that the bookstore's primary competition was a nearby national chain bookstore that threatened to put the locally owned shop out of business. The study found that customers who were told of the nearby national chain bookstore were more likely to make purchases at the smaller locally owned store.

In a second study, participants were told, "Imagine you are in the mood for a cup of coffee. You can either go to Starbucks or an independent coffee shop called Joe's Java." One group was told that Joe's Java and

Starbucks were the same distance away, but in different neighborhoods. The second group was told that Joe's Java was right next door to Starbucks. The group that believed Joe's Java was literally standing in the shadow of Starbucks was more likely to go to Joe's Java.

Pilot study results indicate that consumers may gain pleasure as they 'stick it to the man', perhaps punishing larger, more dominant brands for having too much power. Instead of shying away from mentioning the competition, small businesses would do well to highlight the battle between small and large competitors.

**More information:** Neeru Paharia, Jill Avery, and Anat Keinan. "Positioning Brands against Large Competitors to Increase Sales." Forthcoming in the *Journal of Marketing Research*.

Provided by American Marketing Association

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