El Ganso: How to build a global brand?

After seven years of expansion the clothing brand El Ganso had to rethink its business model and growth strategy.

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In the spring of 2005, Clemente Cebrián, one of the founders of El Ganso, was walking through the streets of Budapest when a pair of shoes in a shop window caught his wife's eye. They were replicas of soldiers' shoes, designed by Jeremy Stanford.

El Ganso began selling these shoes in the Spanish market. They were an instant success.

Since then, the Spanish fashion brand has enjoyed non-stop growth, and now boasts 32 stores in five countries.

The company's marketing technique is unorthodox in that it does not do any advertising. It makes no announcement when it sets up shop in a new city, nor does it take part in any sponsorship.

The founders, the Cebrián brothers, say the best way to go about marketing is simply to make a good product.

But the time came when the company had to face a series of questions vital to its future, as this IESE case study explains.

"Preppy on the cheap"

It all started when Álvaro and Clemente Cebrián, two brothers from Madrid with an entrepreneurial spirit and lots of creativity, worked as waiters in London to improve their English during their summer breaks from university.

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While in London, they noticed a style of clothing that did not exist in Spain. They called it "preppy on the cheap."

Upon graduation, they started working for big companies. It wasn't until the summer of 2004 that they decided to found El Ganso, with the support and advice of their father, an IESE-educated businessman with work experience on both sides of the Atlantic.

The Cebrián brothers began with trousers, but the Jeremy Stanford shoes marked the turning point. In 2006, the brothers opened a store in downtown Madrid and enhanced their collection with sports jackets and polo shirts.

Off to a flying start

They continued to open their own stores, the latest being in London's iconic Carnaby Street in 2012.

Their method of picking locations consisted of sitting outside a potential spot for hours, watching people going by and observing whether they carried shopping bags or not.

They chose Portugal, France and the United Kingdom as locations because their geographic proximity enabled them to keep their costs down. Chile, on the other hand, enabled them to rotate excess stock from the European shops at the end of each season. They also created an online store.

In the past, they followed a selective growth strategy, without resorting to injections of external capital. However, a consultant insisted they should consolidate in markets where they already had a presence, then reach out to somewhere else.

The idea was to open a second store in London, and new ones in Milan and Frankfurt, so that, little by little, they would have outlets in all the major cities of Europe, before taking the big leap to New York and Mexico City.

But to achieve such goals in a short period of time, external financing would be needed, as each overseas store involved an investment of 350,000 euros.

Big decisions

The Cebrián brothers received two attractive offers from outside investors. They were also pursuing options that did not require outside capital.

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Producing more in Asia rather than Europe was another possibility. However, even though costs were lower in Asia, the brothers wondered if the "made in Asia" label could hurt their brand's reputation.

How would they expand? With what model? Was it possible to keep going without outside investors? Could they continue with the same suppliers, or must they broaden their line on a massive scale? Was it time to bring in external management? These are the questions raised by this case.

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