

El Ganso Takes Flight (A)

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*“You have to be stubborn and believe that things will turn out right,
even if you haven’t succeeded after the tenth attempt.”*

Rafa Nadal¹

Just like on every Friday afternoon, the Cebrián brothers, Clemente and Álvaro, founders of one of Spain’s fastest-growing fashion brands, were in a meeting with their father, Clemente Sr., the company’s adviser, at El Ganso’s head office in Boadilla del Monte, near Madrid. El Ganso had recently opened a new store in London, its thirty-second since the business was founded five years earlier. People in the company were talking about nothing else! What was more, the new polo shirts for the spring 2013 season had just arrived from Asia. Álvaro was looking at them proudly: “These polo shirts are going to be a hit!” Lately, the company seemed to be on a roll.

And yet, despite the calm that usually reigned at the head office, there was tension in the air that day. Certain issues that were vitally important to the company’s future had been on the table for some time, and Clemente and Álvaro had decided that now was the time to tackle them. Although they were satisfied with the way the business had expanded in recent months, culminating with the opening of the London store, the Cebrián brothers and their father were concerned about making the right decision in terms of the next steps to take. Was the business growing with the right model and at the right speed? Should it continue to be self-financing, or would it be better to raise capital on the market? Could the company continue to grow with the same suppliers, or should it be looking to produce on a larger scale?

¹ Álvaro Cebrián has this message framed and prominently displayed in his office.

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Lastly, the brothers were overwhelmed with work. The day-to-day running of the business took up a large part of the time they felt they should be investing in planning for El Ganso's future. They were considering various options: for example, bringing in a manager to help them with day-to-day management tasks. But what role and what responsibilities should this person have?

In short, all the issues on the table at the executive committee meeting that Friday seemed crucial to the company's immediate future.

The adventure of two dreamers unafraid of hard work

Endowed with an entrepreneurial spirit and creative minds, Álvaro and Clemente were born and raised in Madrid and earned degrees in Business Administration from CUNEF, Madrid. While at university, they spent their summer vacations working in London as waiters and shop assistants in order to improve their English and earn enough money to travel and make plans with their university friends. While in London, a style of dressing they had never seen in Spain caught their eye – what Álvaro described as a “college hipster” style. The only clothes in this style that could be found in Spain were unaffordable. So each year, during their summers in London, they wondered why no one in Spain was producing that kind of fashion at prices young people could afford. And they began to realize that they might have spotted a gap in the fashion market in Spain that hadn't been filled.

Upon finishing university, Álvaro made an attempt to start what is now El Ganso. However, this first venture did not get off the ground. Following in the footsteps of many other Business Administration graduates, the two brothers took jobs in large companies that promised stability, a reasonable salary, and the possibility of a more long-term career.

But the idea of starting their own business to fill that gap in the Spanish fashion market still lingered at the back of their minds. So much so, that in 2002 Álvaro started visiting garment factories after work and spent long hours learning about the business. In 2003 he joined a company that made fashion accessories and started to familiarize himself with the retail sector. On September 8, 2004 the brothers decided to found El Ganso, with the declared aim of “democratizing a style.” Clemente left his job at Telefónica in April 2005 and the brothers set to work on their new project. Some people told them they were crazy to give up a steady job; but they had had spent enough time as apprentices in established firms! They wanted to fight for their own dreams!

They knew what they wanted, but they had no idea how to go about it. They launched into the venture with the goal of creating a style of clothing that was high quality, affordable and fashionable. From the outset, they received support and advice from Clemente Sr., a qualified engineer with an MBA from IESE and a natural businessman who had forged a career on both sides of the Atlantic, in Spain and the United States. His experience and wisdom were vital for El Ganso at the beginning, and they still are today.

The partners started with some bold trousers, which they took to multi-brand stores, where they left them on consignment. Clemente recalled how they would go from store to store, carrying the clothes on hangers through the streets: “For a person to give up a job in a multinational in order to cart clothes around Madrid, he really has to want to do it.” Next came a range of coats, which the brothers took to the fashion fair in Berlin. Then, out of nowhere, they had an unexpected opportunity.



In spring 2005, Clemente went to Budapest with Rocío, his wife, on a trip they had arranged at the last minute when Clemente's in-laws were unable to travel and passed along the tickets and hotel bookings to them. As they wandered through the streets of Budapest, Rocío caught sight of some sneakers in a shop window. She went in to ask about them and the shop assistant told her they were a replica of the shoes that Slovakian soldiers used to wear in the Second World War and that the designer, Jeremy Stanford, had visited the store that afternoon with the monthly delivery. Clemente sensed a great opportunity in the sneakers, which were unlike anything that could be found in Spain at the time. Without thinking twice, he spoke to Jeremy and told him about the El Ganso clothing brand and asked whether he would be interested in having his sneakers sold in Spain. Jeremy did not take the inquiry very seriously until he learned that Clemente was staying in the city's best hotel (in the room his father-in-law had booked!). They met in the hotel and agreed to produce 900 pairs for sale in Spain.

In January 2006, when the "Jeremy Stanford" sneakers arrived in Madrid, the Cebrián brothers had to ask their mother for permission to store them in her living room. Those 900 pairs of shoes marked a turning point for El Ganso. As a result of the enthusiasm, persistence and effort that Clemente and Álvaro put into selling those 900 pairs, the sneakers became all the rage in Madrid and sold "like hot cakes," giving El Ganso the visibility it had not been able to achieve with other garments (**Exhibit 1** shows some of the original Jeremy Stanford sneakers).

After this hard-won success, the first El Ganso store was opened in Madrid, in Calle de Fuencarral. It was followed soon after by stores in Barcelona and Majorca. And when the second Madrid store opened in 2009, in Calle Jorge Juan, one of the city's most exclusive shopping streets, El Ganso finally "took flight." There followed a string of new store openings, reaching a total of 32, with the most recent one opening in London in March 2012 (see **Exhibit 2** for more details about store openings).

Alvaro and Clemente could not help smiling when they thought back on how it had all come about: six years of extremely hard work, with very little revenue at first, and long hours on the road, visiting suppliers and delivering goods to stores. From the very beginning and throughout the whole process, they had support from their wives, who stood by them and gave them encouragement during exhausting seven-day work weeks, as they travelled thousands of kilometers, and put all of their efforts into moving forward with the company. Recalling those first few years, Álvaro said they had shown "more morale than El Alcoyano" (a football team famed for its high morale). Framed on the wall of his office was a quote from the tennis player, Rafa Nadal, which gave him inspiration in his daily work: "You have to be stubborn, and believe that things will turn out right, even if you haven't succeeded after the tenth attempt."

In search of success

Finding a niche in an ailing industry

In 2011 the textile industry in Spain had a turnover of €24.4 billion and employed 215,000 people, representing approximately 4% of the Spanish GDP. The sector was relatively highly fragmented, with only a few large players: Inditex, Mango, H&M and Cortefiel, representing 21.7% of sales. The textile industry included both clothing and footwear, with women's clothing and footwear accounting for the majority (approximately 53%) of industry revenue. The rest was divided between men's clothing and footwear (33%) and children's clothing and footwear (14%).