

NANO TOOLS FOR LEADERS®

THE GROWTH EQUATION: AVOID CUSTOMER-SEGMENT COLLISIONS

Nano Tools for Leaders® are fast, effective leadership tools that you can learn and start using in less than 15 minutes—with the potential to significantly impact your success as a leader and the engagement and productivity of the people you lead.

GOAL

Achieve growth by managing the interplay and avoiding conflict between customer segments.

NANO TOOL

Growth is exciting—until your customers start pulling you in different directions. One segment craves premium exclusivity, while another demands mass accessibility. Some want innovation, while others value tradition. These tensions don't always surface immediately, but when they do, they can erode brand loyalty, confuse messaging, and stall business momentum. Accurately assessing the risks of conflict between customer segments requires understanding the pieces of the conflict puzzle—namely, what different customer segments want and expect from the brand, what the brand means to those customers, the extent to which that meaning can be stretched to include new customers, and the competitive and cultural forces at play in the marketplace.



ACTION STEPS

1. **Know thy customer.** Instead of identifying customer segments based on demographics, focus on the value they derive from your offerings. Then, name each segment in a way that clearly reflects its core motivation. This helps you anticipate how different segments might align—or clash—as your brand grows. Ask:
 - What functional value does this customer segment get from your brand's products and services, if any?
 - What value does this customer segment derive from your brand's meaning or image, such as emotional or psychological value, if any?
 - What identity-signaling value does this customer segment get from your brand, if any? What ideological value does this customer segment have that might intersect with your brand, if any?
2. **Know thy brand.** Knowing your brand in the context of anticipating conflict requires understanding what your brand means to customers at the segment level and determining the "stretchability" of your brand's meaning to include new customer segments and their values, preferences, and—in some cases—ideologies. Ask:
 - What is the meaning of your brand to customers?
 - Are there ways you can make the meaning or purpose of your brand more abstract, general, or encompassing to serve new customer segments?

- Is your brand positioned as inclusive or exclusive?
- How does that influence which new customer segments you can reasonably attract without generating conflict?

3. Know thy marketplace. Conflict is contextual: awareness of relevant societal, political, cultural, environmental, and competitive forces that might influence intersegment relationships is vital for anticipating conflict. Ask:

- To what extent are hot-button political, social, or cultural topics relevant and important to the segments you serve or want to serve?
- Are any of your segments, or potential segments, on opposite sides of these topics? How relevant are they to your brand or messaging?
- How substitutable is your offering, and to what extent are the switching costs for consuming an alternative to your offering low or high?

HOW COMPANIES DO IT

The North Face expanded beyond outdoor gear into streetwear, risking a disconnect with its core adventurer base. To bridge the gap between hikers and urban creatives, the brand centered its messaging on a shared value: **exploration**. By reframing its long-standing tagline “Never Stop Exploring” to include both mountain summits and city streets, The North Face linked diverse customer segments through a unifying mindset—curiosity and courage—reducing friction and preserving brand authenticity as it grew.

When LEGO first discovered that a significant number of adults were purchasing their products for personal enjoyment, the company initially made no effort to target or engage this segment. However, facing bankruptcy in the early 2000s, LEGO shifted its approach. It began collaborating with adult fans to develop new models tailored to adult preferences and skill levels, pricing these products higher than their traditional lines. The company also created official online communities and conventions for adult builders. As a result, LEGO’s adult market has grown more than fourfold over the past decade.

CONTRIBUTORS TO THIS NANO TOOL

Annie Wilson, Senior Fellow and Lecturer in Marketing at the Wharton School, and Ryan Hamilton, Associate Professor of Marketing at Emory University’s Goizueta Business School, co-authors of *The Growth Dilemma: Managing Your Brand When Different Customers Want Different Things* (Harvard Business Review Press, 2025).

ABOUT NANO TOOLS

Nano Tools for Leaders® was conceived and developed by Deb Giffen, MCC, Director of Innovative Learning Solutions at Wharton Executive Education. It is jointly sponsored by Wharton Executive Education and Wharton’s Center for Leadership and Change Management, Michael Useem, Director. Nano Tools Academic Director is Professor John Paul MacDuffie, Professor of Management at the Wharton School and Director of the Program on Vehicle and Mobility Innovation (PVMI) at Wharton’s Mack Institute for Innovation Management.