

# Customer first thinking.



## Frictionless Growth:

An Interview with Ryan Hamilton, Associate Professor of Marketing at Emory University, Goizueta Business School

### Ryan Hamilton:

Ryan Hamilton is an Associate Professor of Marketing at Emory University and co-author of the book "The Growth Dilemma".



For most mature brands today, the growth playbook looks pretty much identical: find potential first-time buyers who look like the customers you already have amongst the pool of new category entrants, or try to penetrate an adjacent market where there may be enough latent demand to be worth mining. Going directly after competitive users (usually through price promotions) is always an option as well, but those customers are hard to snatch away if they're brand loyalists, or if they are persuadable, likely to be just bargain hunters.

That typical playbook is known as "Segmentation, Targeting and Positioning", or STP for short. Figure out your "Ideal Customer Profile"; partition the total addressable market into distinct demographic or psychographic segments; and then spend as much as you can afford capturing as big a share of the target population as possible. When that strategy runs low on fuel – growth is always constrained by category size and the inevitable counteroffensives from competing brands – marketers can just

tack over to the alternate (albeit riskier) path to growth: broaden the tent by stretching the value proposition, maybe even refurbishing the brand image, to draw in segments from outside the core customer base.

Where brand strategy often goes awry – sometimes horribly awry – is taking wild swings at marginal segments who may otherwise be indifferent to the category. Driven by the insatiable demand for faster growth, marketers will go to any lengths to hit their numbers, even if that means retrofitting the brand identity to court atypical buyers. That sudden positioning change can of course sow confusion amongst longtime customers and possibly alienate them. "That's not what I signed up for", they think, or "That's not who I am". Next thing you know, they've abandoned the brand in droves.

Certainly segmentation ought to drive strategy. People do differ, sometimes dramatically, in their reasons for choosing a particular brand. Marketers do have to tailor their strategies accordingly, whether through line extensions, new product development, the creation of flanker brands or simply variable positioning. The problem is that marketers often go about it with blinkers on. Taking existing customers for granted is all too common – so is being oblivious to newly formed market segments looking for something different – so is catering to one segment's needs at the expense of another. But there is another, even more pernicious blind spot, according to Emory University's Ryan Hamilton: ignoring the potential for conflict between customer segments – leading to friction that can fracture a brand's identity and suppress growth.

Managing those segment relationships is supremely important to brand health, Hamilton says, whose book "The Growth Dilemma" provides a framework for frictionless growth. In the book he and

his co-author Annie Wilson explain why customers clash; describe the different kinds of conflict that can occur; and suggest ways to minimize potential friction, knowing how segments differ in their needs, values, perceptions and expectations, thereby removing possible obstacles to growth.

Ryan is a recognized expert in consumer behaviour, with a special interest in the psychology of brands and pricing, and the co-host of the podcast “The Intuitive Customer” along with Colin Shaw. His undergraduate degree, however, was in applied physics, so I started by asking Ryan how he made the leap into marketing.

RH

**Ryan Hamilton (RH):** I started off my undergraduate career as a communications major. I still maintained a communications minor. I found it a very interesting subject, but I was very idealistic when I was younger and so I wanted to, even though I found the subject interesting, communications, and arguably I found my way back there eventually through marketing. I wanted to push myself and so I’m not naturally a math guy, I found physics very interesting though, so I just, I bled my way through those classes man, they were, they were hard. But I did feel like I had accomplished something at the end of it. I felt like I, my brain was in a better place after my undergrad than it was before. I don’t know that I would have the, the energy or the patience to do it again at this stage of my life, but I’m glad that I did. And ultimately it’s kind of a branding exercise. Nobody questions that I’m a smart person because I can just show them that credential and there you go.

SS

**Stephen Shaw (SS):** So true. But I still, I’m still missing the bridge between communications and physics, getting there.

RH

Yeah so, not a clean bridge. So I went and I worked a variety of odd jobs after I got my degree. I worked with a proton accelerator when I was in college and then I worked as a computer programmer, and I worked for a firm, company, that disposes of radioactive waste. They were very interested in a physics major. And it was after I had worked for several years. I assumed I’d go back and get an MBA, but I realized that the questions that were most interesting to me in business were around marketing and how people made decisions specifically. And so investigating that and talking to various people, I realized I could get a PhD in that and teach it and do research on it. And so that was the path that led me there. It’s not coherent.

SS

It doesn’t make a lot of sense. It was not a long term plan. It’s just kind of a series of fortuitous stumblings that led me to where I am.

Well, there’s a book called *The Accidental Marketer*. And I think the marketing ranks are filled with people just like you and me that discover the profession as we enter our early years of our career, so.

RH

I think that’s right. Yeah.

SS

I ask the same question of a lot of people. Because the backgrounds prior to getting to marketing are so diverse. But many of them for the reasons you were drawn, which is love of communications and the abstraction of ideas and so on, which, which is interesting because you made consumer behaviour the focus of your marketing career. And I want to ask you, why consumer behaviour?

RH

Yeah, again, it was just what was most interesting to me. So in academic marketing, there’s kind of two broad fields. There’s the consumer behaviour, which is more psychology based, and then there’s the modelling, which is more math and econ based. And I took classes in both of those when I started grad school. And it was just the questions around the behavioural science side that were more interesting to me and that I was more excited about. And so that’s how we ended up researching that.

SS

Is that what ultimately led you to Colin? Because that’s kind of his obviously background intuitive customer. How did that collaboration begin?

RH

Colin reached out to me. Colin has a, he’s kind of semi-retired at this point, but he founded a consulting firm called *Beyond Philosophy* that was focused on customer experience. And he was looking to build out, kind of a group of people that he could turn to for expert advice and opinion on this kind of stuff. And so he called me, we spoke, we worked on a couple of projects together and hit it off. And then he suggested we write a book together, which we did. And then we started the podcast, honestly, just to promote the book. And we have had such fun doing it that we just kept doing it.

SS

Yeah, well, it’s obviously a fascinating area and you know, it’s, it’s evergreen, right?

RH

Yes.

SS

It's consumer psychology being what it is. Yes, again, we'll get into that a little bit in this conversation as well. Because there's obviously a whole tangential conversation around what's going on in the minds of consumers and customers today. So let me just ask you this question, which is, and one of the things I found, again, I love the book. You know, it's just a terrific read from beginning to end. It's entertaining, filled with amazing case studies, which you obviously have been accumulating these for a while, because they are really interesting. But you made this a subject that's rather under the radar for most marketers and maybe that's why you wrote the book. But this idea of the potential for segment conflict as a brand grows, it's a very unique perspective the book offers. What led you and Annie Wilson, your co-author, to focus on this specific area, this specific problem. (9.17)

RH

You actually summarized it well, it was something that wasn't talked about, and that we both felt was really important. So when I teach the core marketing class, so the introductory marketing class to MBAs mostly, I simplify things. So I tell them we're going to talk about segmentation, we're going to talk about positioning and targeting, but when we talk about positioning especially, we're going to focus on one target at a time. So with the acknowledgement and then the real world, you have to target multiple segments. That's kind of too complicated for an introductory class. If you can figure out how to make one segment happy, that's what we're going to talk about in this class.

And I kind of pushed it off and I said, yeah, you'll probably talk about this in some of your later electives. And I realized that no, there were no electives that talked about how you manage multiple segments at the same time. And that seemed like a real missed opportunity. So when I started teaching an elective a couple years ago, Annie and I do a lot of co-developing of teaching materials. I said I really want this to be a focus of this elective, and she wanted to teach it at Wharton where she's at. So we started developing this as a teaching framework and we started collecting examples to use in class. And after we'd done that for a little while, we realized this could make a good book. And I think other people might be able to benefit from this as well. So yeah, we had the same observation. It's just that a lot of firms we think are missing the risks

here and the potential benefits.

SS

Well, for sure. Again, we're going to come back to segmentation strategy a little later in the conversation. But I'm just amazed at the miss - marketing academics don't miss anything. They look under every nook and cranny for subjects. And for them to actually miss this, like really, truly miss this area just astonishes me. Why do you think that is or was?

RH

I mean, it's a good question. So academics tend to go deep on topics and so there'll be something that is kind of discovered or an area of interest, and then we'll drill down, and drill down, and drill down. But I think that there's a lot of areas in marketing that, you know, are not being well studied by academics. And then there are marketers who are doing just amazingly innovative things. But we all have blind spots. You know, I mean, I taught this stuff for many years before I realized, actually, nobody's talking about this. This is a real problem. And I even mentioned it in classes, like, this is a real problem. I'm sure you'll learn about it later. And so I think we all suffer from these kinds of blind spots, but hopefully this is one less.

SS

Well, I'm going to presume that this book will maybe lead to, as you mention in the book, the potential growth of a new discipline in marketing. I want to come back to that. But is the, are the risks supercharged today because of the corporate insistence on fast and infinite growth to please shareholders? Is that really -marketers are under such pressure to deliver fast growth, then maybe they're just not looking before they leap because they're under this amazing pressure from above.

RH

Yeah, no, I think that's definitely a part of this. I mean, we quote an HBR article in the introduction, and I'm going to not get the quote exactly right, but the essence of it is that a lack of growth is seen as something like a moral failing. If you're not growing your company aggressively, then, and so, yeah, it's just this tremendous pressure. And when we're so focused, you know, talk about consumer psychology or psychology in general, when we're so focused on some goal, we lose the periphery. So if we're focused on growth, that means we've got to acquire these new customers. That's the typical path to growth. And so the risks of acquiring these customers, or what's that going to do to our current customer base, if those are thought of at all, those tend to be secondary concerns. And I think a

lot of times we don't even think about it because we're so focused on growth, as you say.

SS

Yeah, well, I'm just. And again, there are some amazing examples in the book, and I'm going to get you to cite a few of them a little later on. But it's these abrupt pivots that go on, and it's even at a higher level, like the organization is slowing in growth, and so they hit the alarm button.

Where are we going to get - well, we need to change who we go after. And all of a sudden there's this cascade effect and it leads to some pretty deleterious results I might add, again chronicled in your book, which is just absolutely fascinating.

So let's talk about this new discipline, quote unquote, of segment relationship management. Just for the benefit of the audience, just maybe offer a bit of a definition and also whether this is really a sub-discipline under, and you obviously teaching marketing to MBA students, the overall practice of segmentation, targeting and positioning - is this just a sub-discipline here or really something that needs to be considered on its own?

RH

Yeah. So the discipline definition, we encourage marketers, we encourage firms to start thinking about managing the relationships between customer segments. So as I would define the discipline, it's a series of concerns around how customers will respond to other customers under the brand. And those relationships can be positive and can incite growth on their own. And they can also be negative and incite conflict between these groups. So, we encourage people to look at all their growth strategies through that lens. You know, that might be someone within the organization where that's their sole job is to make sure that as we grow we're managing these segments in an appropriate way. It could be that just throughout the marketing organization or throughout the business, people use these checks to make sure that we're considering how customers will interact with each other.

We offer a variety of tools in the book, including a couple of frameworks and some checklists, that kind of thing to help people along in that. In terms of whether it's a subdiscipline of segmentation, yeah, I think that's a fair way of putting it. I would actually say it's a crossed subdiscipline of CRM and segmentation. So CRM is how we manage the relationship with our customers. I think

often though that's seen as being this monolithic effort or at least like a segment by segment effort. So we're going to manage the relationship with all of our customers by whatever, co-ordinating communication or we're going to manage our relationships with segment A and then we're going to manage our relationship with segment B. CRM or customer segment relationship management is this idea that segment A and segment B might be also influencing each other. And so are we thinking about that? Are we kind of adding that third leg to the triangle so that it's not just our relationship with all of our customers, it's also the customers with each other. (16.14)

SS

Yeah. And CRM also deals with the lifecycle of a customer, right? Aligning your marketing tactics to where somebody is in that relationship over time and increasing value over time. But what was interesting to me and revelatory and certainly new is this idea that, hey, these segments may not get along so well together and who are we going to please at the end of the day? So many of the examples in the book bring that out very clearly. Starbucks, you know, we'll come back to a few of those a little later on. So let's get into the frameworks because there's a, there's a few, as you say. And let's start with an obvious one which is the four, as you describe it in the book, four types of conflict that can occur. So you have, functional, brand image, user identity and ideological. Take me through each one, you know, sort of a brief overview of what each one really means.

RH

So functional conflict is when different segments want different things from the brand in terms of just its offerings, its goods or its services, its experiences. So one example of that, Disney World parks. Disneyland parks have been increasingly attracting childless adults, to the point where depending on the estimates you see, it might be as much as half of all park goers now are adults without children. There's areas of overlap between families with kids and adults without kids attending the park. They all want some kind of magical Disney experience. They love the characters, they love their ... but they also have very different needs in some cases.

So, I took my family to Disney World last year and when we went to EPCOT, which is in Disney World in Florida, there's this large lagoon around which they have different

national pavilions you can go and get and that you can get food from different parts of the world and drinks. It's become a drinking game for some people. Kind of an international pub crawl where you go to each national lagoon or each national installation around this lagoon and you have a different drink. I saw T-shirts there that people had made up about this kind of drinking around the world's game. It's a destination. Which is great for adults, but if you're there with your kids, you might not want to see people puking in the bushes. You know, these two groups have different preferences in terms of how exciting the ride should be and how upscale the food options should be. So, Disney's done an okay job managing these two different groups. As I said, there's a lot of overlap there.

So I'd characterize this as kind of a low grade functional conflict, but it has the opportunity to become much worse. So if Disney tilts too far in the direction of adult entertainment, they might drive away the families with the small kids. And likewise, if they don't provide enough of the adult oriented properties at the parks, then they could drive away that lucrative segment. This is the root of functional conflict. Just the groups don't hate each other, they all love Disney and you know, they're all very excited to be there and generally nice to each other. So it's not driven by hatred in any way, it's just, they want different things out of the brand. So that's, that's functional.

Brand image conflict is another one that we talk about. And this is where by serving multiple segments, the brand risks changing the meaning of the brand. So my favourite example of this is Patagonia, which is just dyed in the wool, an environmental company. I mean, the owners have gone to great lengths donating lots and lots of money to environmental causes, and their loyal customer base really values that about the brand. Then at some point, Patagonia vests, and fleeces, and puff jackets, they became kind of a status symbol among tech companies and finance companies where they would be buying these items in large numbers and then having their logos embroidered on them. That was very lucrative. Patagonia was very happy to sell all these vests to these tech firms for a long time. And yet, can Patagonia claim to be as environmentally friendly as they historically were if they're selling large numbers of these vests to a segment that maybe is not associated with those values to the same extent. (20.40)

SS

That builds big data centers on farmlands and chews up energy and water?

RH

Yes. Yeah. And so it's starting to threaten Patagonia's brand image, among its core customers. So just by selling to another segment of the market, just by having them in there, it was starting to change the way people would think about Patagonia. Patagonia was sensitive to this. They took some drastic steps. They actually shut down their corporate partnership division for a while and then eventually re-established it with some very hard boundaries around who they would sell to and in what way. And they established a recycle and reuse program. So they were able to find a way to stay within their brand image values and still serve a subsegment of that market. But that is brand image conflict. Just serving two segments changes what the brand means potentially, and that can threaten the value to one or both segments.

Third type of conflict that we talk about is what we call user identity conflict. We defined each of these four because we think that they're separate sources of potential conflict. User identity conflict and brand image conflict happen a lot concurrently. So there are lots of examples of user identity conflict that's also brand image and vice versa. But it doesn't have to be. And we thought that they were conceptually different enough that we wanted to divide them. User identity is where I use a brand as a badge or a signal of who I am, showing that I am a part of a community or a group. And then if it starts to be used by another group that reduces that identity value, I can no longer use that as a signal.

So there's a fashion brand out of New York called Supreme. And it started off as a hardcore skateboarder brand and only skateboarders knew about it. And it was highly valued for that reason that it could signal other skateboarders that you were a real skater and part of that kind of subculture. And then at some point it became a streetwear brand where lots of non-skaters were wearing it. And that led to tremendous growth for the brand. They went from a small niche brand to much more mainstream. They were able to partner with a bunch of luxury brands for co-branded clothing and other items. But in the process it created this user identity conflict where the skaters no longer saw it as a skater brand, which may ultimately be a problem for the brand. Their growth has been stagnating recently because part of what

all these fashion customers wanted was the authenticity of a skater brand. So if it's no longer a skater brand, it's no longer providing some of that brand image value because of the user identity conflicts.

SS

Well, and the risk of that type of customer just through fashion trends, migrating to the next hottest, coolest thing.

RH

Yeah, absolutely right. So if you are courting a trend-seeking customer segment, you better be on trend indefinitely because there's always something new coming up and around.

SS

With that mark, that's a contradiction in terms, isn't it? There is no infinite growth within that segment. You have it temporarily and you lose it. But that's a good demarcation between brand image and user identity, that's clear. And then obviously ideological. I mean there's some really obvious examples in the book of that for sure.

RH

Yeah, the biggest example that I can think of is Bud Light, which was maybe the biggest marketing story of the last ten years. Bud Light hired a trans influencer. I'm telling the story as if all of your listeners don't already know this story. In case anyone's been living under a rock for the last five years. Bud Light hired a trans influencer. And then this kind of got a lot of press. A lot of people were talking about it and sharing it online, and that led to its more conservative traditional user base to be unhappy about that. And so there was this ideological conflict between the LGBTQ+ progressive group that Bud Light was trying to attract to the brand and the more conservative user group who saw this as something they didn't want to support. And so, it led to this ideological conflict over the brand.

A lot of times brands step into this by being more political than they necessarily needed to. Again, a lot of times it's in the effort of attracting new customers. So Bud Light was making a concerted effort at attracting newer, younger customers, and they thought that moving the brand in a more progressive direction would help with that. But, you know, there are people of lots of different ideologies that are able to buy the same brand without causing this conflict. So, the fact that you and I have different political views or different national, you know, nationalistic feeling or any other kind of religious orientations, we can still buy the same stuff without causing a conflict. But sometimes brands get dragged into these conversations or sometimes

they step into them themselves, and that, and that can lead to ideological conflict. (25.52)

SS

Well, again, we'll get into this toward the end of this conversation, but the polarization of society has certainly amplified that risk. Although Bud Light, to be fair, and that you bring this out in the book, had some bona fides. Like they'd been doing some work in this area before. So it caught them, I think, a little bit by surprise, the fact that, oh, in this one instance, which seemed pretty harmless, it just exploded like a nuclear bomb.

RH

Yeah, it was surprising. And researching that case study for the book, I was surprised several times. So Bud Light had been openly sponsoring Pride parades for 25 years at this point in time. I think that part of the powder keg was just the political conversation around trans rights and trans visibility in the United States at that time. So Target, the retailer Target, also got into kind of a similar ideological conflict with some of its customers, also over trans rights and trans visibility. So part of it was just bad timing.

But also, and we'll get into this when we talk about the different types of customer relationships, I think Bud Light had, intentionally or not, kind of segregated that messaging. So you wouldn't necessarily know that Bud Light was sponsoring a pride parade unless you went to a pride parade, whereas hiring this trans influencer went viral. And so everybody saw it, because the message was being spread now, not through Bud Light, but through other people. And that, I think, is what brought on the conflict in this case.

SS

And I think you bring this point up in the book that social media has made it pretty difficult to restrict communication...

RH

Yes.

SS

...to specific segments. It's kind of open to anyone who wants to share it. And the other example, the book, you make a couple of humorous comments in the book about this, but the New Balance, where it's adopted by Neo Nazis.

RH

Yeah, that was insane. That was insane. So, after the 2016 election when Donald Trump was elected for the first time, a representative from New Balance, in the context of an interview that was mostly just completely benign, mentioned that some support for Trump's trade

policies. And so that then led to this huge backlash on the left of people saying, well, this shoe company, you know, supports Trump, and so therefore we need to boycott it. And we found so many examples of Americans in particular burning stuff they had already purchased so that they could post photos and videos of them burning their own possessions on social media. So this was an example of the left doing that. We had lots of examples of the right doing it as well.

Then there was a counter backlash to the backlash from the left where a lot of people on the right said, well, if the left hates New Balance, then we love it. And so there was lots of support for this brand, again, based on one sentence that some poor executive said in an interview. And then people on the extreme right then glommed onto that and said, well, then New Balance is our sneaker. And so, yeah, a leading figure in the Neo Nazi movement published a long editorial saying that New Balance was now part of the uniform of Neo Nazis.

New Balance was. I mean, I think a lot of people recognize this as being kind of silly. At the same time, there is huge risk of ideological conflict and especially user identity conflict if it moves beyond that, where people are not going to want to be associated with the brand through that. I want to emphasize, if you have New Balance shoes in your closet, the brand was able to manage that very well and get out of that. That was not an association that formed long term. But, yeah, very threatening and all over a couple of maybe inarticulate phrases in an interview, that New Balance was dragged into this bizarre world of being endorsed by a Neo Nazi figure. But they managed that well and got out of it. And you're safe to wear your New Balance sneakers around town. (30.11)

SS

Well, and you know, bring up Subaru later on, which is kind of the reverse where they, they what the, what's the expression, that you quote in the book – “Lesbaru”? How they manage the lesbian segment with no detriment to their, to their base because they're shared values. Which brings me to your segment compatibility index, which I found fascinating. But for people to understand how that's set up, can you just walk us through the different types of communities that you've identified and how a brand marketer can go about assessing compatibility, as you put it?

RH

Yeah, so in thinking through, so you're a company and you're serving two or three segments of the market that you've identified. The question is, what do you do with that? Like, how do you manage those relationships? So we identified four different types of relationships that exist between customer segments. And once you understand which relationship type you're dealing with, with regards to any pair of segments, and that'll provide you with some insight into how you can manage that relationship more effectively.

So, one segment relationship type is what we call separate communities. And this is where you have multiple segments and you kind of keep them apart from each other. They may or may not be aware of the other segments, but if they are aware, they're given kind of enough space that they have breathing room. We mentioned Nike as an example, who historically have done this very well. They have these different sport communities. And if you are a Nike runner, you kind of feel like the brand is built for you. And they, you know, they have lots of support, special designs just for runners, celebrities within the running community endorse it. If you are a Nike basketball player, you kind of feel like the brand is built for you and they have, you know, their own app for Nike basketball.

And so Nike created these separate communities and they're all Nike and they all kind of funnel up to the brand meaning. And like, there's no surprise, like Nike has a curling division and nobody's upset by that. Like, it's all fine. And part of that is because Nike managed them as separate communities. Advantages to that, it's kind of a safe way to grow if you can keep them apart. Downside is, it's expensive. You have to have lots of expertise in managing them all. Nike has struggled in recent years and at least part of it is they moved away from managing these communities well. They fired a lot of their experts. They tried to manage it more as a typical apparel company where they just had men's wear divisions and women's wear divisions. And in my opinion, I think that's part of why we're seeing so many running brands especially come in and encroach on historically Nike's, one of Nike's strongest divisions. And I think it's because Nike runners felt less cared for.

SS

Yeah. With a leader follower strategy, which you're going to obviously talk about as well.

RH

Yes. So let's talk about leader follower next. So leader follower is another relationship type. And this is where the communities are not kept completely apart or separate. You're not creating fences between them. Instead there's a relationship between them, but we characterized it as creating a ladder between these. So there's a relationship here, but it's vertical. So one of these groups has more status than the other. So one of these segments is your leader segment and the other one is your follower segment.

So we talked about Supreme, that's an example of a leader follower relationship type. The skateboarders were the leaders. They were the cool ones. They were the ones with credibility. And then you had this follower segment of, you know, streetwear fashion enthusiasts, who valued the brand in large part because it was such a legitimate brand with skateboarders. So there are lots of examples of these. Harley Davidson is another one that I like. Proportionally, statistically there are very few actual outlaws riding Harley Davidson motorcycles. But there are enough. I mean there are Hells Angels out there who tend to favour Harleys and Sons of Anarchy.

SS

They're visible.

RH

Yeah, most of their customers are middle aged accountants. But that's the follower segment. So if you have a leader follower relationship type, advice is to keep the leaders happy. They need to, because that's a part of your brand value now. And that's what's attracting these other segments.

Connected communities is a third type of relationship. These are in markets that tend to benefit from network effects. So just the more segments that I can attract to the brand, the more valuable the offerings become overall. So a lot of social media companies are like this. A lot of two sided markets like Airbnb or Uber, where we need to attract both drivers and riders, the more we can get in there, the better. And up to a point, just the more customers, the more valuable, to everybody.

The risk is that at some point we grow so large that we start to invite some conflict in. That seems to be the inevitable path for connected communities that grow too large. But the advantage is, if you can hit that initial growth phase where your offerings just become more valuable the more people use it, it leads to just stratospheric growth. It's

a really effective high growth model. The tricky part is managing the top of that growth curve because once it starts to stall out, the decline can be just as precipitous. (35.32)

SS

Well, the Twitter, the Twitter/X...

RH

Yes.

SS

...conversion, would be I think an example of that, would it not?

RH

It would. That one's confounded by Elon Musk. So that's not a problem with just with segments, but also with the leader of the company is kind of a lightning rod. But yes, if we could somehow partial out the effect of Elon Musk, I agree with you. I think that when Elon took over, he invited in a large number of more conservative, more aggressive users on Twitter that then created less value or destroyed some of the value of that community and drove away a lot of historical traditional X users, Twitter users.

SS

That's my observation. The progressives have migrated to Blue Sky or whatever, right? It has more of shared values, with that segment.

RH

I agree. Yeah. And then the last one we've already hinted at is incompatible segments, right? And we talked about this is where those four different types of conflict reside. And importantly any of the other three, which are kind of the growth relationships, any of them can slip into incompatible segments through poor management. We talked about how Nike has. We talked about how Twitter has. We talked about how Supreme has. So that's the other three quadrants. And if you're not managing it carefully, you can go from these growth opportunities to a place where the brands are going to have conflicts between the segments.

SS

Well, and one of the more brilliant case studies, or many, as I said in the book, is Starbucks...

RH

Yeah.

SS

...where it was in the 2000s and how it evolved. It's just a beautiful case study of exactly what you're talking about, but also the fact that Starbucks recognized it and began to make changes to mitigate or resolve some of the inherent conflicts as the brand grew.

RH

Yeah, part of what I love about the Starbucks case study as a teacher is that it is so nuanced and it's unresolved, right.



So this isn't a single story of the brand had this problem and then they did this and then it was fixed. Starbucks has done some amazing things managing astronomic growth over the years, but the inherent problems of serving so many different customers never go away. They can be managed better or worse, but you're never going to resolve it permanently.

And so, what's fun about Starbucks, when I teach this case in class, is I take them through the eras of growth and we start in the 70s and then we talk about what's going on in the 80s and 90s and then the 2000s. And they've made brilliant moves to try to resolve some of these conflicts, but they never go away. So we identify one segment that we call "The Starbies". These are people who treat the brand as a badge brand, and they tend to want to be seen walking around with their Starbucks cup. And they have these highly specialized orders, these signature drinks that they've created for themselves.

And then there are also kind of, the traditional third placers who are there to, like, hang out in a Starbucks and get work done. And they want a quiet environment. Those two segments want different things out of the brand. And like I said, I think Starbucks has done a remarkably good job at managing the relationship between those segments. But the risk of conflict is never going to go away. As long as they're serving both of those segments, they're always going to want slightly different things out of Starbucks, and it's always going to be a struggle for them to keep both of those groups happy. To their credit, they've done pretty well, but it's not perfect and it'll continue to be hard.

**SS** And that's a point you raised later in the book, that this is ongoing,...

**RH** Yeah.

**SS** ...that you, you know, can't rest on your laurels. There may be a new developing segment you've got to worry about the next year. Let me ask one other framework question, that you bring up in the book as a solution to some of these issues which you, which you use metaphors mentioned, some of them already fence, bridge and ladder, which are part of what you call layered SRM strategy. Can you just describe what you mean by those metaphors? (39.46)

**RH** Yeah, and there's a fourth one too that we've added after we published the book, we wrote an HBR article

summarizing what was in the book. And we came up with a fourth one that we wish we'd thought of before we hit send on the book itself. So I'll talk you through all four of those. The fences, your goal is to keep these segments apart in some way. It can be physically. So one of the things Starbucks has done is they've created different store formats that serve different segments better or worse. So they're kind of encouraging segments to self segregate. If you want to go and hang out someplace and get some work done, like a Starbucks kiosk isn't going to help you. Whereas there are other Starbucks that are located in intentionally out of the way places. So if you're in a rush, that Starbucks is not going to serve you. So can we create fences between these segments, try to keep them apart, make them each feel like they're getting what they need out of the brand.

Ladders, I've also mentioned where the goal there is to ensure a status differential. So are you helping your leader segments feel different and special relative to your other segments? Can we create bridges between these segments where that's appropriate, give them more opportunities to interact? So this would be a connected community strategy where we want to actually create more connections between these segments because they value, you know, rubbing up against each other, rubbing shoulders. And then the last one is planks, as in walking the plank, as in sometimes you just need to let a segment go. So we saw a mild version of that with Patagonia where they decided they couldn't serve a segment anymore, at least for a while, until they could figure out a better way to do it. But there are some times where the best long term solution to your brand is to stop serving, essentially fire a segment of customers and that's the best way to reduce conflict.

**SS** Yeah. And in the book you talk about Nike consciously doing that over the whole Kaepernick controversy.

**RH** Yeah. So Nike hired Colin Kaepernick, which was a very provocative move at the time. Kaepernick was closely associated with social justice movements. You know, Nike serves lots and lots of customer segments, some of whom are a little bit more conservative politically. So they knew that hiring Kaepernick would make some of their customers angry. But this is what sociologists call a costly signal. It was a way of communicating to some of their customers, this is who we are, this is what we value, this is

what is important to us. And they lost customers because of it. But financially they had their best year ever after hiring Kaepernick because it solidified the relationship with those segments that they wanted to keep.

SS

So my collective impression, I'm a marketer practically my whole life, but my collective impression after reading a lot of the case studies in the book is that brand marketers can be a confederacy of dunces based on the absolute blindness that they, like, they charge into, in the interest of growth. But now that's a little harsh. However, when you read Weight Watchers as an example, I'm just thinking, yeah, we want growth and then they destroyed, basically destroyed the franchise.

RH

Yeah, I mean I tend to be a little bit more forgiving around this, in part because I am an academic and I don't do this day to day. So I can stand away and take a larger view. And I'm not like down there in the trenches having to figure out what to do about some problem tomorrow. And so I think that gives me a different perspective on stuff. And I recognize, I acknowledge how hard marketing jobs are. And so much is changing so fast. So I do think it's been a blind spot. But, you know, it was kind of our privilege to get to point this blind spot out and hopefully provide some solutions to part of it.

But I do think that part of what you're describing is the fact that so many marketers, but so many people just in business don't take the time and are not given the time by their management to take a step back and look at more long term strategy. I feel like the pressure that a lot of folks are under is for immediate growth. And so immediate growth a lot of times means you need to take immediate action. And it doesn't allow for this introspection. If you're so desperate for growth, you're going to focus on the growth areas and you're going to naturally have less focus on, you know, if you are already selling to one segment of customers I think it's the most human thing in the world to kind of treat that as a box that's been checked like, oh, they're our customers, they'll always be our customers. It doesn't matter what we do, they're our customers. And so we're going to pursue new growth and just assume that the people who bought from us yesterday will continue to buy from us even as we change the company in significant ways. (44.46)

SS

In other words, segment assimilation. They just assume that they'll be assimilated in without rustling anybody's feathers.

RH

It's the similar thing you hear when, you know, people start to take their spouse for granted after a certain number of years or their significant other. Like, yeah, I mean I no longer need to woo this person. Like of course they're stuck with me. And I think we need to continue to woo our customer segments and think about how this affects them. These new things that we're planning.

SS

Well that's the customer relationship management loyalty part...

RH

That's it.

SS

...that we talked about at the beginning. But there are, you know, plenty of inspiring examples. We talked about Starbucks and their ability to recover or start to address some of the, some of the issues, but one of the other ones I thought was really interesting was Black & Decker. I think that was a really smart move on their part.

RH

Yeah, it was, it was a fun case. Black & Decker was in a position where they were serving multiple segments. They were serving home, kind of DIYers and then they also had a line of professional grade tools, so things that like, contractors, plumbers, electricians could buy. And they were doing great in the consumer goods space, and they were really struggling in the professional space. And Black & Decker, I was shocked how research oriented they were. They had all the data, they had all the numbers and they could tell you that the problem was not with the tools. The tools were performing great. They tested it in a number of ways. It turned out it was a problem of brand image. So there was user identity conflict and brand image conflict where because they were so successful with the consumer grade products, their brand came to be associated with consumer grade. And so these professionals had an image to maintain. They didn't want to be laughed off the construction site by bringing in an inferior tool, even if it wasn't objectively inferior.

SS

Perceived inferior.

RH

Yeah. Yeah. It was surprising to me reading the details of this case that, you know, do you think of construction workers as being like, kind of very hard nosed and they just

want what works best and they were just as insecure as any middle school girl wearing the wrong brand of clothing. Like they didn't want to be made fun of from their friends. So Black & Decker management took the very bold step of discontinuing the Black & Decker brand with that professional grade of tools which, you know, was a risky decision for them beforehand. In retrospect, we can see it worked out great. But Black & Decker was at the time one of the top 10 strongest brands in the world. Like, it just had huge name recognition, very high levels of respect. And they killed it in that line of tools and replaced it with DeWalt. Which was shocking to me, when I read the case for the first time, I didn't realize that was a Black Decker brand. They didn't change the tools very much except for cosmetically because the tools were fine.

SS

Changing the colours even.

RH

They changed the colour.

SS

Yeah.

RH

I had a student who worked in construction and she pointed out that the yellow tools were great because they looked great getting scratched up and dirty. Like they started to show wear immediately, which again, like, what a weird thing to see as a benefit. But for a construction worker having well used tools is a sign that you are a professional and that you are serious about your craft. So, yeah, they changed the brand, they changed the associations, and were able to reduce that conflict between these segments to the point where DeWalt became wildly successful.

SS

So I want to move, and I'd love to talk about some of the other case studies, Croc and others. There's absolutely ... the book is chock full of amazing case studies, but I just want to move on to what your prescription for dealing with this and one of the things you mentioned is the prerequisites to growth. Know thy customer, know thy brand, know thy marketplace. You might as well have added know thy job. Isn't that the essence of good brand marketing? And does that somewhat speak to the state of the discipline today?

RH

Oh, gosh, it is. In speaking with companies, it is shock. I mean, there's great companies who do all this stuff very well. It is shocking to me how often large, successful Fortune 500, Fortune 100 companies are where they cannot articulate who their customer segments are. Or if they

do, they do it in ways that are kind of very vague and not actionable, where they are not clear on their positioning. So, yeah, we did want to include some marketing 101 in here as well, because even though marketers don't want to hear the 101 stuff, they want to hear what's kind of new, and splashy, and sexy. A lot of the problems I'm convinced that marketers have is because they've forgotten what they learned in their introductory course work. And so, yeah, yes, those three kind of bits of advice that we give, know your customer, and your marketplace, and know your brand. That is, it's all very basic stuff. And if you're in marketing, you should do it. We can all use some reminders, though. (50.02)

SS

Right. Well, it goes back to, to my comment about the accidental marketer, too. You know, a lot of people in positions.

RH

That's true.

SS

... they really didn't grow up learning at the, or mentored. Let's put it that way, because the CPG companies aren't a school anymore for brand marketers.

RH

That is such a good point. Especially in B2B. You got a lot of people working in B2B marketing who were great salespeople or great engineers or, you know, great experts in some other area, and then they're kind of shuttled into a marketing role without that background in that training. That's a great point.

SS

So true. And I've encountered that many times. So, I do want to reference one other thing that I went, ah, yeah, like it was a eureka comment, which is, your dismissal, and this is to the point that you were kind of making, which is that your dismissal of the value of personas as a tool, as a source of insight. You sort of lament the fact that, that marketers lean on that so heavily, whereas your point of view is no, we need to segment customers by what they want, basically their needs. And needs segmentation used to be the foundation of marketing. It doesn't seem to be that way anymore. This is to your point, is that, businesses and marketers by extension, don't really have an understanding of the segments they serve. It's this very shallow understanding.

RH

Yeah, yeah. And I think personas as a tool have kind of gotten ahead of themselves. That you occasionally find a good persona that makes it very clear what that segment

wants, how they're making decisions. But a lot of times it reads more like a creative writing exercise. And I think it's more distraction. I worry a little bit about the overuse of micro targeting or individual targeting, where we now have the tools to deliver messages that are tailored just to you as an individual customer. And that's incredibly powerful. But I would encourage marketers to think about that as a tactical tool. So strategically, I need to know what you want so that I can create an offering that will appeal to you...

SS

Right.

RH

...and I can't do that at an individual level. So I still need this strategic level understanding. When it comes time to like, actually craft an email to you or deliver a web, you know, ad to you or something else. That's great. Now we can use these micro targeting tools, but I do worry that our tactical toolkit has gotten so powerful that too many marketers neglect the strategy, including a deep understanding of segments and so on.

SS

Right. Well, and I think that's the atrophying of brand marketing that's occurred because of the emphasis on performance marketing...

RH

Yes.

SS

...which is what you've been talking about, right. So, yeah, people learn to target micro segments, as you say, personalization tools are getting the point where, yeah, you can individualize messaging, but in the end, what does that company stand for? What does that brand mean?

RH

Like, these things should not be in conflict.

SS

No.

RH

Don't trade off brand for performance or performance for brand. These are all one thing.

SS

Yeah. Well, and what's apparent through the case studies of the book is that so much of the success of businesses is so dependent on, on what market segment you're pursuing and, and the value of your book is how to reconcile the potential conflicts that can occur when you're bringing in either the wrong people, the wrong sorts of people, or not understanding how to make them more compatible. That's your compatibility index. I want to, in the time remaining here, just talk a little bit about, toward the end of the book you raise the possibility that people or society I should say, is becoming more prone to conflict, and polarization, and

segmentation, into people's respective corners. This is the red state, blue state conversation to some extent. What are the implications here for brand marketers going forward?

RH

We can all do what we can individually and as a society to turn down the temperature on that and try to, you know, reconcile and be less polarized. But as a brand manager I think you just need to acknowledge that this is the world that you're competing in. And so we can't just pretend that's not the case. So our advice is, recognize that these opportunities for conflict are probably more common than they have been in the past. Especially some of the hotter ones like brand image conflict and ideological conflict. And so, be prepared for that and manage around it. It used to be the case that brands could just stay politically neutral and not talk about anything especially provocative. But the list of non-provocative topics is going down.

Brands who are, yeah, I mean New Balance, we've talked about New Balance didn't do anything politically controversial. They're the last shoe company to manufacture in the United States. The last one of the major shoe companies. And so, they valued a political candidate's trade program that said it was going to like, try to protect American manufacturing. That shouldn't have been particularly controversial. But because Trump is such a polarizing figure, because we live in such polarized times, you can't say anything about that without running the risk of that.

So whereas political neutrality and staying in the middle is a fine goal and it used to be a safe way to run your business, it's tenuous now you can get dragged into these conflicts. We mentioned the story of M&Ms. M&Ms redesigned some of their "spokes-candies", their characters, they gave them different shoes. The green M&M went from go-go boots to sneakers. This was mentioned on Fox News. Tucker Carlson did a whole segment on it. Like can you imagine anything more benign than changing the footwear on your cartoon candies? And it became a political thing. They had to discontinue or they decided to discontinue their cartoon characters for a while just to turn down the heat. So this is the new reality of business. Build your toolkit for managing conflict, for being able to get out of it, to try to identify it before it happens so that you can navigate around it. But then recognize your brand will almost

certainly be pulled into this at some point if you are lucky enough to grow. And so, know what you are going to do in those cases, the Bud Light case, part of that is how poorly they responded to a conflict that they probably should have seen coming. And even if they didn't, they should have been able to manage better. Know that this is a possibility, have contingency plans, build out your skill set for dealing with conflict. (57.11)

SS

And I imagine, and you talk about this a little bit in the book in terms of metrics, but raising your antenna over this, whether that's sentiment analysis or you know, attitudinal feedback that you're doing against your customer base, just to understand how, how the base is dividing in terms of values would be, I think obviously an important tool.

RH

Yeah. And by segment.

SS

By segment.

RH

By segment. So, yeah, so if we're looking just at our customer base as a whole, there's a lot of things that can get averaged out.

SS

Right.

RH

But if we, if we're investigating by segment in terms of, you know, nowadays even in political leanings might be an important thing to look at by segment, but looking by segment for what is important to each of these groups, what they value especially, you know, around your products and services, for sure. But then also some of these, you know, hot button issues that are also cropping up.

SS

And if they do become readily apparent and something that should be considered, if you're going to have a persona that's going to work for you, build that into the persona. Not just make it a use case study.

RH

Yes, absolutely, absolutely.

SS

So just in concluding, Ryan, again, congratulations on just a great book. I'm just going to reiterate, I've said this a few times in our conversation today, how much I enjoyed it. One of the best marketing books I have read in years. In part because of the quips throughout the book that made me laugh out loud a few times. But hey, heck, you know, the marketing, we should be able to make

some fun of ourselves and the decisions that we make, as important as it can be. But what's your sequel to this book? Because it seems to me it's shouting out for a follow up of some kind.

RH

Thank you. That is extremely kind. I really appreciate it. Well, Annie and I loved working together. This is the most fun thing I've done in my career. It was a delight. And so, yeah, we're currently pitching ideas, but we've got an idea for kind of brand management more specifically, we've got another idea that's a little bit more, I don't want to say self help, but it's more around kind of decision making. So we draw a little bit more on our customers, our behavioural science backgrounds for that. So no sequel ready to announce. But, you know, keep looking in the space. We hope to publish more because it was just so much fun.

SS

Well, I hope part of it, part of a chapter in the book or section, the book, or even maybe a book onto itself is a decent book on market segmentation because a lot of it ...

RH

We've talked about that as well.

SS

It comes out of the research community and unfortunately they get caught up in their drawers around methodology and they really, when you try to convert it into strategy, they just, it's a big miss a lot of the times.

RH

I think you're right on both counts. I think that there's some improvement that can be made on the research. But then I can't tell you how many marketers I've talked to who talk about decent research studies that die in a desk drawer. Everybody gets the deck and nods along and then forgets about it immediately.

SS

Oh, my god, I've seen so many of those, Ryan, over my life.

RH

So many.

SS

Yeah, lots of money spent. Lots of. And they sit on the shelf. People forget about it the moment they walk out of the room.

RH

I was meeting with a company a few weeks ago and every question I asked, somebody in the team would say, oh, yeah, we had a deck on that four years ago. Or, yeah, we had some research on that seven years ago. Every single question that I asked and it dies. So, yeah, you're right, solving the disconnect between research insights and strategy development would be very valuable.

SS

Well, Ryan, it's just as I expected, it was absolutely delightful conversation. Highly recommend the book to anybody. Obviously hasn't been out that long. Hopefully it's doing well. But look forward to certainly this, the next book because it was fun to read. So thank you so much for being here.

RH

Thank you. This was so fun. It was great.

That concludes my interview with Ryan Hamilton. As we learned, the corporate zeal for faster growth can pressure marketers to go after marginal segments outside the usual addressable market. In their anxiousness to penetrate these new markets, they will do anything to accommodate these new customers and those changes sometimes upset longstanding customers who prefer things just the way they are. Brand marketers can avoid or at least mitigate potential conflict if they are vigilant about possible areas of incompatibility. That might mean being more cautious about

which new market segments to pursue based on how easily those customers can be assimilated - or just being more sensitive to the backwash that might result from straying too far from the original brand positioning and value proposition. Ultimately, however, it just comes down to this: knowing what customers value about the brand, and why they prefer one brand over another.



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