

Growth, Marketing & Sales Practice

A better way to build a brand: The community flywheel

Today's fastest-growing brands participate in digital communities to earn engagement and loyalty—and do so with high returns and low risk by harnessing agile test and learn.

This article is a collaborative effort by Kabir Ahuja, Fiona Hampshire, Alex Harper, Annabel Morgan, and Jessica Moulton, representing views from McKinsey's Growth, Marketing & Sales Practice.



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Key takeaways

- The “big idea” in 2020s marketing is community—reaching consumers in the communities they are a part of and helping them express community membership by participating in your brand.
- Brands that excel at this use five reinforcing techniques—know your communities, make your brand story talkable, zoom in on hero products, fuel the conversation across channels, and make transactions effortless—to encourage the development of a community flywheel.
- This methodology is well suited to the fast feedback cycle of cross-functional agile teams and doesn’t require extensive marketing technology investment ahead of demand; it thereby enables rapid growth, provides high return on investment at low risk—and encourages energized, high-performing teams.

How are market leaders building and activating brands in the 2020s? To understand today, we must first look to the past.

In the golden age of advertising, brands gained presence through mass media, where the “megaphone” allowed broad reach. Then, technology and data helped unlock personalization, the ability to target based on customer demographics and needs. Personalization shifted spending below the line to great short-term effect but created privacy and cost-effectiveness challenges. Today, we have entered a new era in which further shifts in technology and consumer behaviors are making it

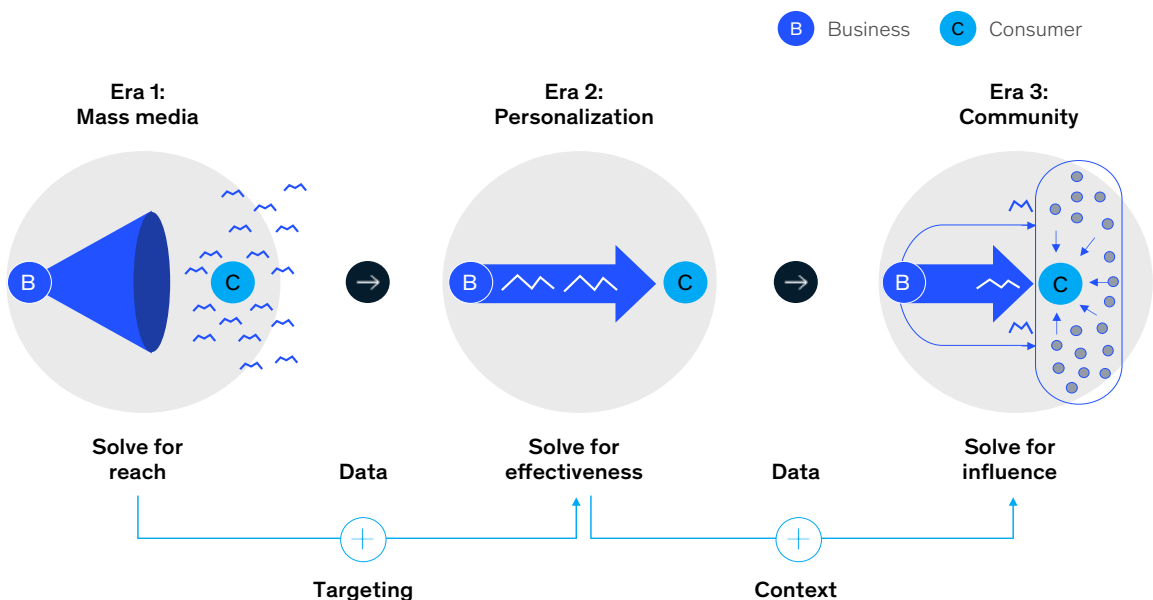
possible for marketers to connect with consumers in their communities and generate much more emotional resonance (Exhibit 1).

Brands and retailers, from digital natives to legacy organizations, require new tools to capture this opportunity. Many models are competing to define how to think about this new world, but one stands out: the community flywheel.

The community flywheel has five elements: First, know what consumers your brand appeals to and what communities they are a part of. Second, pick just a few “hero products” that truly encapsulate the value

Exhibit 1

How brands gain presence has evolved over time.



of your brand to allow you to cut through the digital noise. Third, support and bring to life these hero products with exciting and authentic brand and customer stories. Fourth, feed the community with content to engage with, and spur brand advocates to generate their own. Finally, make it easy to transact, both offline and online. Brands that excel at all five elements—in addition to harnessing agile ways of working, core marketing technology, and analytics, which are key enablers—generate a fast-spinning flywheel, in which brand advocates generate conversation, engagement, and sales.¹

The community flywheel was pioneered by companies such as Gymshark and Drunk Elephant when Instagram debuted a decade ago. Now, it is being used successfully across sectors, from DIY to fashion. Traeger, an innovator in grills, built an online community, or “Traegerhood,” of more than one million people with 350,000 user-generated posts across social media.² Ganni, a luxury fashion brand, built an influential and loyal community of #GanniGirls, who share a sense of connection and similar values, such as women’s empowerment and gender equality.³

Below, we detail the elements of the community flywheel, outlining how to set it in motion and why agile test-and-learn approaches and adequate marketing technology are key enablers. Finally, we explain how companies that embrace this model can measure and build on their success.

Setting the wheel in motion

Brands that have activated the community flywheel have put building community at the core of their strategies. They go beyond merely building a social presence, which might have a large follower base but a limited level of engagement, to building an actively engaged community that mentions the brand in social media posts, shares posts about the brand, tags the brand in posts, and tags friends in the brand’s feed. Indeed, these brands enjoy superior engagement levels with their customer base, which usually translates into higher conversion rates.

Brands that get the flywheel spinning perform well across a number of metrics:

- More than 75 percent of content about the brand is user generated.
- The influencer engagement rate—that is, the percentage of viewers who go on to like, comment, or share the content—is greater than 2 percent.
- More than 4 percent of online traffic is converted to sales.
- Brand-related posts by either the brand or a consumer go viral at least twice a year (triggered, in some cases, by marketing support).

How do they do it? By pursuing five marketing strategies in tandem, which, together, are self-reinforcing (Exhibit 2).

1. Community focus: Target the whole, not just the one

Step one is to identify the communities in which a brand wants to earn the right to participate, whether it’s made up of churchgoing moms in Utah, yoga enthusiasts in London, or vegan parents everywhere. This is an evolution from targeting consumer segments, which are anchored in demographics or individual need states, to targeting communities of people who share similar interests and values—communities of “shared relevance.”

Brands need to truly understand their priority communities by gathering insights on, for example, why their members participate in them, how they feel about the brand’s products, what their unmet needs are, how they like to be spoken to, and what drives them to purchase and where. One global haircare brand carried out an analysis of its user communities to find a new niche of users who were proactive about preventing animal cruelty, allowing the company to include cruelty-free messaging and content for those users. Similarly, a global security systems company found two important customer communities: a group of high net-worth art buyers seeking protection for their prestigious art collection and a completely different group

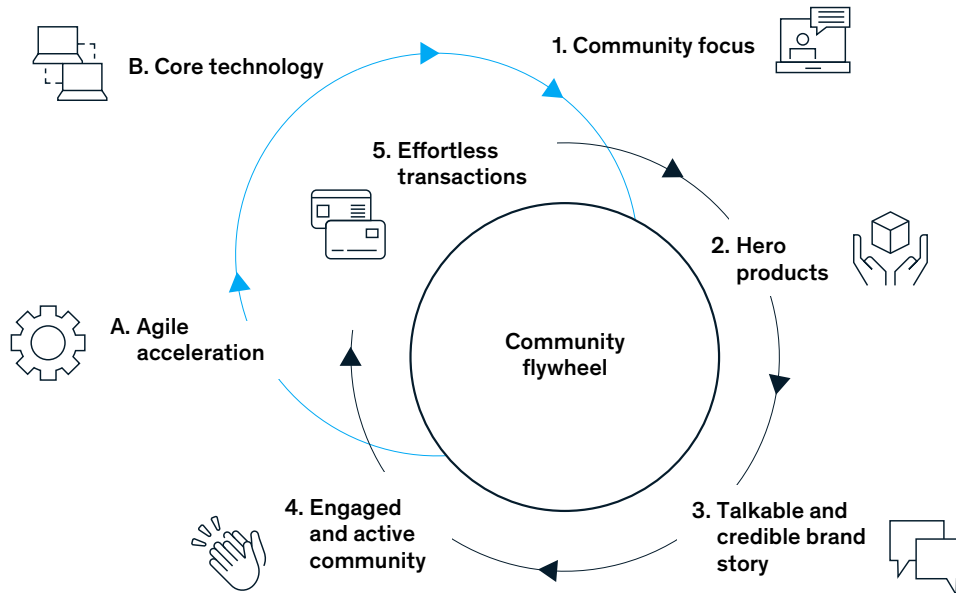
¹ Glenn Llopis, “Consumers are no longer brand loyal,” *Forbes*, December 10, 2014.

² Pamela Danziger, “Traeger grills catch fire, using community to spread its message,” *Unity Marketing*, August 9, 2021.

³ Sarah Kent, “Ganni’s guerrilla approach to global growth,” *Business of Fashion*, October 14, 2019.

Exhibit 2

Five self-reinforcing marketing strategies set the flywheel in motion.



of pet lovers, who routinely checked their security systems to see their furry friends while away. Communicating to these groups individually helped the brand’s value resonate with different users.

Achieving this understanding requires a strong consumer-insights function with a cultural-anthropology orientation. A good understanding of the community will help the brand communicate well and generate an emotional response, which is ultimately what triggers a long-lasting relationship between the brand and the consumer; as positive emotions become deeply rooted, consumers develop permanent favorable associations with the brand.⁴

For example, Gymshark’s target audience is 18- to 25-year-olds whose lives revolve around fitness. Gymshark does not deviate from this target, and all its efforts aim to meet this group’s needs. It has created a strong emotional tie with its community,

as evidenced by the huge volume of user-generated content created by its members and consumers “hashjacking” the brand’s Instagram handle to get their post pulled into Gymshark feeds.⁵

There are many consumer-insight sources to leverage, including some that are new or emerging. Brands and retailers are increasingly using privacy-compliant data clean rooms, for example, to gain awareness about how communities engage with them across retailers and platforms and give them the opportunity to curate engagement mechanics unique to each group.⁶

2. Hero products: Be laser focused on the buzzworthy

Brands should focus their engagement efforts on a few distinctive products that are designed to create buzz. Having such “hero products” is key, because without them, the online world can be confusing to consumers, who tire more easily of scrolling through

⁴ Eva Heintz, “Positive energy! How emotional marketing wins the hearts of customers,” DMEXCO, September 21, 2022.

⁵ Jodi Cook, “How Gymshark became a \$1.3 billion brand, and what we can learn,” *Forbes*, August 17, 2020.

⁶ Seb Joseph, “Walgreens-owned Boots sets out vision for data clean rooms,” *Digiday*, May 12, 2022.

online shops than they do of browsing in stores. It is far harder for them to discover online what distinguishes a brand than it is in a well-designed shop, unless brands guide them.

Brands looking to promote their killer products may consider a number of actions:

- saturating their communication channels (both online and offline) with talk about the product
- investing in experiential interactions, such as pop-up stores where customers can try out a product
- amplifying the product by sharing free products or discount codes with influencers
- launching interactive marketing tools through which consumers can sample the product digitally
- making sure the hero products are easily discoverable online, perhaps by prominently featuring “what to try first” products or highlighting their most successful products (“what we’re famous for”)

The hero products often end up driving a material portion of sales, potentially 30 percent or more. For example, Crocs’ classic clog has been the company’s core focus for several decades. The brand has managed to maintain its relevance through frequent limited-distribution collaborations with, for example, Justin Bieber and Balenciaga.⁷

3. Talkable and credible brand story: Be outspoken about brand values

Brands will want to be outspoken about what they stand for and able to articulate why and how they live by these values. Just as the brand’s target community should be specific, brand stories should be targeted, reflect the language the community uses, and be simple yet compelling enough that

customers want to share them. Messaging may be provocative, tapping into deeply held ideals in specific communities, and the founder or other high-profile executive will likely want to stand at the heart of the brand and communicate with consumers.

Drunk Elephant, for example, has built on its core brand story of “mompreneur” Tiffany Masterson embarking on a mission to create beauty products free of harmful ingredients. The brand sticks to and repeats this narrative and continues to create products that adhere to these values.⁸ Warby Parker manages to capture the brand spirit of literary quirkiness and customer friendliness in every channel—effectively growing the brand by growing the community.

4. Engaged and active community: Fuel the conversation

Brands need to earn the attention of the communities they’ve targeted through their hero products and their brand story. But they also need to fuel those conversations with a continual stream of exciting and engaging content that consumers and influencers can latch on to. Equally important is recognizing, supporting, and thanking the influencers who champion the brand the most. Coupled with this is the need to understand and engage the community organically. Most companies use customer data to send email communications and, in best cases, personalize their digital-media targeting and content. Brands have an opportunity to turn this around with test and learn; by understanding the natural paths that consumers take to experience brands and products, they can create community-engagement plans that respond to those journeys.

To achieve this, a community-centered operating model should be in place to allow ongoing community engagement and efficient

⁷ Chavie Lieber, “Why the Crocs craze may be here to stay,” BoF Professional, August 12, 2021.

⁸ Stephanie Saltzman, “Drunk Elephant founder Tiffany Masterson went from stay-at-home mom to beauty mogul,” Fashionista, March 8, 2018.

management and monitoring of consumer and influencer activities. In particular, brands can do the following:

- When engaging with a brand's community, gauge feedback and ideas and be open to testing and trying new products based on those conversations—thereby making the community feel valued by the brand. Gymshark engages its community both online and offline. It organizes influencer-heavy "world tours" to bring the community together, and it documents them via vlogs to build brand awareness.⁹ It also elicits online feedback from customers about what they like to wear when working out.¹⁰
- When collaborating with influencers, invest time upfront and throughout to align on how the brand story should be told to increase authenticity. Leaders should set goals and guardrails and create extensive content libraries to give influencers creative license within the brand's guidelines.

5. Effortless transactions: Remove all friction

Shoppers have very high expectations for a fast and frictionless transaction experience on both desktop and mobile devices, but many retailers struggle at the last mile, experiencing high abandoned-basket rates and lost sales. For instance, almost 70 percent of consumers say that page load speed affects their willingness to buy a product online, yet 85 percent of sites fail the load standard of five seconds or less that Google says is required to avoid a high bounce rate.¹¹ And many product pages are still overburdened and hard to navigate; Google has found that sessions that convert users have 38 percent fewer images than sessions that do not.¹²

New online shopping channels, such as social commerce, are upping the ante for frictionless experience even more. In our State of Fashion research, 37 percent of fashion executives cited social commerce as one of the top three themes that will have an impact on their business in 2022.¹³

In China, social commerce is estimated to have reached \$360 billion in sales, accounting for about 13 percent of e-commerce sales.¹⁴

As transaction presence will likely be required in new locations, such as the metaverse, the capability to adapt and quickly test new channels and options should be a core part of every conversion team.

Get spinning

While the five levers above can help a brand build the community flywheel, getting and keeping the flywheel spinning requires companies to shift how they work and invest capital. Companies will need to make an initial investment to fire-start the community, but this investment typically can decrease over time as the community of advocates builds. As for ways of working, two are essential to get the flywheel to spin.

Agile acceleration: Use cross-functional teams to test, learn, and scale

A strength of the community flywheel is that it lends itself to agile ways of working, allowing a brand to test and learn its way to successful community engagement without requiring high-risk upfront investment. This is a key reason why start-ups have been so successful in using the flywheel model.

We recommend starting with just one agile squad that brings together cross-functional colleagues from product, marketing, brand, sales, analytics, and insights to design, develop, test, and release products in response to community feedback. The agile squad starts by building a backlog of ideas, many of which come from the targeted community. It then prioritizes and re-prioritizes these ideas on a biweekly basis, based on their expected impact on common goals, such as incremental revenue, profitability, or growth metrics. Each week, the squad does a retrospective to understand what worked and incorporates those learnings into future backlog prioritization. The squad is empowered to make changes quickly, amplifying successes and cutting off failures well before they become costly.

⁹ "Gallant Gymshark world tour: East Coast," Youtube, August 18, 2016.

¹⁰ Sonali Verghese, "How Gymshark leveraged influencer marketing to become a \$500m business," Medium, February 22, 2020.

¹¹ Colin Loughran et al., "Think fast: The page speed report," Unbounce, October 2018.

¹² Daniel An and Pat Meenan, "Why marketers should care about mobile page speed," Think with Google, July 2016.

¹³ Imran Amed, Achim Berg, Leonie Brantberg, and Saskia Hedrich, "State of Fashion 2022: An uneven recovery and new frontiers," McKinsey, December 1, 2021.

¹⁴ eMarketer, McKinsey analysis.

One brand shifting to agile went from about one test every two weeks to ten or more in the same time frame, multiplying the chance of success in driving community growth by ten. The change was brought about within a matter of weeks, and as a result, revenue increased by about 10 percent (annualized), time to market was halved, and the marketing team was much better equipped to respond to future market changes. With a constantly changing COVID-19 backdrop, boosting sales while maintaining flexibility was critical.

Once a first agile squad has demonstrated success, we recommend building additional squads, scaling the operation until it becomes the dominant way of working. Upskilling is a core component of transitioning to an agile organization and building the community flywheel. Brands should specifically focus on building a pool of specialists—for example, social-media listening experts—as well as educating the organization on agile methodology and shifting the culture toward an approach of learning fast and investing in what works.

Core marketing technology: Invest in the right tech stack

While brands can dive into flywheel marketing with minimal technology, scaling the effort over time requires a solid marketing technology (martech) stack, a set of technologies that marketers use to conduct and improve marketing activities. Martech done well allows companies to track and measure the impact of marketing activities, maximize the ROI on marketing spend, engage with targeted communities, and provide customers with tailored experiences and offerings.

Four elements within the martech architecture allow for efficient marketing and help the community flywheel spin:

- *Data management.* This ensures customer data is centralized and can enable an omnichannel, 360-degree view. Organizations with greater martech maturity should further explore building holistic identity solutions via customer-data platforms (CDPs) using online/offline customer relationship management (CRM), sales data, and social analytics to

empower subsets of loyal customers based on their interests and community affiliations.

- *Decision making.* Setting up a centralized decision-making engine that uses a combination of models, customer scoring, and business rules helps determine the right product, offering, or content for a customer. Organizations should gauge real-time social sentiment, trends, and topics popular with their communities online and use advanced analytics to improve insights, content creation, and cadence on predictive, high-potential engagement opportunities.
- *Distribution.* Ensuring that each marketing channel connects with centralized data, content, and decision-making components can provide relevant experiences to customers across digital channels. Brands should also innovate by testing which new and emerging platforms resonate most with their core communities.
- *Measurement.* Harnessing all data sources to create automated dashboards helps track the impact of personalization and measure the net sentiment of community-led efforts to close the feedback loop with agile squads.

Marketing technology will take a different shape based on the company's martech maturity and should be customized accordingly. Companies in their martech infancy should consider prioritizing getting the basics right and establishing a solid foundation with technologies that allow web and mobile analytics, for example. Companies with an already-established martech foundation should look to more-advanced architectures that allow for big data to be analyzed and pushed through the decision engine for personalized recommendations.

Measuring success: Resetting profit-and-loss expectations

To measure the success of their efforts, companies should track their progress across the five levers and additional two ways of working that the community flywheel comprises. They should also adjust their profit-and-loss (P&L) expectations (see sidebar, "Tracking

performance across the elements of the community flywheel”). P&L will evolve as the company sets the community flywheel in motion, and it is therefore critical that the company not only reset P&L expectations but communicate the changes throughout the business.

Key performance indicators (KPIs) designed to measure customer engagement will play a more important role. And companies can expect marketing spend as a percent of sales to be relatively low as user-generated content plays a larger role.

What the P&L might look like

Brands may see gross profit increases under the community-flywheel model, by reducing promotions and potentially raising prices on the products most in demand (Exhibit 3). EBITDA margins will also likely benefit from reduced marketing spend, as some marketing will be organically driven by user-generated content.

How to manage P&L

Brands should consider changing criteria for allocating budgets within the finely balanced spend-priority decisions, assigning higher priority, for example, to projects expected to generate the largest amount of user-generated content.

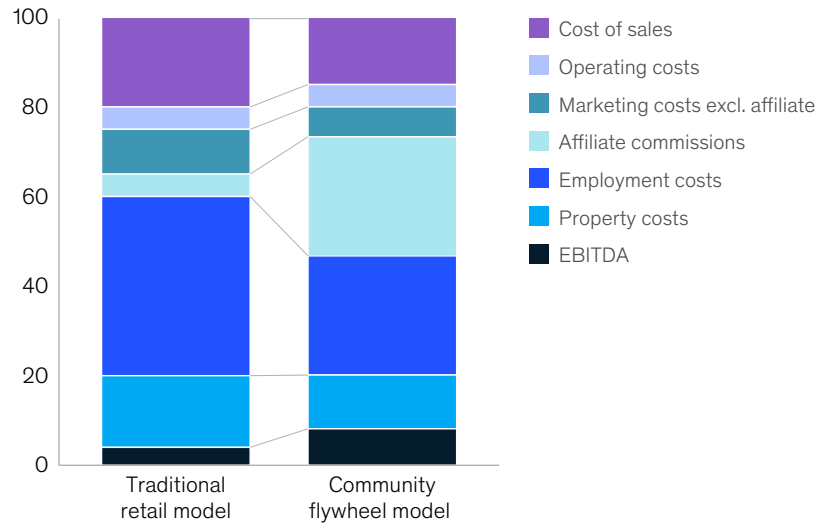
The rise of digital and social channels has fundamentally changed how brands think about brand building, product development, and marketing. In this environment, building long-term loyalty is both the greatest challenge and biggest opportunity that brands face. Activating a brand through the community flywheel enables brands to stand out, establish an emotional connection with the community, and build the long-term loyalty needed to thrive in the digital era.

Exhibit 3

Brands should effectively plan for how to manage their P&L.

Illustrative revenue breakdown for a beauty player, % of revenues

The profit-and-loss under the community model could help drive higher prices, lower COGS and marketing spend as a % of sales.



Tracking performance across the elements of the community flywheel

Typically, brands excel at some but not all elements of the community flywheel. They should consider monitoring their progress against each flywheel level and activator, identifying where they are excelling and where they might have room to develop further (exhibit).

Exhibit

Track progress against each of the five flywheel strategies and two activators.

Community Focus	Infrequent insights, based on survey-only sentiments	Quarterly insights derived from customer population sample	Frequent and personalized insights but not on community sentiment	Agile community and personalised insights with live performance tracking
Hero products	Catalogue of products listed online	Numerous products listed with benefits and reception	Best in class product functionality, yet limited emotional ties with communities	Hero product loved by the community which shows excitement by sharing them
Talkable and credible brand story	Limited narrative around the brand story	Clear brand story, with doubts around its credibility	Compelling brand story, yet not being actively shared	Authentic and easily shareable brand story that the community enjoys sharing
Engaged and active community	No interaction between brand and target community	Ad-hoc interactions between the brand and community	Well engaged community, but only transactional conversations	Two-way conversation between the brand and community
Effortless transactions	Clunky shopping experience and high bounce rate at each step	Many glitches throughout the journey	Seamless journey, but limited shopping options	Frictionless end to end shopping experience, offering multiple shopping options
Agile acceleration	Functional team set up, with infrequent cross collaboration	Cross functional teams only for ad-hoc projects	Mostly cross functional teams, yet limited empowerment to test and learn	Cross functional team running 10s of tests per week
Core technology	No tech stack in place	Basic technologies in place with capabilities to perform mobile and web analytics	Source cross-channel data and leverage for personalization	State of the art tech stack for big data analytics to inform recommendations

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