

Report

A BETTER WAY TO BUILD A BEAUTY BRAND:
HOW COMMUNITY DRIVES LOYALTY AND
RETENTION



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Executive Summary

Consumers are more knowledgeable than ever when it comes to ingredients, and with the political and financial uncertainty the world is still facing, in 2024, consumers will remain price conscious. Consumers want to make their money work harder for them and will be spending on products that have proven themselves and are known to deliver results.

The privacy changes on Apple devices in 2021 and the deprecation of third-party cookies by Google Chrome later this year, will further reduce the efficacy of digital advertising. Brands can expect significantly higher customer acquisition costs, particularly if a brand or product is new to the market. In fact, research from social commerce platform SimplicityDX shows that customer acquisition costs have increased 222% over the last 10 years.

The beauty market has also become more crowded, as smaller players have entered the space that was once occupied by industry giants like L'Oréal and Estée Lauder. The rise of the independent beauty brand shows that there is still opportunity in the sector, however this comes with its own set of challenges as there is also a risk of oversaturation. In the UK alone, it is estimated that there are over 5,000 beauty brands, 95% of which are SMEs. With so many brands competing for consumers' attention, it's certain many will fail.

So how can brands overcome these obstacles? The answer is community.

When talking about community, it's impossible not to mention Glossier, the U.S. brand that popularised millennial pink. Founded in 2014, by Emily Weiss, a former Vogue fashion assistant, Glossier effectively created the playbook for this strategy. Its incredible success saw a widespread implementation of similar tactics by other nascent DTC brands.

According to a study by Harvard Business Review, a brand's fully connected customers are 52% more

valuable than those that are just highly satisfied. Customers that are emotionally connected have shown better results across different metrics, directly impacting brand growth and profitability.

Unfortunately, community has become a buzzword, and as such, it has lost its meaning. It is used by everyone, from brand founders to media outlets, but more often than not, community has very little to do with what's being said. However, that shouldn't be a deterrent to using community as a strategic approach. It just means we need to relearn its meaning.

To shed light on the topic, we looked at how community can help beauty brands navigate multiple challenges, and also offered insight into what best practices look like, as well as the most common pitfalls, when building community. We spoke with five UK founders to offer real perspectives and looked in more detail at the case of e.l.f beauty, an American brand with a well documented history of putting the wants and needs of its consumers first.

THE BENEFITS OF BRAND COMMUNITIES

Brand communities can serve multiple purposes. They can be used to drive growth, amplify the brand's marketing efforts or strengthen the overall brand experience.

Establishing two-way channels with customers can help inform the decision-making process at every level. Feedback can guide and impact everything from product formulation to customer service and distribution channels. Asking for this kind of insight regularly and frequently will ensure a brand is meeting consumers' expectations while saving time and resources.

There's no right time to start, as shown by founder Eniye Okah. It was after launching her first brand, a menstrual cycle subscription box called Blob Box, that Okah realised she could increase her chances of success by asking customers what they wanted from the off, rather than building a product based on instinct. With Beame, her new skincare brand, she's doing things differently: "I want to make sure that I'm creating a product that people actually want. It's very hard to get insight when you've launched and no one is buying the product. That's why I want to start early". This time, she's getting potential customers involved from the product development stage. "That includes testing the sunscreen formula. I'm testing all the claims (...) And that gets passed onto my chemist", Okah explains, referring to the private Facebook group she created for this purpose.

Despite having worked in the haircare industry for years, when Gaia Tonanzi decided to start her own brand, Tootilab, the Italian-born founder knew she wanted to have a captive audience even before launching a product: "It's about creating that presence for you, as a brand, so that you're top of mind when people are ready to purchase". But Tonanzi was also interested in starting a two-way conversation with potential customers to "educate them, understand what their issues are and work on those pain points". Her efforts paid off and she has since built an

engaged online following as a textured hair expert. She's now looking at the "insights from the comments that I get, the DMs that I get, all the questions that people ask" to inform on every aspect of the brand, from positioning to product development.

Although brands can invest in market research, this route isn't necessarily a better one. If poorly executed, it can lead to inaccurate data, which can then negatively impact a brand's performance. Furthermore, it is a costly option that simply isn't available to most SMEs. On the other hand, taking the time to speak directly with a brand's intended audience, deep diving into their interests and looking at reasons for purchase, is much more likely to yield valuable insights, with the added benefit of building a customer base from day one.

Ultimately, brands that invest in getting first-party data from their intended audience, can expect to have better product-market fit and higher rates of success.

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**ENIYE OKAH, FOUNDER AND CEO
BEAME**

Customers, on the other hand, place more value on brands that ask for their opinions and are seen to act on them. Customers reciprocate by becoming more invested in a brand's success, which makes conversion easier. Customers who are emotionally invested are also more likely to become advocates, a valuable asset for brands.

Consumers have become increasingly indifferent to



Plenaire's founder, Namrata Nayyar-Kamdar, believes there's real value in building brand communities. Instagram.

to traditional advertising, and are no longer willing to take brand claims at face value. Consumers now demand transparency and authenticity, and that is why they turn to others like them when it comes to purchase decisions. Of course, this isn't new - word of mouth has long been important - but in today's digital world this phenomenon has taken on new forms.

Brands can prompt and guide their strongest advocates to create content that complements and amplifies the brand's own marketing activities. User generated content (UGC), in its various incarnations, from customer reviews to TikTok videos, can live side by side with carefully curated brand messaging.

Investing in UGC is also a way to get around the data limitations on Apple's iOS and Google Chrome and make a brand's advertising budget work better and harder. Enticing user generated content will help brands amplify their reach within lookalike audiences since there will be some commonality between fans and the people who follow them. All in all, this approach can have a positive impact on a brand's marketing strategy. Charlotte Yau, from Muihood, a UK beauty brand that's rooted in Chinese Medicine, agrees: "UGC has always been a big part of what we do digitally. We get a lot of inbound requests of people

“The challenge is building an online community that they are interested [in] (...) and you're going to get genuine profitability and genuine engagement from them throughout the LTV of the customer”

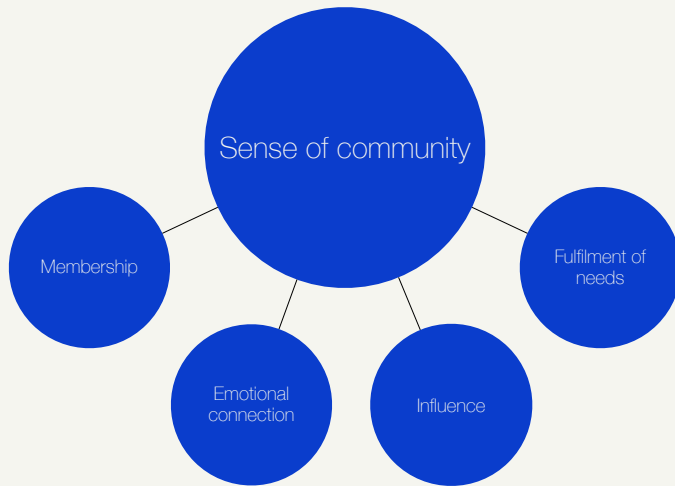
**NAMRATA NAYYAR-KAMDAR, FOUNDER
PLENAIRE**

wanting to work with us. That's been really good. For us, the storytelling element, the hook, all of those things are important to get the brand message across. UGC has been the best format to speak to a wide range of people.”

Community begets community. We all crave belonging and emotional connection, and being a part of something that adds to people's sense of self is a strong incentive to contribute to the growth of a community. But for this to happen, brands need to focus on putting the customers' needs front and centre rather than just selling products. “We try to make it an activity that is geared towards what the brand is, giving people an event that you would want to turn up to. You can't overestimate your influence as a brand. Their time is always more important than yours”, says Sabah Yaqoob, founder of Calling Beauty, the 2023 winner of Pure Beauty's Best New Beauty Brand award. And if a brand is successful, their efforts will pay off. “We've had people come to every event we had because they like the friendship element. Maybe they're looking to connect with people that are like minded, whether or not they bought something”.

In essence, building trust with consumers will lead to positive brand perception, which then leads to increased customer loyalty, and more sales. Communities can help brands increase average order value (AOV), lower customer acquisition costs (CAC) and ad spend, and see a higher customer retention rate (CRR). “The challenge is building an online community that they are interested [in], they're leaning forward to have a conversation, and you're going to get genuine profitability and genuine engagement from them throughout the lifetime value of the customer”, says Namrata Nayyar-Kamdar, from ethical skincare brand Plenaire. In a crowded market, this can be the deciding factor that makes a customer choose your brand over somebody else's.

DO'S AND DON'TS OF COMMUNITY BUILDING



The four elements McMillan and Chavis consider to be fundamental for one to experience sense of community.

Community is a widely theorised concept across different fields of psychology and sociology. An influential, and oft-quoted, definition comes from a 1986 paper by [McMillan & Chavis](#) in which the duo describe community as 'a feeling that members have of belonging, a feeling that members matter to one another and to the group, and a shared faith that members' needs will be met through their commitment to be together'. The key to community, then, is emotional connection. If that doesn't exist, we are not talking about a community but simply a group of people.

That is why we shouldn't use the word community when just referring to a brand's mailing list or its social media followers. Consumers often join mailing lists because brands offer discounts to first-time subscribers and follow brands on social media looking to win a competition prize. Once the initial incentive is gone, many unsubscribe or unfollow. In these scenarios, consumers are not emotionally invested in a brand. Additionally, they are not emotionally invested or even aware of each other. As mentioned earlier, community has two defining elements - emotional codependency and a sense of identity shared

between its members.

When brands decide to build a community, the first step is to learn as much as they can about their customers. This primary research will help identify the different segments and the different motivations that drive each one of them. Brands do this to understand the demographic makeup of their customers but also, the brand values which resonate the most with them and why, and which problems the brand might be looking to solve.

Understanding what communities exist or, which ones customers are already a part of, will also make sure there's a clear point of difference between the community a brand seeks to create and what's already out there. This isn't to say that a brand shouldn't start a community that shares similarities to others: but ultimately, a brand needs to be confident that they can build a worthwhile community experience that will make its customers want to join and stay for as long as possible.

Once the research stage is over, the brand can put together a strategy for its community. It should be obvious that having a strategy will make it clear what the brand is trying to achieve but, more importantly, how it'll be achieving it. As they are central to its existence, potential members are also more likely to get involved in a community when it's clear what its purpose is.

Brands also need to define what metrics count towards success. However, this is to be approached with caution since one of the most common mistakes made is focusing on metrics that can't be linked to any business outcomes.

A telling example is putting too much weight on the number of members a community has. This blunt metric isn't relevant when it comes to how engaged a community is, nor does it say anything regarding the health of the business overall.

For a brand to decide which metrics are important, it has to determine, beforehand, in what ways the community will be contributing to the growth of the business. If, for example, a brand is looking to drive customer acquisition, it makes sense to measure the number of leads, website traffic or brand awareness. If a brand is pushing for co-creation and collaboration, it can measure success based on the number of content pieces created or shared or on interview response rate.

“The bigger ideas need to come from the brand (...) but we are going to confirm whether they think that idea is interesting”

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PLENAIRE

It's also important to mention that the level of investment put behind community can be tailored to every marketing budget. Brands can start small and funnel more resources as they and their communities grow.

The number of members, their geographical distribution and their preferred channels should all play a part in deciding how to approach this. A brand community that is small in size and whose members are within close range of each other might want to have in-person events.

For Yau, Muihood's founder, events help spread awareness of traditional Chinese medicine, connecting practitioners with the brand's customers. “People love real life events, especially because traditional Chinese medicine, if you are new to it, is a big topic that can be quite confusing to understand”, Yau explains. The events then give a direct platform to the former while educating the later.

But given the logistic limitations and added costs around in-person events, keeping everything online might be a better option for some. While bigger brands have chosen to host their communities on paid platforms, brands with more limited resources can start with a Facebook group or a private Instagram account.

For a community to grow there needs to be continuous engagement so that members remain interested and keep coming back for more. If not, members will lose interest and drift away. A rule of thumb is to have a steady cadence of recurring experiences from the smallest to the biggest. This is to

consider how important an action is to the brand and offer a reward that's in line with that.

A clear tiered system helps distinguish members based on their level of engagement and creates a roadmap for all those who join. As members get further up the tiers, brands should consider offering them increasingly more access, from invite only events to Q&As with the brand founder and executive team. It's likely that these will be your best customers and should be treated as such.

With increased engagement comes the issue of moderation and, while this is the most unpleasant side of community building, it is also the most important. To make sure the community remains a safe space for all those who are a part of it, it is necessary to have clear rules for what is and isn't allowed within its confines.

Moderation has its own set of challenges since brands can assume they have the right to shut down any kind of criticism directed towards them. Doing so can be as harmful as not moderating at all, with members leaving the community if they're made to feel they can't speak their minds. Ultimately, feedback given in good faith, that leads to positive change, should always be valued and welcomed. Setting expectations early on can also help both the brand and the community members, especially if action is necessary. It should be clear what the consequences will be to those who break the rules to help prevent escalation.

Many brands build communities to create a feedback loop between them and their customers. It stands to reason that if a brand regularly ignores its customers' feedback, they won't feel compelled to join that community.

For Nayyar-Kamdar, “you have to put the stimulus in front of them and see whether it's appealing. The bigger ideas need to come from the brand. We will always create indulgent and cocooning products that are related to wellbeing. We're not going to ask our community what to do, we have to know that internally, but we are going to confirm with them whether they think that idea is interesting”.

Brands should then set the strategy – on getting where they want to be – but should listen to their community when it comes to the actions they should take to reach that destination.

Finally, the biggest mistake brands can make is to expect fast results. Community building is a slow process for which there are no true shortcuts

available. Growing too quickly will lead to loss of control from the brand's part and weak ties between members. The end result will then not be a community at all.

E.L.F BEAUTY'S BRAND REINVENTION

Throughout its 20 year existence, e.l.f has consistently put customers first. The brand, founded by Scott Vincent Borba, and father and son, Alan Shamah and Joey Shamah, has a history of turning to consumers to find out what they want, letting that drive key strategic decisions.

The brand grew steadily during its first decade but, at the tail end of the 2010s, it saw its appeal wane as the market became crowded and consumer interest started to shift towards skincare. Following a long period of poor financial results, in early 2019, the brand changed its focus to Gen Z consumers, seen as a growing market.

Because Gen Zs are digital natives, the brand's first move was to put most of its budget towards improving its online channels. By 2019, customers were already 10x more likely to visit the e.l.f website than one of its stores, with online interactions also leading to more product launches than feedback from in-store customers. This led to another key decision, with the

brand shutting down its 22 US stores, while still keeping a presence in every major retailer in the country, from CVS to Walmart.

e.l.f also looked to reach Gen Z customers where they were. In 2019, TikTok was still a fairly new platform, but after seeing that the hashtag #elfcosmetics had 3.5 million posts, the brand joined. At this point, e.l.f was one of the first consumer brands to be on the platform.

Realising that not everyone knew that e.l.f stood for 'eyes, lips, face', the brand devised a TikTok campaign to drive awareness. Sound is key to the TikTok experience, and e.l.f was the first brand to explore this by using an original song. According to AdAge, the #eyeslipsface campaign was the biggest in TikTok US history with 5 million videos and 7 billion views. Its impact was so strong that it prompted several celebrities, including Reese Witherspoon and Jessica Alba, to create and share their own user generated content.

The brand has long been known for its low price point. In fact, e.l.f has only raised its prices twice, in 2019 and 2022, with its cult favourites still costing the same as they did in 2004. When social media influencers started calling out their 'dupes' of choice, e.l.f took to creating its own alternatives to more expensive beauty products. And if its customers have specific requests, e.l.f is happy to follow their lead.

In a 2023 livestream with e.l.f's CEO, Tarang Amin, he was repeatedly asked for a cheaper version of Drunk



By always listening to its intended audience, e.l.f Beauty has succeeded in staying relevant over its 20-year history. Instagram.

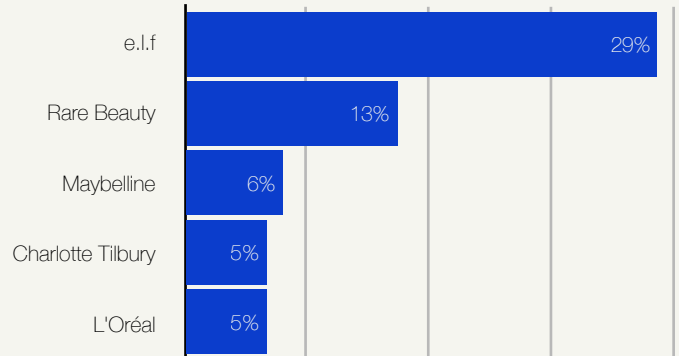
Elephant's \$38 bronzing drops. He immediately requested the e.l.f Innovation team to create one.

Some of e.l.f's community engaging initiatives can serve more than one marketing objective. Take for example Beautyscape, a social media competition they ran every year between 2017 and 2020. The 2019 edition, the last pre-COVID 19, kicked off with 1,400 makeup looks submitted via Instagram, helping to drive brand awareness and brand reach. The e.l.f community then selected 25 finalists to go on a trip to the Bahamas, where they connected with and learned from industry professionals, while also developing an e.l.f collection of their own. The competition winners received cash prizes and saw the products they created sold in stores the following year.

The entire trip was shared across various social and digital channels, including YouTube, where brand fans could follow the action through reality tv-inspired episodes. The finalists and celebrity guests created 640+ pieces of original content, generating a combined total of \$2.1 millions in earned media value, and exceeding the investment in Beautyscape by 142%. The 25 finalists alone generated 10% of the total brand mentions of that year, while, post-event, 60% of the posts shared by the winners featured gifted e.l.f products that were brand priorities.

As is the case with any brand that invests in community, e.l.f also has its own loyalty program. Launched in 2018, Beauty Squad has been instrumental in fuelling digital growth. Members can earn points through purchases but also by taking certain actions. Opening an email, referring a friend or connecting with the brand on social are just some of the ways through which members can collect points. Depending on their number of points, members can be on one of three tiers, Fan, Pro or Icon, with members unlocking more benefits as they're moved up the chain. Members on the lowest tier, Fan, get early access to sales and exclusive products, while members on the highest tier, Icon, can test products before launch. Although it's easy to collect points, these are only valid for 12 months. Once the member has exhausted all the valuable actions available, the only way to continue gaining points is through purchasing more products. This way, the brand is certain that only dedicated fans get to the top tier. Beauty Squad's 3.9 million members account for 80% of the sales on the brand's website. The Squad's members deliver higher average order values, purchase more frequently and show stronger retention rates than the brand's other customers, and are a valuable source of first-party data.

Despite its ups and downs, e.l.f has remained steady in its commitment to customers. e.l.f isn't afraid to follow its community's lead, from product development to disruptive marketing campaigns that create cultural moments. It has been exactly this approach that turned e.l.f into the number one makeup brand for Gen Z Americans.



In 2023, 29% of US-based Gen Z customers named e.l.f Beauty their favourite beauty brand. Source: Statista.

Bring your brand community to life.

we are forum is a strategy consultancy helping businesses design and activate brand and marketing strategies with a community-first approach.

We offer a range of services, from group training sessions to one-off consultancy and our bespoke strategy program. To find out more, contact us at vanessa@weareforum.co.uk