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FOREVER 21 CASE STORY

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ABSTRACT

This case considers the history and recent growth trajectory of Forever 21, a U.S.-headquartered apparel retailer and purveyor of fast-fashion. It examines the company's largely unsuccessful attempt to penetrate the U.K. market and the reasons for failure.

INTRODUCTION

Forever 21 is a company that appeals to young consumers who desire fast fashion in a world of constantly evolving trends. The company was formed in order to make trend-setting clothing and accessories more accessible to those who could not afford designer labels. Typically, the target consumers are young adults who want to be trendy and who may not be able to afford expensive goods. In 2010, the company attempted to move into the market in the United Kingdom. While it initially appealed to United Kingdom consumers because of the novelty of the store, throughout 2016 business has greatly slowed for the company, not only as a whole, but especially in the United Kingdom, as well as in other foreign countries. In the United Kingdom market, which is already heavily saturated with fast fashion goods, it is difficult for Forever 21 to maintain a semblance of originality (Kosmal).

LITERATURE REVIEW

Forever 21 was originally started in Los Angeles in 1984 two immigrants from South Korea, Don Chang and his wife Jin Sook Chang. The company was originally called "Fashion 21," but its name was soon changed to Forever 21 when the company started to expand and became a chain of stores (Chapin). Even as it achieved tremendous success, Forever 21 remained a family-owned business. By the end of its first year of being in business, Forever 21 sales had risen from \$35,000 to \$700,000, and the company had taken off (Chapin). By 1989, Forever 21 had opened its eleventh store, which also happened to be its first store in a mall setting. By 2001, there was a drastic national expansion of the company, and its average store size was 24,000 square feet.

The goal of Forever 21 is to provide a 'one-stop shopping' experience in a fun and exciting environment. It has become the ultimate source for the latest fashions at a great price. Forever 21 stores have numerous shop-in-shop concepts which demonstrate the continuing strength of boutique and specialty retailing over department or megastore formats. Forever 21 stores have different sections within their stores that exhibit different styles of clothing which appeal to different varieties of people. Aside from their normal, everyday clothing line, Forever 21 also offers a plus-size line, a sleepwear line, an athleisure line, a cosmetics line, and various other lines that are all sold under the Forever 21 brand label. These megastores, which house just about every type and article of clothing one can imagine, appeal to some but can also be potentially overwhelming to other consumers.

Forever 21 is currently listed at #122 in Forbes's biggest private companies of USA (Matthew). With its headquarters still located in Los Angeles, California, the company has 480 branches all over the world, and its sales reached \$3.7 billion in 2013. Forever 21 has been able to attract a steady patronage of consumers because of their affordable 'fashion forward' clothes, along with accessories, active wear, sleepwear, and cosmetics. The founder of Forever 21, Do 'Don' Won Chang migrated from his hometown in Korea in 1981. Chang and his wife, Jin Sook, immigrated to the United States when they struggled to make ends meet. He worked as a janitor and sold coffee in a gas station, eventually starting a coffee delivering business (Yap). While he was pumping gas,

another job he obtained in order to support himself and his family, Chang noticed that the people that came into the gas station with luxury cars were all in the retail industry. This made Chang interested in entering the retail market and eventually the apparel market. Three years after Chang and his wife moved to the United States, they opened Forever 21 together and sold designs that were popular in Korea. Their two daughters, Linda and Ester, joined the family business in 2009 in the marketing department. Eventually in 2014, the Chang family would be named number 86 on the “Richest People in America” list, and number 93 on the Forbes 400 list (Yap). In an interview with Vulcan Post, Chang was asked about his journey as an entrepreneur, and he responded by saying, “I’m always challenged. Passion has always driven me. As an entrepreneur, you also have to change always” (Yap). Chang says that his main focuses as of now are China and India because they have the biggest populations and a lower median level of income, therefore giving rise to a great amount of opportunity for a brand like Forever 21. He attributes his success to focusing on the consumer rather than the company and adapting to fit the needs of the company’s customers (Yap).

Business

Concept

Forever 21 is a fashion company focused on producing clothing that is trendy and inexpensive. Much of the stock of Forever 21 copies the designs of high fashion labels. The original goal of the company was to bring fashionable looks to people who could not afford the designer label. This has caused legal issues in the past, but for the most part Forever 21 has been able to avoid any serious consequences from essentially copying the designs of other brands (Gale). This copying of ideas appeals to a majority of the Forever 21 consumers because they are interested in what is currently trending in the fashion world, but do not want to spend money to buy the designer items that originated the trends. Copying designer pieces gives Forever 21 a false sense of luxury.

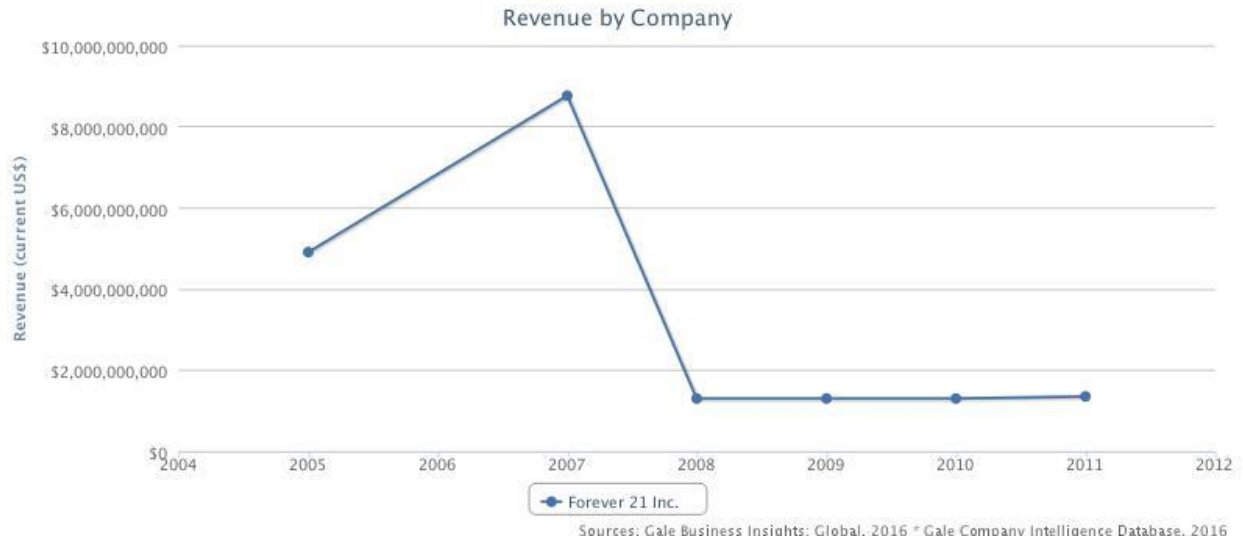
Another technique used in the business concept of Forever 21 is utilizing domestic manufacturers in order to get trendy clothes to the streets at a rapid pace. In fact, sixty percent of the manufacturers of Forever 21 come from the United States (Gale). While this was a successful concept in the beginning, it now puts Forever 21 at a disadvantage because this company is now marketing to consumers from the United Kingdom. While United States consumers would be attracted to the concept of a brand originating in the United States, a consumer from the United Kingdom would most likely not be as interested in this concept.

Finally, the initial business concept of Forever 21 included having an exclusive partnership with the company EZ Shipping. This was very beneficial for Forever 21 as the cost of shipping was lessened for the company. Recently, Forever 21’s partnership with EZ Shopping dissolved as a result of a drop in Forever 21’s sales, which put Forever 21 at a major disadvantage (Chung).

Business Model and Economics

As demonstrated in the chart shown below, Forever 21 experienced increasing revenue

in the United States until after the year 2007, when the total revenue dropped exponentially and then remained relatively the same in the United States over the next three years. Forever 21 entered the market in the United Kingdom in 2010, and did relatively well until May and June of 2016, when the company was forced to close multiple stores there (Bury).



Consumers

The target consumer group for this store is young consumers from the United Kingdom. Recently, business for Forever 21 in the United Kingdom has been at a decline. In June of 2016, Forever 21 was scaling back on many of its stores in the United Kingdom (Bury). Currently, the average consumer in the United Kingdom is focused on buying brands that represent their country. This is partly because of Brexit. “Brexit” is the term used for Great Britain’s planned exit from the European Union, a decision made over the summer of 2016 in a nation-wide vote. One of the results of this planned exit is that some consumers from the United Kingdom have become more patriotic and therefore have become more focused on purchasing merchandise from brands and stores that originated in their native country, the United Kingdom. Forever 21 is a company that is advertised and known very well as an American brand, as it originated in the United States. Because of this, Forever 21 is at a clear disadvantage to its competitors, such as Primark, Topshop, and H&M, stores that originated in the United Kingdom. The stores that they decided to close in the United Kingdom are all expected to be taken over by rival store H&M. In addition, United Kingdom consumers in general have been spending less money due to economic concerns raised by Brexit.

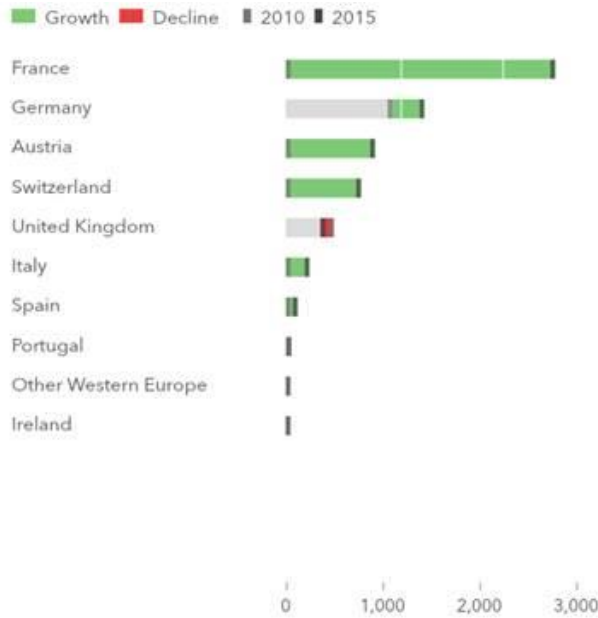


Figure 1: RETAIL VALUE GROWTH OF STEINHOFF INTERNATIONAL IN WESTERN EUROPEAN MARKETS

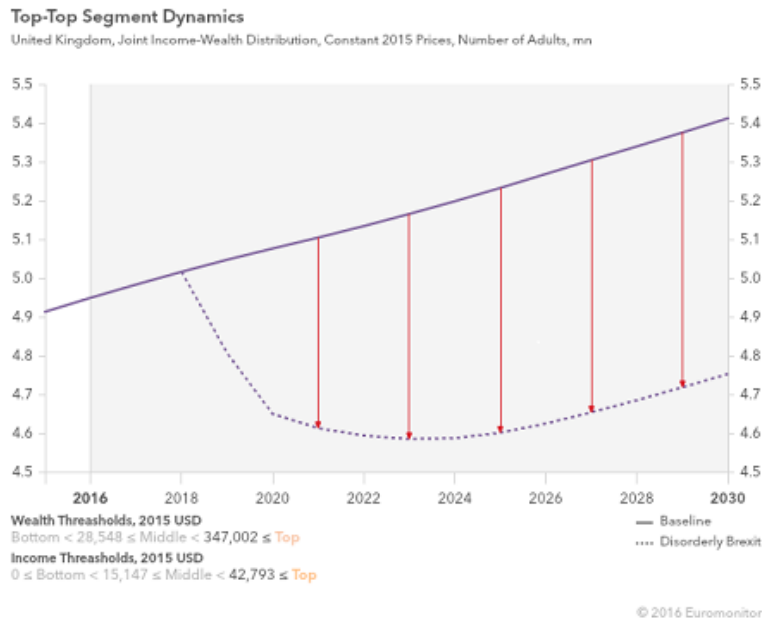


Figure 2: NUMBER OF ADULTS IN THE TOP INCOME-WEALTH SEGMENT IN THE UK

The biggest challenge raised for Forever 21 in the United Kingdom market is that the initial excitement over the openings of Forever 21’s new stores has faded. Today, as Forever 21 struggles to stay open and remain profitable, the company has become just one of the many fast fashion stores in the UK. Additionally, the high street style in the United Kingdom can be considered to be more edgy than the styles in the United States where Forever 21 currently advertises and sells. Because of the different consumer tastes between these two regions, having the same designs produced and sold in the Forever

21 stores in the United States and in the UK could be another reason why Forever 21 sales in the United Kingdom have fallen. After the initial hype of the first store opening in the UK, consumers have preferred other brands over Forever 21 (Gordon).

Competitors

One great challenge to the success of Forever 21 in the United Kingdom is that there are competitors such as Topshop, Primark, and H&M which provide essentially the same concept of fast fashion clothing and accessories, but with the additional advantage of being United Kingdom based companies. ASOS is another competitor that originated from and targets the United Kingdom. It carries over 850 brands while also selling their own brand, which allows the company to offer a wider variety of clothing than Forever 21 ("ASOS 2015 Annual Report and Accounts").

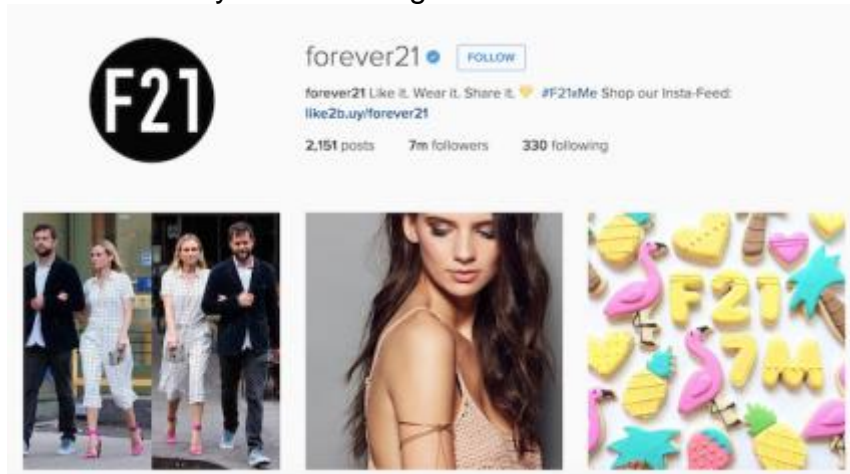
Another disadvantage encountered by Forever 21 is that prices are not as inexpensive in the United Kingdom as they are in the United States. In the United Kingdom, Forever 21 has prices that are 25% higher than they are in the United States. This makes stores like Topshop more appealing because the quality of their clothing is so much better. Although Topshop is still more expensive, consumers in the United Kingdom may prefer to spend a little more money for higher quality clothing (Poulter). Forever 21 is able to get away with selling lower quality clothes in the United States because the prices are extremely low as well. This idea is not translated in the United Kingdom because prices are higher and therefore the poor quality of the clothing is revealed. Although Forever 21 and Topshop are not initially thought of as direct competitors, they are in the United Kingdom because of their similar price range yet vastly different quality of clothing.

Marketing

Initially, the popularity of Forever 21 was largely due to their low prices and ability to keep up with the trends. Recently, their marketing strategy has shifted to focus mainly on social media in order to reach young generations. The brilliance of this is that social media can reach a wide audience easily without the company having to put a lot of money and effort into their social media platforms. Forever 21 utilizes social media in order to raise brand awareness, which is an integral part of reaching the youngest generations. For example, one marketing technique that Forever 21 uses is encouraging consumers to upload photos of their own outfits. Customers post their photos and tag Forever 21, which then uploads the photos to their own social media sites. This gives the consumer a unique shopping experience because they feel more involved in the shopping process. The consumer can also gain followers on these social media sites by posting these photos because Forever 21 is sharing them with a larger population. Also, it is easier for other social media users to find where the clothes are from and shop there. Social media campaigns like this are one way that Forever 21 works to entice new consumers and keep loyal consumers (Jaekel).

Below is an image of the Forever 21 Instagram, where photos of new clothing are posted. The Instagram account also posts photos of celebrities wearing the clothing and

consumers wearing the clothing. One of the reasons the social media is so popular is because it shows different styles of wearing the clothes.



Another marketing technique one company called Zara relies on is called “grass roots marketing.” Essentially what this means is that instead of traditional advertising, they rely on the customers to speak well of their products and their experience at the store. Forever 21 used this technique heavily when it first launched stores in the United Kingdom. When Forever 21 initially opened in the United Kingdom, an article stated that “the brand is confident that the strength of its reputation and the experience of its stores is enough to drive its business in the United Kingdom” (Baker). Rather than launching pricey advertising campaigns, the brand prefers to focus on the reviews from the consumers recounting their experiences at Forever 21. Forever 21 has an exciting and fun atmosphere, with many different sections of clothing. Because of these positive attributes, customers tend to talk about shopping at the store and this word of mouth makes other people want to go there (Baker). Included is an image of the inside of a Forever 21 store, which shows how shopping there is an experience and part of the marketing technique.



Controversies

Forever 21 has faced a lot of scrutiny in the past several years. In March 2016, the company fell under fire from consumers after producing a men's t-shirt saying "Don't say maybe if you want to say no." Consumers were outraged by the suggestive language of the shirt and demanded it be taken off shelves. Forever 21 was forced to release a statement in response to address the criticism, stating, "Forever 21 strives to exemplify the highest ethical standards and takes feedback and product concerns very seriously. With regards to the t-shirt in question, upon receiving feedback from our customers, we took immediate action to have it removed from our website. We sincerely apologize to anyone who was offended by the product" (Peyser).

The company also took a hit when trying to reach new consumers by creating an Instagram account for its plus-size consumers. Angry buyers commented on the Instagram saying that the models did not accurately represent the average plus-size consumer and showed an unrealistic portrayal of what a plus-size woman looks like. Once again, the company was pushed to release a statement saying, "We always appreciate our customers reaching out when they have a concern and therefore have removed some of the images and are working to ensure all of our future posts accurately represent the Forever 21 Plus customer. As a majority of the content on our social media accounts is user generated by our loyal customers, we encourage them to continue to share their own photos to provide a true representation of our clothing, embracing beauty in all shapes and sizes (Chapin)." Many people were proud of the company for creating a plus-size line that was still just as trendy and affordable as the normal Forever 21 line. But these same people also argued that Forever 21 had a lot to learn about the plus-size industry and how to properly go about entering such a sensitive market.

According to Forbes, Forever 21 has had 50 copyright violation lawsuits and has been sued by famous designers such as Diane von Furstenberg, Anna Sui, Trovata and Gwen Stefani. Forever 21 has not been found guilty and has settled most of the cases in court. In the company's defense, Forever 21 used merchants instead of designers, so they could not necessarily "copy" designers.

The company has also faced allegations that their clothing was promoting religion and contained Christian propaganda because some of their clothing contained words such as, "Thank God," "Holy," "Peace," "Faith," "Hope," "Love," and "Jesus" (Mathew). The use of Christian propaganda can appeal to only a very small group of consumers while isolating a much larger group of consumers, especially consumers in the United Kingdom where a large portion of the people are atheist. The use of these words and other Christian symbols in a purely fashionable and trendy sense can also offend many Christians and isolate them as well.

Another class-action lawsuit against Forever 21 was about them taking advantage of employees. Many of their employees are high school workers earning minimum wage who are not aware of their rights as employees. The class-action suit claims that Forever 21 "systematically failed to pay them for hours worked" forcing them to work off the clock and not allowing meal breaks, according to one Huffington Post report (Hicken). In

addition to this, Forever 21 moved its production to Asia where there were complaints of “sweatshop” conditions. The factories of Forever 21 have received many labor complaints, Robert Ross of Clark University told Business Insider. “Nobody in the world is making a living if a retailer is selling \$10 jeans,” says Ross (Hicken). These controversies about labor have turned some customers away from purchasing Forever 21 products and really makes the buyer question what kind of company they are putting their money towards.

RESULTS & CONCLUSION

Currently, the business of Forever 21 is in decline in part due to competition from companies such as H&M, Primark, Zara, and Topshop. Zara and Topshop are still successfully conquering the fast fashion market due to their skill at copying runway fashion very quickly and with higher quality fabrics and workmanship than Forever 21 products. In an oversaturated fast fashion market, Forever 21 is struggling to keep up. They also recently faced issues with an exclusive partnership they had with a shipping company.

Forever 21 ended up having to separate from their long term shipping company, EZ Worldwide, an action which resulted in a reportedly fifty percent drop in Forever 21 sales (Chung). EZ Worldwide abandoned Forever 21 saying their business was no longer profitable to them. After cancelling its contract with Forever 21, EZ Worldwide decided to downsize, although they agreed to be Forever 21’s exclusive carrier for at least 171 stores until 2019. Forever 21 was EZ Worldwide’s biggest retailer; as a result, they are selling their equipment such as forklifts, tractors, and other machines as because they are no longer necessary in the absence of the partnership. “[Weekly] sales to Forever 21 have ranged from a low of \$352,483 to a high of \$428, 764,” EZ Worldwide Express lawyers said in a document filed May 20. “These numbers are drastically lower than the same five week period last year, where weekly sales ranged from \$629,817 to \$780,730,” (Stech). Forever 21 must learn to adapt in order to keep up with other fast fashion brands.

Forever 21 should focus more on their declining sales in the United States as opposed to focusing on breaking into a new market in the United Kingdom. Forever 21 has been a staple fast fashion brand in the United States since 1984 while it only just opened in the United Kingdom in 2010. The United Kingdom is already oversaturated with fast fashion brands, such as Topshop, Zara, H&M, and Primark. These are brands that the United Kingdom consumers are loyal to and they are not willing to switch over to a new company that has not made any effort to differentiate itself from the others. The United Kingdom consumer is used to the good quality clothing from Zara and Topshop that are sold at a slightly higher price than the poor quality clothing in Forever 21. It is worth it for the United Kingdom consumer to spend a little more money on clothing in order to get longer lasting and better looking clothing. Consumers in the United States are willing to purchase the bad quality clothing from Forever 21 because it is cheaper in the United States. The low quality level of the clothes does not come as a surprise to the consumers since they are already so familiar with the brand. They do not mind the poor quality because they are shopping at Forever 21 for “trendy” clothes that will soon go out of style. Shoppers in the

United Kingdom tend to look for clothes that will make the cut each season, rather than quickly go out of style. Therefore, they look to pay more for better quality items so they can use them for years to come.

Forever 21 is better off pulling out of the United Kingdom and instead creating a greater online presence to reach their international consumers. It is a huge loss for the company initially to completely pull out of a region, but in the end, the company will profit more and have less overhead costs by not having any international storefronts to take care of. Forever 21 could possibly keep one store in London as a sort of “novelty” store because people are interested in the brand and having one store for people to view the clothes in will lead to them buying more clothing online.

Overall, Forever 21 picked the wrong market to break into in the United Kingdom. The company did not do their proper research on the area. If they had, they would have realized that opening stores in the United Kingdom would cause them to lose money due to the oversaturation of the market. Forever 21 also did not change any of their products based on what the average United Kingdom consumer enjoys. They took products that they know work with the American youth and simply assumed that it would work for the United Kingdom youth as well. The United Kingdom consumer is a more sophisticated buyer and is not attracted to copious amounts of graphic tee-shirts and ripped jeans. Reaching out to international consumers through an online presence is a much better and more profitable way to expand Forever 21’s platform. In addition to this, Forever 21 needs to get their international shipping rates down in order to reach their targeted customers. For good reason, consumers are not willing to pay a shipping amount that is almost the same price as the items that they are buying. If Forever 21 follows these suggestions, they will make more money in the long-term and increase their international influence.

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