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# Marketing strategy and failure of Forever 21. (What is the reason behind Forever 21's failure?)

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**ABSTRACT**

The current research analyzes marketing strategy of one of the famous brands Forever 21. Moreover, in this work the failure of this company is broadly discussed along with some internal and external analysis of the company with cases. The company marketing is compared with major competitors. The brand analysis is done through researching some major problems and at the end of the analysis, some proposed solution is come up.

**Keywords:**

Forever 21, strategy, business, marketing, competitors, customer/buyer.

## Introduction

All institutions strive for consumer loyalty in today's market, which defines today's market. Businesses must face the difficulty of maintaining their unique competitive edge while remaining adaptable and efficient. Plans are carefully prepared and executed in order to achieve the ultimate aim of any business development. However, external pressures are not the only ones that impact growth. Internal organizational factors have an influence on the firm's direction as well. The encouraging atmosphere of the organization has a direct influence on the business. This group includes merchants who conduct business with the owners, consumers who purchase products from the company, and other stakeholders who influence administrative actions or are influenced by the institution's decisions. The context of a particular business illustrates the relationship between organizations and driving forces. These are under their control and have an effect on their marketing productivity. This research looks into company's competitors in the apparel business. A great number of

enterprises have emerged to participate in the time of global competition, enhanced development, superior business strategies, and corporate reorganization. The continuing transformation of a conventional industrial framework and its firms into a global, knowledge-based marketing system. As a result, sensible firms demand that management refocus and reposition its marketing approaches. In today's competitive marketing environment, firms must struggle to maintain their unique competitive advantages in order to cope and develop. This research looks into Forever 21's marketing approach. The document's first portion comprises a brief review of the literature on the company's marketing information, marketing plan, and competitors. The second portion contains recommendations for how company might get a competitive advantage over its global competitors. The third part contains recommendations as well as the company's best proposal alternative.

### Information about the Background

Forever 21 is a clothing company with over three billion dollars in annual revenue from its over four hundred fifty shops and plans to add thousands more abroad. From its headquarters in the United States, the stylish adolescent shop at a discount sells in Canada, South Korea, Japan, China and Europe. The firm has said that it plans to expand into additional European countries as well as other global markets. The Change family owns the firm privately and is debt-free, with earnings invested in worldwide development. The firm is competed with by a number of garment manufacturing companies. The corporation has been ready to profit on the misfortunes of others, filling the voids left by former competitors. The company represents continually changing trends and reduced price in the fashionable clothing industry, making it difficult for competitors such as Uniqlo and Zara. To keep prices low, Forever manufactures and develops the most of its goods in-house. The fast-changing collections are meant to create in adolescent customers the mindset that is once it's gone, it's gone. While discounters offer low-cost value, some offers high fashion, and Italian retailer offers variety, Forever 21 tries to combine all of these attributes into a single brand.

The firm originated in Los Angeles and now manufactures, wholesales, and retails clothing. Forever 21 today produces just fifteen to twenty eight percent of its clothes in US, with the remainder produced in Pakistan, Vietnam, China, and other nations. The option to acquire low-cost reproductions of celebrity attire and runway trends is a big lure for many Forever 21 customers. The company is split since it has been accused of not just following fashion trends, but also of selling counterfeit clothes. Forever's information system projects for financial two thousand and twelve grew to include retail, supply chain, central business systems, and communications.

### Competition Analysis in the Industry

Several clothing manufacturing businesses compete with Forever 21. Uniqlo makes both men's and women's clothing and accessories and operates in operates almost stores. Due to

declining revenues, H&M has been closing and consolidating locations in recent years. H&M just opened its eleventh new store in New York City, and the company plans to open more in the future. The behavior of the Swedish-founded clothing company displays their commitment to globalization. This criteria helps to ensure the company's continued growth in the US market, but it also demonstrates Uniqlo's understanding of key competitors, such as Forever 21, which opened its flagship company store in New York four years ago. Zara is another key business rival of the company. Zara has roughly four stores in the USA and European countries. It also sells wholesale apparel at department stores and on its own website. Bigstore, which operates over five hundred outlets under the Virgin brand, is another rival. It sells clothing and accessories under its own label as well as those manufactured by the company. Its clothing is aimed at teenagers. The company also sells clothing on a variety of other websites.

### Porter's five forces: Substitute Danger with Danger

One of the well-known causes for such fierce rivalry between enterprises is the missing fee of changing firms. It is as simple as stepping into a different store to switch from one company to another. Furthermore, shoppers do not regard high-end clothing as a significant commodity. As a result, when Forever 21 or a rival boosts their costs, buyers will hunt for a cheaper option. Because clients are continually on the search for the greatest items at the lowest rates, the company and its rivals must be incredibly inventive in order to earn and maintain customers.

### Rivalry Possibility

The company confronts tough competition in the retail and garment industries. Forever 21 has battled with long-established department shops, specialty shop retailers, low-price point sellers, business-to-consumer websites, off-price sellers, and direct dealers for manufacturing materials, market share, business space, completed goods, sourcing, and labor, among other things. Many other firms sell

comparable products and target the same demographics as this company. Some of these companies have been in the sector for more than three decades and control a significant piece of the market. Because of the nature of Forever's target market trend, there are consumers who outgrow the store and depart the market each year, as well as new consumers who enter the market with no previous brand loyalty. To survive in business, the company relies on constant sales to supply high-quality items at reasonable rates to its clients. Because many of these rivals are substantially larger and have significantly greater financial, distribution, and marketing capabilities than Forever 21, or have comparatively lower operational expenses, the company may lack the means to compete successfully with them. Forever 21's sales, financial status, and operational outcomes will suffer if they do not remain competitive in any manner.

### **New Entrants Are Threat**

The retail and garment sectors are highly competitive and have minimal entry barriers. The key competitive characteristics in the apparel markets are brand recognition, sourcing, product naming, quality, appearance, price, appropriateness of product creation and delivery, retail layout, customer service, and practicability. This company and its primary competitors have all been in operation for a long time. Because of this established credibility, customers have a reasonably high level of brand loyalty. A new firm would have to battle against years of press, promotion, and brand awareness to be competitive.

### **Buyers' Buying Power**

The capacity to identify style trends and adapt appropriately to evolving customer demand is crucial to the company's financial success. The garment industry is a company that is dependent on the ever-changing demands of the customer. As a result, the company is dependent in part on consumer reactions to its selling, style, and marketing players' inventive efforts, as well as their ability to foresee designs and fashions that would satisfy their client base. If Forever 21 misjudges consumers' product choices or the

demand for their items, they may find themselves with an excess supply. Previously, this sort of event resulted in extra fabric for some ensembles, as well as price cuts, which impacted profitability. Similarly, any inability to forecast, identify, and effectively respond to altering customer tastes and fashion trends has had a significant influence on sales.

### **Bargaining Power of Sellers**

All of the company's materials are outsourced to firms all around the world, with a concentrate on Asia because to the low labor costs there. Outsourcing significantly reduces the company's manufacturing expenses. Because of the abundance of low-cost replacements, the dealers do not have great authority. If an independent firm is charged with breaching labor or other related legislation, or if their labor performances depart from those usually considered as ethical, it may have an impact on the company's and brand's reputation. Although the corporation maintains a policy of verifying the operations of its independent contractors by forming an independent firm to evaluate these production locations, they cannot influence the activities or public perception of such contractors, nor can they guarantee that these contractors would conduct their businesses in line with ethical and lawful labor standards.

Clothing corporations may be held equally liable in some situations for the criminal actions of their product's contractors. Forever 21 has no control over its contractors' employment practices or commercial performance, and the contractors operate solely with their own interests.

### **The SWOT analysis**

#### **Strength**

This company stores began with a major edge over its competitors since they were a brand that targeted at a very elite market with a trendy notion. This broadened the brand's reach and aided its spread into international markets.

#### **Weaknesses**

The same marketplace also serves as a constraint for the Forever 21 Company, since its advertising fails to attract anybody outside the target group. Despite the company's utilization

of multiple superstars, the marketing itself remains ignored by anybody other than their committed consumer group. The celebrities hired by the corporation as brand emissaries are not highly known, making it difficult to acquire new consumers or build brand reputation. The organization will need to do extra market research to be able to rectify the advertising and fashion line failures. Furthermore, the company's stores are difficult to traverse due to the enormous amount of things in one spot.

### **Possibilities**

The brand might aim to grow into other markets. For example, they can invest in the male market. Zara, for example, has benefited from this market by focusing on clients that have similar beliefs. Another option for the company brand is to open internationally certified locations in developing nations. These markets are expanding and spending vast sums of newly obtained cash. These markets are on the cusp of big rising fashion trends.

### **Threats**

The Forever shops must consider the many competition from whom they must distinguish themselves. Uniqlo - a direct competitor and Zara - a less expensive competitor are acquiring considerable market share, posing a severe threat to the company's brand. As a result of the economic slump, which is limiting consumer buying power, the Forever 21 shop brand is suffering.

### **Marketing Strategy (product and place)**

Forever 21 is a clothing store in the United States that caters mostly to young females. This target group, dubbed the demographic that is neither too young nor too elderly by the corporation, proved incredibly profitable for the brand. They sell intriguing attire that embodies these women's stylish and seductive personalities. They create a contemporary fashion range that comprises apparel, accessories, and shoes. Its distinctive product offering comprises a diverse selection of disconnects, tops, dresses, and add-ons in a number of lifestyle classifications like as professional, active, casual, and evening.

After launching their first store in US, the company had incredible success. This is

evidenced by the fact that the corporation today operates over six hundred retail locations. They have one online, which debuted in two thousand and eight. They also operate a big number of internationally known shops. The company stores may be found in public plazas, outlet plazas, and catalogues that are accessible upon request.

### **Promotion and advertising**

The company brand is promoted using a judgmental advertising, which is a visual promotion that involves a number of mediums such as prints, in-store, and express mail. They presented a very precise example of the image they intended for their brand, in terms of how their customer would seem wearing their brand. The Forever 21 lady is characterized as someone who has a strong sense of view, is confident, attractive, and fashionable. They encourage their consumers to perceive themselves as positive women who are fashionable, stylish, and like expressing their particular style in their own way. Events have also been used to promote the company brand. Every year, they host a collection preview event to give clients a rare first peek at their newest collections.

### **Price**

The company's store charge rates are established at a modest level. Their items are priced from fifteen to two hundred forty, according to their official website. Forever manufactures and develops the bulk of its goods in-house to keep prices low. Only the production process is delegated to third-party providers.

### **Technology and information-related services**

Forever is devoted to applying data to gain a competitive advantage. Their information systems disseminate information throughout the organization to promote competency, visibility, and acceptable decision-making. The primary business systems, which comprise both purchased and internally developed software, are available across the firm network, giving employees access to important business operations. Forever's information system efforts for financial 2011 grew to include their retail, supply chain, core business systems, and

communications. They finished installing a new point-of-sale system in all locations, which resulted in considerable efficiency advantages for both stores and corporate headquarters. By completely integrating their supply chain system, they also accomplished changes in product ordering and planning methods. They continued to strengthen their stock optimization capabilities across channels, and partnership capacity and inclusion with their foreign suppliers in the year two thousand and twelve to provide better efficiency to their supply chain.

### **Forever's growth plan**

The opening of Forever 21's flagship shop on Oxford Street demonstrates that the firm is ready to battle for global domination with some of the world's leading brands. In 2010, the firm established its first stores in the UK, and India, and it is currently anticipating a European expansion after launching branches in 2011. Prior to its European growth, the company was primarily established in its home market, the US, where it competed with the likes of Gap, H&M and Zara. With over three billion dollars in revenues, the organization is one of the top garment corporations in the US, but its strong presence in the US market is insufficient. The firm has said that it plans to expand into additional European countries, as well as other global markets such as Israel. Because the company competes with worldwide giants such as Gap, it would be prudent to closely follow Forever21's upcoming movements. The firm has not been deterred by the dominance of value and fast fashion companies in Europe from carrying out its ambitious expansion

strategy of building over hundred stores in the UK, which is likely Europe's most concentrated apparel market. It confronts an especially tough challenge in differentiating itself from its competitors in the UK, many of whom target the same demographic market.

The company's use of social media to raise brand recognition has been a success. The most significant takeaway from this is to promote consistent interests in order to continue social media postings. The company pays far more attention to shop design and internal design than its competitors in the UK, with novel retail components including an outfit displayed on an artificial ice cream van. Such attention-grabbers may be useful in grabbing the hearts of adolescent shoppers searching for a pleasurable shopping experience. In terms of pricing, the company's shop interior provides it a huge price advantage over its closest competitors, who have a very plain and often disordered interior.

### **Main problem: Too Rapid expansion or going global too fast.**

The company was extremely keen to expand globally due to a shift in its focus on becoming bigger abroad by building six hundred new sites internationally. However, factors such as not knowing regional fashion and over-expansion of offline locations resulted in the company incurring massive profit losses overseas, pushing it to lose more than Forever's cash flow in the home market. Rather of just growing globally, the aim was to assess the international market, develop a strategy, and then put it into practice.

## What happened?

- ❖ The started focusing on **growing bigger**: **\$8Billion** company by 2018 600 new stores in 3 years
- Forever 21 **failed** abroad
- ❖ **Lack of Understanding** the **local style** (local behavior) and sizing problems
- ❖ Forever 21 was **late** with **online stores** by focusing on mainly on offline stores
- Expanding **excessive offline** stores

Fiscal Year	International (includes Riley Rose)	U.S.
FY2014	~\$150M	~-\$180M
FY2015	~\$120M	~-\$220M
FY2016	~\$180M	~-\$120M
FY2017	~\$100M	~-\$150M
FY2018	~\$50M	~-\$100M

Source: Forever 21

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## Occuring problems?

**A**

- ✓ **Vision**, Mission, Value
- ✓ External analysis
- ✓ Internal analysis

**F**

- ✓ Corporate strategy
- ✓ Business strategy
- ✓ Functional strategy

**I**

- ✓ Coherent actions
- ✓ To implement
- ✓ Guiding policy

**quality**

- ✓ Trendy, fresh, young in spirit
- ✓ **Trendy** clothing for **affordable** price
- ✓ Wholesale (buy goods at discount from manufacturers)

**advantage**

- ✓ Industry, market, geography
- ✓ Cost leadership, differentiation
- ✓ Local, regional, nation, **international**

**where**

**How**

- ✓ The started focusing on **growing bigger**: **\$8Billion** company by **2018**
- 600** new stores in **3 years**

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### Improving Social Media Marketing

The company's objective is to widen its client base by offering a wider range of styles, but in order to reach these other types of potential customers, the company must leverage social media. For new clients, the firm and its competitors compete vigorously. Customers may now get product information, qualities, and benefits from the company via social networks. Based on this assessment of the company's goals and social media experience, the company can

spend at least six to seven hours per day to its efforts. The company's website is fully optimized. Customers may contribute and like the company's updates on Facebook, therefore the company uses it as its major venue for user interaction. On their website, the company also has a terrific blog that highlights their social channel. They have very few videos on their page, which is a significant absence. Forever 21 could enhance their existing unique and engaging website by developing an

optimized video blog that includes product information and inventive ways to wear company's merchandise. They can also construct a shopping app and use a media sharing site. If they employed this method, loyal consumers and new customers would be able to observe what trends are hot and what the company is involved in. Customers that are loyal to the company may see this as a tremendous merchandising opportunity. They may employ their social channel to provide photographs from a video account to aid the style contested and to market new electronic items that the corporation deals. Using this strategy might significantly enhance the company's sales. The amount of views any video obtains within a month of its publication will be a primary determining factor in the video account. If more than five thousand watches are sold, it will be deemed a success. The number of purchases made during the first five months of operation should be used to determine the success of the mobile shopping application. Using a social bookmarking site will surely be the most difficult way to achieve success, but there is a solution. If done correctly, success can be judged by the number of views the profile receives; once again, five thousand views within the first six months should be the inspection figure. It takes time to develop a creative strategic strategy, no matter how large or little it is. Nothing can be completed overnight; it will need careful planning, work, and money. After five months, the company may evaluate their products and approach to see how well they have performed and whether changes are necessary.

### **Creating New Brands**

The company, on the other hand, works mostly via its parent firms, supplying them to a diverse variety of shops. This contrasts with its main competitors, such as Uniqlo and Zara, who have many brands across the price range, allowing them to appeal to a larger consumer base. Despite the fact that the store in the US has a men's line of clothing, various women's wear lines, including a plus-sized range and a girl's assortment, as well as footwear, accessories,

and cosmetic items, all of these categories are administered by a single parent business.

As a result, Forever 21's expansion may be restricted to the number of locations it opens because it only works under one brand, whereas its competitors operate under several. Despite the fact that the company initially entered Europe in two thousand and nine with the opening of a store in Ireland, the firm today only has a few stores open, demonstrating that the store ideas do not make the most use of the retail space available in Europe. The company is capable of competing in market due to its established brand name, enticing in-store environment, and vast choice of stylish items. Furthermore, the direct touch altered the public's perspective of the company brand. Based on its name, it indicates that the organization mostly caters to young girls between the ages of twenty-one and twenty-five. It is time for the company to promote new brand lines, such as jewelry and cosmetics sold under different labels. Under the brand growth, the company should develop other things such as shoes, handbags, intimate clothes, and cosmetics to extend its target market. As a result, the company will go into new product categories different from the original brands. The growth of company twenty-one into accessories, shoes, and bags is known as category extension, whereas the expansion into men's and children's items is known as line extension. With these enhancements, the organization will be able to reach a wider range of potential clients and address their different requirements. The firm should commemorate the debut of these new brands with official opening ceremonies and unique promotions at their different sites across the world. The public will be influenced directly and significantly by the launching events, which will assist to build new awareness of the new brands.

However, in the industrial world, business comes first, followed by conversation, and then by association. Customers are drawn to the event and wowed by the brand service. Clients are lured to the brand's flagship stores and products instead of the low prices. Negotiations between the brand and customers, as well as

among consumers, will finally lead to operational benefits based on this connection.

### Suggestion

Over the years, the firm has established an enviable reputation in the garment industry. The company is always altering to stay up with the ever-changing fashion trends in the industry. Because the company was created on the premise of being current and fashionable, they would be capable of reaching a bigger numbers of potential buyers who are on social media by expanding to their existing social media, as well as keep their existing brand devotees informed on their newest designs. As a consequence, proposal one is the greatest option for this company. The company caters to young girls and men aged thirteen to thirty who wish to remain up to date on the current fashion trends at an unbelievable reasonable price. Despite the fact that adolescents are the company's major target market, people of all ages and backgrounds should be drawn to the company's stores since it provides nearly everything one might want at the cheapest cost for its quality. As previously said, the company is constantly aiming to be at the forefront, and the only way to do so while still appealing to customers of all ages is to have a presence on all forms of social media. In the ever-changing garment industry, it is vital for a firm to supply fashion-conscious consumers with the information they require. As a result, company's success is dependent on the consistency and reliability of all of the brand's social advertising initiatives. This sales approach is efficient since it not only demonstrates the firm's time and space, but it also gives value. The company's website updates might be participative, creating awareness among customers of various demographics. The projected demographic response to the posts is also important to the success of this strategy. Forever 21 and social media have identical audiences, with both having a large female element, which increases the accessibility of the postings. Customers may contribute and like the company's updates on social networks, therefore the company uses it as its major venue for user interaction. Since word of mouth is the most powerful form of

promotion, Forever 21 should use social network to allow customers to discuss their experiences with their products. This anticipated outcome will demonstrate that social media sales generate a beneficial relationship with more than just monetary value.

Businesses must strike a balance between the requirement to maintain a distinct competitive advantage and the need to endure and be effective. The relationship between entities and the main factors that influence and effect their marketing productivity is defined in today's business world. The company is competed with by a number of apparel manufacturing firms. To remain competitive, the company leverages dependable sales to give high-quality things at cheap prices to its clients. The company caters to young girls and men aged thirteen to thirty who want to keep up to date on the newest fashions at an astoundingly low price. The capacity to foresee style trends and adjust to changing client demand in a timely and suitable manner is crucial to the financial success of the organization. Forever 21's sales, financial condition and operational outcomes will suffer if they do not compete effectively in any way. To face this challenge, the firm has stated its intention to expand its activities globally. The company needs widen its client base by offering a wider range of styles, but in order to reach these other types of targeted buyers, the company must leverage social media platforms. If implemented, the two ideas given above may boost the company's sales and profits.

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