

# FOREVER 21

## Fast Fashion: The Unsustainable Business Model?

This case was created by our team using Dr. Nadeem Firoz's model, **Case Creation/Case Solution**. Our Professor, Dr. Firoz received a best paper award on this paper at the Thailand conference financed by Fulbright.

### 5 Internal Problems

- Environmentally unfriendly
- Labor exploitation, sweatshops
- Use of poor quality materials
- No unique designs, copycat
- Poor resource allocation
- Poor customer service
  - Difficult return policy

### 6 External Problems

- Class action lawsuits
  - Copyright infringement
  - Labor
- Negative brand perception
  - Unethical
  - Falls apart; bad value
  - Lack of brand loyalty

### 7 Case Solution: Alternative 1

*Continue to target a price sensitive 16-24 year old market by optimizing operations so precisely the costs would be even lower. Employ a total cost leadership tactic.*

### 8 Case Solution: Alternative 2

*Undergo a total rebranding campaign that turns Forever 21 into an industry pioneer of ethical and sustainable fast fashion. Apologize to the public for all past transgressions and target new markets with higher spending power.*

### 1 Abstract

This case explores whether or not Forever 21 and other fast fashion retailers can continue to be successful under the lens of shifting consumer perceptions and values. The emergence of “slow fashion” points to consumers’ needs to consume ethically and places common fast fashion such as labor exploitation and wasteful production under scrutiny. Thus, we ask how can Forever 21 sustain itself?

### 2 Background

Forever 21 is a major fast fashion retailer, founded in 1984 by Korean immigrants Do Won Chang and his wife, Jin Sook Chang, operating multinationally. Presently F21 operates over 600 stores, with its flagship location in Times Square, NYC. It remains a privately-owned company and utilizes a cost-plus pricing strategy to keep prices extremely low and attract price-sensitive teen-20s customers.

### 3 Industry Definition—Fast Fashion Retail Industry

- Business model that brings the latest catwalk trends to the masses.
- Affordable prices; optimized supply-chain management (quick turnover).
- Adversely associated with environmental pollution, low quality product, unethical labor practices, copyright infringement.

### 4 Industry Analysis

1. Threat of new entrants: NOT significant.
2. Threat of substitutes: MODERATE.
3. Customer power: HIGH!
4. Supplier power: LOW!
5. Rivalry: EXTREMELY HIGH!



### 9 Selection of Best Alternative

#### Alternative 2

- Thought leadership
- Abandons poor practices
- Combats “slow fashion” threat
- Addresses consumer concerns
- Longevity & sustainability
- Access to new markets
- Brand differentiation

### 10 Marketing Strategies

- Product line extension
  - New low-waste fabrics
  - Recycled fabrics
- Less locations: non-store retailing
- Product differentiation
- Higher pricing
- Market Development strategy
- Product Development strategy

### 11 Evaluation & Control

Determine if rebranding was successful:

- Consumer perception surveys
- Focus groups

Determine if target markets reached:

- Success of new products
- Examine revenues/profits
- Track purchaser demographics

### 12 Leading Questions

- How can F21 combat “slow fashion”?
- What can F21 do to increase its market share?
- How can F21 differentiate itself from other fast fashion brands?