Marketing Doctor

Marketing Check-up

# Forever 21

As of April 8, 2025

Condition: Terminal

## A price promise it could not keep

Forever 21 grew from a single Los Angeles store in 1984 into a global fast-fashion chain with $4.1 billion in sales at its peak. Its promise was simple: current styles at the lowest price in the mall. In March 2025 its U.S. operator filed for bankruptcy for the second time in six years and planned to close all 354 U.S. stores. This check-up looks at how a brand built on price lost to rivals that were cheaper still.

### Key takeaways

- Forever 21's one clear promise was the lowest price in the mall. That is a position built on cost, and a rival with lower costs can take it.
- Shein and Temu undercut it, helped by an import rule that let low-value parcels enter the U.S. without duties. The company said lower prices hurt its "ability to retain its traditional core customer base."
- Its stores were too big and sat in malls without enough foot traffic. An analyst called it "a retailer living on borrowed time."
- Its owners partnered with Shein, and one admitted: "We cannot beat them." A channel on a rival's site gave shoppers no reason to choose Forever 21 over that rival.

## Marketing health check

| Area | Finding |
|---|---|
| **Brand promise** | Price only. A rival with lower costs took it. |
| **Stores** | Too big, in malls with too little traffic. |
| **Differentiation** | None beyond price. |
| **Competition** | Undercut by Shein and Temu. |
| **Room to raise prices** | None. A brand chosen only for price can't pass on costs. |

## Timeline

| When | What happened |
|---|---|
| **1984** | Do Won Chang and Jin Sook Chang found Forever 21 in Los Angeles. |
| **Peak** | Sales reach $4.1 billion with 43,000 employees. |
| **2015** | 251 international stores in 40 countries. |
| **Sep 2019** | First Chapter 11, with plans to close 178 U.S. stores. |
| **Feb 2020** | The brand is sold to Simon, Brookfield and Authentic Brands Group. |
| **Fiscal 2021** | Revenue is about $2 billion, half the peak. |
| **Aug 2023** | Shein takes a stake in the parent of Forever 21's U.S. operator. |
| **Mar 16, 2025** | The U.S. operator files for Chapter 11 again and plans to close all 354 U.S. stores unless a buyer emerges. |
| **Apr 2, 2025** | The U.S. orders an end to duty-free treatment for low-value parcels from China and Hong Kong. |

## What happened: undercut on the only promise it made

At its peak Forever 21 employed 43,000 people and had $4.1 billion in annual sales. Its rapid international expansion, its restructuring officer later said, "challenged Forever 21's single supply chain," and in 2019 it filed for bankruptcy the first time. In 2020 it was sold to two of its biggest landlords and brand owner Authentic Brands Group.

Then cheaper rivals arrived online. The operator's finance chief said foreign fast-fashion companies "have been able to take advantage of the de minimis exemption to undercut our brand on pricing and margin." The filing names Shein and Temu and says lower prices hurt the company's "ability to retain its traditional core customer base."

## The diagnosis: a brand built on cost alone

- **Price was the only promise.** Current styles at the lowest price is a position built on cost. A rival with lower costs can always take it.
- **No room on price.** When inflation raised the cost of inventory, transport and wages, a brand chosen only for price had little room to pass costs on through its prices.
- **The wrong stores.** GlobalData's Neil Saunders told the Associated Press the stores were too big and sat in malls without enough foot traffic.
- **Partnering with the winner.** In 2023 Shein took a stake in the parent of Forever 21's U.S. operator. The owner's CEO said: "We cannot beat them. Their supply chain is too good." A channel on Shein's site was not a reason to choose Forever 21 over Shein.

## The treatment it needed

Before any return to U.S. stores, we would prescribe three moves:

- Pick a target customer and a reason to buy that does not rest on being cheapest: fit, quality, speed or trust.
- Keep any store network small: fewer, smaller shops where traffic is steady.
- Set price, quality and design standards for any new U.S. licensee.

## The result: a second bankruptcy

Revenue fell to about $2 billion in fiscal 2021, roughly half the peak, and the company lost more than $400 million over its last three fiscal years. The store base shrank from about 413 U.S. stores after the 2020 sale to 354. On March 16, 2025, the U.S. operator filed for Chapter 11 again and said that without a buyer it would carry out "an orderly wind down of operations."

In April 2025 the U.S. ordered an end to duty-free treatment for low-value parcels from China and Hong Kong. That may narrow one price gap, but it gives shoppers no new reason to choose Forever 21.

## Lessons for your marketing

1. Low price can win customers fast, but someone with lower costs can always arrive.
2. Build a second reason to be chosen, such as fit, service, speed or trust, while sales are still growing. That is the slow work of brand building.
3. Size your stores for the traffic you have, not the traffic you remember.
4. Partnering with the rival that beats you on price won't make customers choose you over it.
5. Grow abroad only as fast as your supply chain can keep the promise.

## The doctor will see you now.

Book a free marketing check-up at marketingdoctor.ca/contact. We'll examine your marketing, show you what's holding growth back and prescribe what to fix first.

## Sources

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