

What Causes Brand Failure: Case Study (Fashion Nova)

Zi Di Chen, Inga Voronova

New York City College of Technology, CUNY

BUF 3500 - D031

February 26, 2020

Introduction

Fashion Nova is a brand that was founded in 2006 by Richard Saghian. The first store opened in a Los Angeles area mall in 2006 and sold low priced “clubwear” and apparel. Seven years later in 2013, Saghian launched the Fashion Nova website and used his personal Instagram account with 60,000 followers as a branding medium. Fashion Nova’s Instagram page developed a loyal following with 15 million followers, and many customers would post selfies of themselves on Instagram and use the hashtag “#Novababes”. Fashion Nova’s social media exposure was so great that it was more than Zara and H&M’s exposure combined! They work with around 2000 influencers and according to WWD, a single post from Kylie Jenner would bring revenue in the millions. The brand’s trustworthiness was also gained due to frequent social media engagements with customers. In 2018, it was the top searched fashion brand topping brands like Gucci, Louis Vuitton, and Chanel while also claiming the company grew 600% (Business of Fashion, n.d.). So how did the buzzing social media-based fashion brand subjected to brand failure?

Brand Deception

According to consultant Matt Haig, a brand can fail due to one of four reasons: Brand amnesia, Brand ego, Brand deception, and Brand irrelevance. Fashion Nova’s CEO Richard Saghian interviewed with WWD in 2018 and Saghian was explaining how he does not need to do interviews and communicate to the press because Fashion Nova is growing profitable without it. According to Google in 2017, Fashion Nova was the most searched fashion brand alongside Gucci, Louis Vuitton, Supreme and Chanel. It placed fourth in the most searched fashion brands, and it was the lone brand to do so without having a runway show, placement in magazines,

traditional marketing campaigns, and Search Engine Optimizations. He claims the company also grew 600% in 2018, but refused to reveal its revenue. Saghian's approach of growing Fashion Nova is not by having a company budget team calculate profit margins, but to get the best products to customers at the best prices as fast as possible. Fashion Nova also has a team that posts every thirty minutes on Instagram promoting its best products and engaging with its key customers. The team will like/comment on customers posts and sometimes will even repost their post on the Fashion Nova page (Hughes, 2018). Despite these things he explained in the interview, Fashion Nova's return policy is not ideal, they failed to fulfill orders and settled by paying almost two million dollars, and they allegedly have workers being significantly underpaid at Los Angeles sweatshops. We believe Fashion Nova failed because of Brand deception.

The brand caters to a demographic group between the ages of 16 to 35 and their CEO claims that the growth strategy is getting the best products at the best prices to customers as fast as possible; turning fast fashion into "Ultra-Fast Fashion". However, the company failed to deliver its orders on time during 2017 Black Friday and the order turnaround went from three to five business days into sixteen days. The return policy is below industry standard and there has been numerous complaints. Saghian's response to these complaints is that it will be easier for the customers to just keep the merchandise they do not want because the shipping fee to do an exchange or return may cost more than the entire original purchase (Hughes, 2018). The 2017 Black Friday incident is only a minor issue to Fashion Nova's ability to fulfill orders on time. Fashion Nova was prosecuted by four different counties in California due to its inability to abide by the California state law. The law requires that internet orders need to be shipped to the customer within thirty business days from the date the order was placed or a notice to be given to

the customer if unable to do so. The company failed to do either of those options and it settled the lawsuit by paying almost two million dollars (TFL, 2019). Another investigation conducted by the United States Labor Department in 2016 found that almost four million dollars were held back in wages to hundreds of factory workers that were producing Fashion Nova clothing. Representatives of Fashion Nova denied these allegations from the U.S. Labor Department and said all their workers are appropriately compensated for the work they do and any allegations towards Fashion Nova underpaying their workers are false (Kitroeff, 2019). Saghian seems very confident towards his approach in running his company, but the brand has failed because of its scandals from 2016 to 2018. They have lost the consumers trust in delivering the best product at the best prices as fast as possible.

Recommendations For Reposition

To reposition itself, Fashion Nova should focus on its weaknesses such as the return policy and poor customer service, as well as the effects of the negative publicity brought by the released articles about the company's underpaid employees and lousy working conditions. The issues mentioned above have resulted in a drop in sales and a loss in profits while bad customer feedback and complaints had eventually led to negative publicity and ruined the brand image of the company. To avoid further brand failure, the company should reposition itself and address these problems immediately to stay competitive in the marketplace.

To achieve this, Fashion Nova should use communication channels such as public relations and influencer marketing to regain a strong position within the market space and restore its customers' trust and brand loyalty. Using digital public relations activities, the brand can

improve its image and lessen the impact of prior negative publicity associated with the scandals. Instead of denying the existence of such issues, Fashion Nova should address them. The company should reach out to affected workers or customers who feel deceived by the brand and must be ready to do all the necessary changes to improve the situation and offer ways to solve the problem.

Also, if Fashion Nova says that these accusations are false, they should make the brand more transparent by disclosing more information about who, where, and how they produce their products. Fashion Nova's public relations should focus more on having articles about why this brand puts so much attention into its return policy, customer service, and working conditions of its employees to bring back customers' trust.

As for the influencer marketing, while working with high-profile celebrities like Cardi B, Amber Rose, or Kylie Jenner resulted in high-volume sales and profits in the past, today, we think that Fashion Nova should focus more on micro-influencers or even nano-influencers. They have a higher engagement rate on Instagram and have a higher level of trust compared to macro-influencers. The brand should communicate with their customers and try to provide the best customer service so they can have a growing number of good reviews and receive positive publicity.

Lastly, the brand can utilize a co-branding strategy to reposition itself successfully to attract more customers and appeal to a new target market by collaborating with another successful brand. This strategy can result in higher profits, establish credibility, and gain greater

customers' trust in the product. An association with another renowned brand can also create a better product image.

Conclusion

Overall, Fashion Nova's ultimate cause for brand failure has been deception. They need to reposition by fixing their return policy, poor customer service, and negative publicity. To do so, they can begin by using communication channels such as public relations and influencer marketing, then move towards brand transparency, and then possibly use co-branding. Saghian's claims Fashion Nova is a brand that is about getting the best products at the best prices to customers as fast as possible, but headlines on the news say otherwise. They were sued by four counties in California and settled by paying almost two million dollars! Allegedly, they also have workers in Los Angeles sweatshops not being compensated properly. Representatives of the company denied these accusations, but these scandals are what ultimately caused brand failure.

References

Bain, M. (July, 2018). Fashion Nova conquered Instagram by embracing the “thirst trap”.

Quartz. Retrieved from

<https://www.google.com/amp/s/qz.com/quartz/1341992/fashion-nova-conquered-instagram-by-embracing-the-thirst-trap/amp/>

Hughes, A. (February, 2018). How Fashion Nova won the internet. *WWD*. Retrieved from

<https://wwd.com/fashion-news/fashion-features/inside-fashion-nova-cardi-b-1202595964/amp/>

Kitroeff, N. (December, 2019). Fashion Nova’s secret: underpaid workers in Los Angeles factories. *New York Times*. Retrieved from

<https://www.nytimes.com/2019/12/16/business/fashion-nova-underpaid-workers.html>

Retailer Fashion Nova agrees to pay \$1.75 million to settle lawsuit. (December, 2019). *Fox 5*

New York. Retrieved from

<https://www.google.com/amp/s/www.fox5ny.com/news/retailer-fashion-nova-agrees-to-pay-1-75-million-to-settle-lawsuit.amp>

Richard Saghian Biography. (2018). *Business of Fashion*. Retrieved from

<https://www.businessoffashion.com/community/people/richard-saghian>

Ruggiero, A. (December, 2019). Online retailer Fashion Nova ordered to pay \$1.7 million for violations. *The Mercury News*. Retrieved from

<https://www.google.com/amp/s/www.mercurynews.com/2019/12/19/online-retailer-fashion-nova-ordered-to-pay-1-7-million-for-violations/amp/>

TFL. (December, 2019). Fashion Nova to pay nearly \$2 million to settle lawsuit over failure to ship orders, alert consumers of refund policy. *The Fashion Law*. Retrieved from <https://www.thefashionlaw.com/home/fashion-nova-pays-nearly-2-million-to-settle-new-lawsuit-for-allegedly-failing-to-ship-consumers-orders>