

Behind Shein: China's fashion retailer taking the world by storm

China's fast fashion cross-border e-commerce retailer Shein is little known within the country itself but its profile overseas continues to rise. Just Style investigates the secret behind its success amidst a landscape of US-China tariffs and supply chain challenges.

By Jens Kastner



In May 2021 and again in January 2022, Shein app downloads exceeded those of international e-commerce giant Amazon, according to Chinese-language news daily BJ News. While, Reuters reports estimated the company may have generated about Chinese Yuan Renminbi CNY100 billion (US\$15.7bn) in revenue in 2021 as the Covid-19 pandemic shifted global consumption online.

In December 2021, Shein's secretive founder, Xu Yangtian (also called Chris Yu), went to Brazil to inspect the Brazilian clothing supply chain to speed up the localisation process in the world's fifth-most populous country and the world's fifth largest cotton producer, said Chinese online news service 36kr.

This February, media reports, such as those from Reuters claimed Shein had hired Bank of America, Goldman Sachs and JPMorgan Chase to lead a Shein stock exchange listing IPO in the US.

Understanding the Shein business model

All of this news remains unconfirmed by Shein, however the company's extremely successful business model has been thoroughly researched, with observers, such as Mark Greeven, a professor of innovation and strategy at the IMD business school in Lausanne, Switzerland, and the co-author of the newly published book 'The Future of Global Retail: Learning from China's Retail Revolution', noting that about 1,000 new items are listed on the Shein platform every given day. The book also explains Shein's delivery time is generally less than eight days. The company starts selling a line by making very small orders (usually 100 to 200 pieces), and returns with new orders immediately if the sales trend is good or suspends production if the sales figures do not meet expectations.

To get consumers interested in its clothes, Shein deploys a comprehensive marketing strategy that combines social media, user-generated content, search engine optimisation, short videos and livestreaming. On Instagram, YouTube, Facebook and other platforms, key influencers and customers in Europe, the US and elsewhere display Shein's swimwear, skirts, trinkets and casual wear, getting these products for free as compensation.

Shein's prices are very low with the retailer's official website listing T-shirts, trousers and dresses for \$3, \$7 and \$13 respectively, which is often 50% or lower than the cost of similar products from other prominent fast fashion brands such as Inditex-owned Zara.

To keep its attractive fashion proposition flowing, Shein launched several projects in 2021 that aim to attract young designers, such as the ‘SHEIN X Designers’ programme. According to Shein, nearly 1,500 designers and artists participated in ‘SHEIN X’ in 2021. An example involves eight Santa Ana College (SAC), California, students participating in a fashion illustration course on how to draw garments in Adobe Illustrator. A final project required a four-piece collection with the option of submitting work to SHEIN X, and linking students with Shein’s product development team to participate in a sample approval process and finally see their designs become products that consumers could purchase online.

From Trump tariffs to mobile ordering: The secrets behind Shein’s success

Shein had not replied to Just Style prior to this article’s publication, however clothing industry experts outside of the company were happy to share their insights into the secrets behind its success, which include it having an innovative supply chain model that escapes the tariffs introduced by Donald Trump and mobile-based ordering.

“A key to the success of Shein is that it was able to seize the opportunities brought by the US-China trade war. The increased tariffs have substantially affected Chinese bulk garment exports to the benefit of Shein’s business model of using express delivery to ship products from its warehouse in China directly to US consumers,” explained Fan Di, a professor at The Hong Kong Polytechnic University’s Institute of Textiles and Clothing.

“These packages are tax-free if worth less than \$800, enabling Shein to keep prices low when its competitors were facing higher operating costs due to the trade war,” he added.

Shein’s other strength is that it has a revolutionary supplier management system that translates into providing a wide range of product assortments at fast speed. The company’s quick turnaround is thanks to the hundreds of suppliers it uses in the Pearl River delta area in China’s Guangdong Province.

The magnitude seems set to grow even further, as indicated by the Guangzhou Municipal Development and Reform Commission in February issuing a ‘Guangzhou 2020 Key Project Plan’ notice that included a Shein Bay Area Supply Chain Headquarters project with a total investment of CNY15bn (\$2.36bn) and a total construction area of about 3.3 million square metres.

“These suppliers are skilful as they have supplied overseas brands for a long time, thus they are capable of quickly turning designs into products,” explained Fan.

“In addition, the manufacturing infrastructure in this area is comprehensive: Fabrics and accessories can be easily sourced within the region, while the well-developed transportation network can reduce the transit time for goods,” he added.

Fan pointed out that because Shein’s suppliers are usually small, they may not have an enterprise resource planning system (ERP) to which Shein could link to for automated mutual order processing. To overcome the resulting complexities in communication and coordination, Shein has developed a range of web/mobile-based systems for these suppliers for managing inventory, processing the orders and payments.

“A manufacturer who is interested in becoming a Shein supplier can apply through a website called zhaoshang.sheincorp.cn. Shein creates an account for the supplier and trains them to use the system, and then the suppliers who finish production early are rewarded, speeding-up overall product delivery,” Fan said.

“It is not easy to replicate Shein’s business model as it requires a strong supply base and a superior supplier management technique, but every fashion firm can learn from its operations in terms of how to cope with global trade risks and how to integrate suppliers to build a competitive advantage,” he added.

What’s next for Shein?

Meanwhile, Greeven has been predicting Shein’s future moves. He noted that from the company’s initial focus on womenswear, Shein has expanded into men’s and children’s clothes as well as shoes, accessories, bags, home furnishings and beauty products. The company is blazing the trail of many leading internet companies, including Amazon, China’s JD.com and Meituan, who all widened their respective product range over time.

“Generally, answering the question of ‘what’s next?’ and ‘where will the growth come from’, they can either dig deeper in fashion, expand to other markets or diversify into a more horizontal e-commerce model,” Greeven told Just Style.

One issue that might be a future focus of Shein, he suggested, is a focus on its ESG (environment, social and governance) reputation and efforts: “The company has mastered digital for its marketing/consumer facing side of the business model and the connection to its supply chain network, but can these digital capabilities help it with better managing its talents and people and should it do more in terms of recycling and upcycling?” he asked, noting: “After all, that is what an increasingly large consumer base is expecting”.