

Analysis of the Competitive Advantages of Cross-border E-commerce Unicorn SHEIN

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Abstract: Cross-border e-commerce can significantly reduce the threshold of overseas market development. In recent years, cross-border e-commerce flourished, and many domestic enterprises have tried to go overseas. The rapid development of cross-border e-commerce has led to innovation in business. It has created convenient conditions for goods to build brand image in overseas markets. With the development of cross-border e-commerce, more and more talents will flock to this industry. The strategies used by each enterprise are different, and the supply chain and brand management of each enterprise will affect their status and influence in the cross-border e-commerce industry. SHEIN is a cross-border e-commerce company mainly focusing on fashion, clothing, accessories, etc. This article will analyze SHEIN's competitive advantages from several specific aspects and give some suggestions. Through the study and analysis of SHEIN, we have a more accurate and practical understanding of the cross-border e-commerce industry and this brand.

Keywords: cross-border e-commerce, competitive advantages, SHEIN

1. Introduction

Domestic, cross-border e-commerce imports and exports have grown nearly tenfold in five years since 2017. Despite the economic decline due in 2020, the cross-border e-commerce industry is in a sound development stage. New cross-border e-commerce businesses, such as SHEIN, Temu, and AliExpress, continue to emerge in China. These cross-border e-commerce enterprises have been relatively unaffected by popularity. Each enterprise has different competitive strategies and models to stabilize its position in the cross-border e-commerce industry and improve its profits. SHEIN was founded in 2008. In ten years, SHEIN has developed its competitive strategy, created fashionable and excellent products for young people, and achieved good results in the cross-border e-commerce industry. In 2012, SHEIN gave up the wedding dress business of cross-border e-commerce and acquired the website SHEINside.com. SHEIN began to focus on the overseas fashion goods market and thus started the road of overseas growth.

Since 2021, SHEIN has gained a certain status in its field, with 75 million downloads per year, second to Amazon, and becoming the world's top mobile fast fashion brand. SHEIN has a philosophy

of making everyone enjoy the beauty of fashion. SHEIN operates in more than 150 countries and offers a wide variety of products with high-cost performance. SHEIN provides cost-effective products while running the brand and is excellent in supply chain and management. SHEIN has achieved outstanding in the cross-border e-commerce industry and gained a solid position. Its competitive advantages deserve to be analyzed, including competitive industrial structure, profitability, supply chain advantages, etc. Finally, some suggestions will be based on SHEIN's data analysis and research on its prospects.

2. Literature Review

According to Morgan, fast fashion is when the designers copy works from other designers and produce more quickly and cheaper clothes [1]. As Liu said, the advantage of SHEIN in fast design updates is examined. The author believes one of the company's key business drivers is that SHEIN utilizes significant automation for designing apparel [2]. For example, the company can create hundreds of products each day. Michael says the time that the cloth can be divided into "autumn-winter" and "spring-summer" has long gone, and fast fashion has replaced it [3]. While there is battling among researchers, some believe a fast fashion company like SHEIN induces consumers to buy. For instance, Itzel Gutierrez and Kimberly Nehls, Ph.D., doubt the sustainability of the business model of SHEIN [4]. And Breen believes the company's unprecedented promotion strategy stimulates unsustainable consumption [5]. Caleigh writes that fast fashion has an ugly side [6].

For instance, the negative environmental impact is caused by fast fashion. And there may be problems with labor violations. At the same time, Felipe and Victor say that internal sustainability and a highly responsive supply chain is necessary and required in the fast fashion industry [7]. In addition, Maojun-gong and Jing Wang noted there are instant threats from the entry of new competitors for SHEIN [8]. While Linglin believes the company's value creation is low cost and differentiation [9]. Jieru has another point, and she thinks the successful strategy adopted by the business is to adopt novel ideas, such as using consumer reviews as the product promotion strategy [10].

What is more, how SHEIN survived the pandemic is examined. Yunjie in his article, says the pandemic brings threats and opportunities to the company [11]. Even though there is battling and discussion, this article will discuss other key business drivers that lead to the company's success.

In addition, brand management will be discussed deeply in the article. And both sides of consumerism and immaterial labor are fueling the fast fashion industry.

3. Competitive Advantage Analysis

3.1. Cross-border E-commerce Industry Analysis

First, the cross-border E-commerce industry is one of foreign trade with the highest growth rate and strong development potential in China. Since 2017 the scale of import and export of China has increased tenfold. From the perspective of trade size, in 2020, the market size of cross-border E-commerce targets 12.5 trillion with 119.05% IYA (Index versus Year Ago). And then, in the year 2021, it will reach 14.2 trillion. Secondly, to narrow down to the fast fashion industry, there are some industrial magnets such as ZARA, H&M, CAP, etc. Thirdly, there are also several strong E-commerce competitors like Amazon and Shopee.

Other Chinese brands like TEMU, Ali Express, LAZADA, and MIRAVIA have a similar consumer target as SHEIN. With the increasing entry of E-commerce partners, the market is fiercely competitive. For instance, as the new player, TEMU's access in 2022 won a high volume of concerns and is the top 1 free shopping APP measured by downloads. It overcomes Amazon and SHEIN. One of the reasons is that most consumers believe TEMU has powerful discounts and promotion depth.

On Black Friday, part of goods has a 30% discount, and at the same time, consumers can enjoy around 90 days of termless return money.

3.2. Competitive Advantage Analysis

3.2.1. The Analysis of the Sustainability of SHEIN

Compared to the financial analysis in the traditional industry, the E-commerce area focuses on the parameter GMV. In the first half year of 2022, the GMV goes beyond 16 billion US dollars, and the IYA reaches 150%. In addition, around the world, the downloads are around 500 million times, and consumers from the USA account for 14%. SHEIN is regarded as the most successful cross-border E-commerce business in China. The annual income keeps rising during these years. In 2020, the annual income was 10 billion dollars, and there was a 6000 million increase in its revenue. In 2022, it even reached 30 billion dollars. There is a high penetration rate in the USA and Brazil markets, which leaves room for improvement in other areas, such as Southeastern Asia and some developing countries. Finally, the company should take advantage of supply chain and brand management to win in the mid-run.

3.2.2. The Pros of Supply Chain Management - Flexible Supply Chain and “Small Order Fast Reaction”

Before 2014, SHEIN lacks a supply chain management system, which is the blind point of most channel partners. The primary business model is to buy low, and sell high, which means these channel partners act as the wholesaler when they buy stocks and then sell goods and products to consumers at a higher price. They earn the spread. However, after 2014, SHEIN focuses on the construction and management of the supply chain system. And it builds the supply chain center in Panyu, Guangzhou, the world's most prominent clothing wholesale center. Therefore, this location advantage provides the necessary condition for the company to develop a flexible supply chain and ‘Small Order Fast Reaction.’ And in that area, labor costs can also be reduced sharply. SHEIN employees 800 people to constitute a team for clothing and accessory design. And the company also hires professional buyers. Besides, SHEIN has solid financial capital.

On the one hand, SHEIN invests in clothing factories and closely supervises purchases and transactions. On the other hand, SHEIN exploits the advantage of cash flow to reduce the number of days for accounts payable to suppliers. The terms of days for account payable deducts from 90 days to 30 days. The change of the term helps suppliers to mitigate the financial pressure, and at the same time, it allows SHEIN to have more space to debate the quality of goods and services.

3.2.3. Brand Management Advantages

Compared with general channel providers, SHEIN has its R&D team and coupled with the blessing of an efficient supply chain, the new products are fast and have many styles and low prices. Compared with fast fashion retailers, the advantages of SHEIN products are new and fast. For example, according to statistics, only in 2019 and one year, SHEIN has an average of more than 10,000 new items per month and an average of about 600 recent articles per day. There are more than 10,000 new volumes per month, catching up with ZARA's 12,000 a year.

SHEIN is not limited to being a distributor but a wholesaler but devotes more resources to accelerating the pace of establishing its brand advantages. According to Amazon's survey of European and American consumers' purchasing intentions, about 43% of the respondents said that due to the epidemic's impact, they prefer to shop online first, and 40% said they would not buy unfamiliar brands. It can be concluded that cross-border e-commerce consumers are highly dependent on brands, which

is an excellent opportunity for cross-border e-commerce companies in my country. Enterprises should speed up their brand building, form a good brand effect as soon as possible, further improve brand competitiveness, and thus gain brand advantages.

3.3. Suggestions

SHEIN not only needs to keep its pros in the supply chain and brand management, but also it must put efforts into the new market. It can develop the market in Japan, Korea, and other southeastern countries. The southeastern market needs a more robust marketing platform and system than the Western market. SHEIN should exploit its supply chain skills, live streaming platforms, and KOL to open new markets. Besides, the pandemic brings many challenges. The out-of-stock due to pressure from suppliers is one of them. Hence, SHEIN should be more decisive and cautious in dealing with the relationship with suppliers. One of the actions that can be taken is vertical acquisition and strengthening the connection with the supplier. And SHEIN should verify the sources of raw materials. These actions can reduce the risk, enhance bargaining power, and stabilize the supply chain system. Finally, according to the research, more than 43% of interviewees believe that since the pandemic prefer shopping online, and at the same time, 40% of people will not buy goods from foreign brands. So, SHEIN needs to enhance its penetration rate and popularity to win potential clients. More customers mean more data and more transactions, which means more intelligent decision-making and lower prices, which in turn brings better customer experience and a higher level of customer retention; Venture capital continuously optimizes the capacity of massive investment in customer acquisition and introduces better engineers, machine learning experts, etc., to create a better system, make better predictions, and create a more powerful addictive system. The vigorous development and rising enthusiasm continue to drive the wheels to roll and enter a virtuous circle. SHEIN is invincible in a certain sense.

4. Conclusion

This study analyzes the cross-border E-commerce business SHEIN's industry structure, mentions some of the leading competitors, such as TEMU, and suggests possible actions for the company to keep sustainability. It also analyzes the competitive advantage of SHEIN in terms of highly efficient supply chain management and effective brand management. The cross-border e-commerce industry is booming, and SHEIN has a solid industry position. The competitive landscape of SHEIN is relatively large. Its competitive strategy—accelerating brand building and merging and acquiring local brands to accelerate entry into the local market, makes its position ahead of some peers. At the same time, SHEIN's competitors include Pinduoduo's TEMU, Cider, and other brands.

From the beginning, SHEIN chose the model of a self-built website, which does not depend on the platform but requires a lot of construction and promotion costs in the early stage. However, after the self-built station forms a private domain flow pool, it is equivalent to continuous deep digging for more than ten years, digging a very deep well, and having a constant source of running water. SHEIN chose the difficult, lonely, but ultimately proven right path.

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