

A Case Study on the Business Expansion Strategies of SHEIN in the US

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Abstract: SHEIN is a recent rapid growing apparel company that mainly aim to attract the young generation customers. This paper aim to analyze the factors that help SHEIN to become such an outstanding company. What is specific contribute to their success. In the past few years, the whole world suffered from the pandemic, this prevents people from purchasing products in the physical clothes shops. During this period, as an e-commerce company, SHEIN gained many customers by using multiple strategies. SHEIN also had encountered some obstacles, which include frequently being sued by designers that SHEIN is plagiarizing their pieces without authorization. Moreover, many environmentalists accused SHEIN of producing too much virgin polyester and left the waste undisposed. The reported of long working hours of workers and standardless outsourcing manufacturers led the consumers and media to concern about the working condition of workers and the quality of clothes. To solve these problems, this paper suggests that SHEIN could hire young designers to provide original products. Stricter rules on factories need to be set to make sure that the wastes are properly disposed. SHEIN could also limit outsourcing manufacturers. Under such condition, the working hours and the condition of the factories could be regulated easier.

Keywords: e-commerce, multinational marketing, social media marketing, fast-fashion industry

1. Introduction

This paper examines how SHEIN, an apparel company originated in China, become so popular and expand around the globe. SHEIN had used multiple strategies to attain its success including advertising in social platforms, using AI model to analyze the preference of users etc. In this paper, the B2B and B2C marketing of SHEIN would be analyzed [1]. SHEIN is also an e-commerce company [2]. Some research of the traditional e-commerce companies such as amazon and eBay [3], had been done. These researchers analyzed the business framework of these companies and how their services had been improved to be made more appealing to customers. This paper would refer to some ways that these papers adopted and analyze both the business strategies of SHEIN and the problems it encountered [4-7].

SHEIN is a company originated in China and expand over the globe. It was downloaded 200 million times in 2022, making it the most downloaded shopping app of that year. Now it is the leader of the fast-fashion industry, which is the clothing focusing mainly on young female generations and featured with cheap price. There are some good reasons why SHEIN, a considerably recent set up

company could beat those traditional fast-fashion companies. Advantages of this company are shown in various of ways, which this paper would analyze them in detail. The important experience of SHEIN could also provide some ideas for the companies that were either included in e-commerce or apparel.

Section 2 provide a background review of SHEIN, the strategies it took, and the reasons for its popularity. Section 2 also raised some problems of SHEIN. Section 3 would introduce the causes for the problems and bring about the consequences of them. Section 4 would provide some practical solutions for SHEIN to solve their urgent problems.

2. Background Description

SHEIN is a company originated in China and expand in the US market which produce the fast-fashion products with cheap price. The targeting customers of SHEIN are the young female generations. SHEIN stand out because it provides these customers with apparel and accessories in cheap price. Moreover, it come up with new pieces every day so that it would be easier for them to follow the trends. As an online e-commerce company, it also provides the consumers with convenient ways to ship the products worldwide. It is now expanding its market all over the world especially in the US. Its market share is now bigger than the traditional fast-fashion companies like ZARA and H&M. It has now become the dominate fast-fashion producers in the US. During the pandemic, which started at 2019, people have difficulty going to the physical stores for shopping. That's where SHEIN is edge over other clothes stores. It allows people to purchase clothes online and provide them with cheap prices at the same time. It is reported that SHEIN had the lowest womenswear prices among all the fast-fashion retailers in the US. According to average prices monitored on March 8, 2022, dresses would be sold at 15.74 U.S. dollars on SHEIN, while Zara had an average selling price of 48.19 U.S. dollars for the same product. There is an upward trend of the yearly revenue of SHEIN since year 2016, as shown below in Figure 1. Since year 2019, which is the year pandemic started, the revenue of SHEIN grew even faster.

2.1. Expansionary Strategies

SHEIN used some online platforms like YouTube and TikTok to promote their products [8,9]. These video platforms are suitable for advertising the products because the videos posted by the influencers would probably have millions of even billions of views. Cooperating the influencers on these platforms could also be a relatively cheap to promote the products because if SHEIN need to find celebrities to speak for them, they would've pay much for the advertising, but for the influencers on the social platforms however, SHEIN could easily promote their products in a relatively cheap price. This way of advertising is usually included in a video made by the cooperating influencers called the unboxing video. In this video, the influencers would show the whole process of he/she is opening the parcel and trying on the products by SHEIN. In the video, the influencer would introduce how fascinating the products are and their high-performance cost ratio. These videos would be push to the users that would probably be fond of buying these clothes according to the big data. It provides a great way to attract the potential consumers.

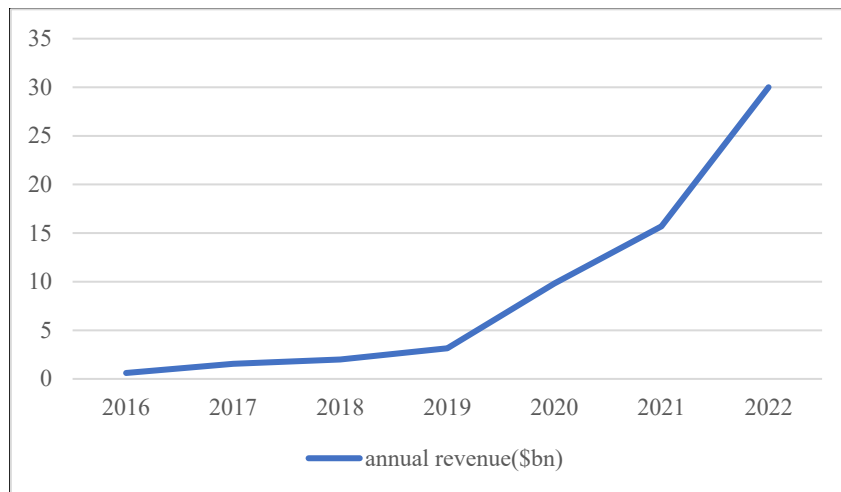


Figure 1: SHEIN's annual revenue from 2016 to 2022.

Source: www.businessofapps.com/data/shein-statistics/.

As a fast-fashion company, SHEIN also pushing out their products in a fast speed, According to SHEIN 's CEO Molly Miao, the company releases between 700 and 1,000 new items a day. In this production rate, the company could change their styles of clothes according to the everyday trend. The speed of their production really did follow the word 'fast-fashion'. The traditional fast-fashion companies in comparison, push out their new pieces weekly because they need enough time to deliver the new pieces to every physical store. Moreover, the apparel companies that have the physical stores require much more time to run than the e-commerce apparel stores because they need to train their staffs and meet the need of the consumers in the physical stores. This would delay their time to release the new pieces.

3. Analysis on the Obstacles during Expansion

3.1. Design

Now, SHEIN is facing with the problems of being sued by many individual designers. These designers claimed that SHEIN had plagiarized their pieces, and because they are individual designers, they have limited ways to protect their own rights. These designers posted on social media about their pieces being plagiarized by SHEIN and showed the comparison of their pieces and the products from SHEIN. The posts have a lot of views and was spread out. Similar situations had happened for many times and it had caught the attention of the society. Many news had reported the controversial behavior of SHEIN. Most of the consumers also have strong awareness of the copyrights. If SHEIN couldn't solve this problem properly, their reputation would be affected. Some consumers may even boycott the products by SHEIN. Also, SHEIN come up with new pieces in a fast speed, which means that the number of designers that choose to sue SHEIN would keep rising. This could trap SHEIN into legal dispute and cost them a lot of time and energy to engage in a lawsuit.

3.2. Environmental Issue

It is reported that SHEIN leaves about 6.3 million tons of carbon dioxide a year because of its large range of clothes production and ineligible waste disposal [10]. The production of clothing by SHEIN would cause severe damage to the Earth environment. For the fast-fashion company like SHEIN, the bad effect would be more serious. The main emission of the CO₂ is due to the production of the virgin

polyester, which is an important material in the process of cloth-making. The product positioning of fast-fashion companies like SHEIN were relatively low, which means the quality of the clothes could not be guaranteed. In this case, people would have to buy new clothes more frequently because they could not wear the clothes in low quality for a long time. They need to replace the old clothes with the new ones because of the poor quality. This would in turn speeding up the production of the virgin polyester and cause more Co2 emissions. In conclusion, the 'quick buy quick discard' mode of buying clothes that SHEIN had introduced would cause serious problems to the environment. Without the proper restriction set by SHEIN, the outsourcing companies of SHEIN and the workers have little concern about how their behavior would harm the environment. Some environmentalists had already paraded to call for the resistance of buying products from SHEIN.

3.3. Long Working Hours

Workers of SHEIN were reported to work in long hours and have relatively short time for rest. SHEIN outsourced many of their clothes production to the third-party suppliers to save the cost of production. However, it is hard for them to control the working conditions and the working hours of each factory. If the working hours of the workers exceed, SHEIN would hardly know because the multiple suppliers it's working with. As the popularity of SHEIN is growing in a fast speed, this short coming would be serious in deteriorate their reputation. The consumers and government would pay more attention to what they have done and what rules they had violate. A number of staffs across six sites in Guangzhou were found to be working 75-hour weeks in a report by Swiss advocacy group Public Eye. Workers the Public Eye's researchers spoke to clocked three shifts per day, often with only one day off a month. BBC had also reported that the low price of the products from SHEIN couldn't attain a good working condition in the supply chains. SHEIN has thousands of suppliers. It is hard to check if each of them was under the standard set by the local government. The transparency of the working environment is low. The problem had now raised by many magazines and articles, which have caught the attention widely. These problems may raise the concerns from the consumers thus less likely to buy the products from SHEIN. Moreover, if SHEIN couldn't show their practical actions to solve these problems, Forbiddance to enter certain countries could be carry out by governments to resist the unmoral behaviors of SHEIN. SHEIN set their markets in foreign counties, US is the main one among them. If being kicking out by the US market, SHEIN could lose a large amount of customer base. The domestic market is unreliable for SHEIN because many of the local clothing is both cheap and good in quality. SHEIN wouldn't be competitive in pricing or quality.

4. Suggestions

4.1. Hiring Young Designers

The targeting customers of SHEIN are the young female generations. The new graduate young designers that would have more ideas to fit the aesthetic of the young people. They understand more about what the trends in current time are and how should the company do to follow the trend and make the products to be more appealing to their targeting customers. Moreover, the experienced designers are in relatively high salaries. The pricing of the products made by SHEIN is low, which means that SHEIN has less budget in hiring experienced designers. The young designers are young and don't have much experience, the salary required for hiring them is relatively low. As a result, hiring young designers would probably have mutual benefits. For SHEIN, they could hire their own designers and push out their original pieces in a low cost. This would help SHEIN to save their reputation of plagiarizing. For the young designers, they would have more opportunities to turn their designs into real products, which they could not attain when entering a traditional apparel company. In a traditional apparel company, the designers are the experienced ones with long working years.

Those companies seldom hire a new graduate to design the piece for them. Working for SHEIN would allow the young designers to gain more practical skills.

4.2. Environment

SHEIN should follow strict procedure to make sure that the wastes are properly disposed. In the process of production, the factories that produce the clothes would emit the toxic gases that would harm the environment. After the manufacturing, many of the waste would be abandoned without proper disposal. SHEIN should come up with stricter rules to regulate both their own factories and the suppliers to meet the need of protecting the environment. SHEIN could also set up charity program. They could set up certain stations to collect the clothes produced by SHEIN that people no longer need and donate those clothes for people in need. Such charity work could help save some of the resources on the earth and also save their reputation. Improving the quality of the clothes and accessories is also needed. This would help expanding the length of time that the clothes could be wear. It would help reducing the production of virgin polyester.

4.3. Limiting Third-Party Suppliers

SHEIN could better control the rules and the working environment by choosing limited out-sourced suppliers. It would probably legitimate this problem because it would be easier for SHEIN to check and control the factories. SHEIN need to provide a whole standard for the working hours, the environments, and the resting time of the workers. Whenever they find the problems in these factories, they could also solve them in a faster speed. SHEIN should check the condition of the environment before cooperating with the factories and set standard to the working hours of the workers. Moreover, they should send particular staffs to make sure that each factory has obey these rules. The data of the working hours and the environment of the factories should be transparent and open so the media and the public would know that SHEIN had strictly obey the rules they set. These solutions are practical for SHEIN to save the reputation of the company. Maybe the shortened working hours of the workers and the higher restriction would lead to a high cost for production and slowing the producing time. However, it would alleviate some of the most urgent problems and to win back the trust from their consumers and the public.

5. Conclusion

This paper aim to provide an overview of the strategies and the problems of SHEIN. It also provides some possible solutions to solve their current problems. SHEIN is a successful company that is still expanding with a fast speed. This paper also included SHEIN's current problems include frequent suing from individual designers, environmental damage and long working hours of workers. Specific data are provided to exhibit both the popularity of SHEIN and the severity of their problems. Analyzing the problems and the potential solution would expand the possible ways for the companies to take when encountering the difficulties and problems. This paper mainly limits in providing the data of recent years as SHEIN was well-known around year 2019, when the pandemic started. Seldom research had been done before, so was the data of this company. Prospective studies could be done on the expanding the aiming customers of SHEIN. The experience of SHEIN would not only be useful for the companies in clothing industries but also good for those that are interested in e-commerce and those are competitive in domestic market but would be popular in foreign markets.

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