



SHEIN SHINE STORY

An SEO and brand marketing expert today runs a \$10 billion+ China-based fast fashion brand that recently slayed giants like Zara, H&M and Forever 21 in the US markets. It is among the most talked-about brands on TikTok and YouTube besides being the most visited fashion and apparel site in the world. Its global revenues have doubled every year for the past eight years with an astonishing CAGR of 101 per cent in sales between 2016 and 2020. **Fibre2Fashion** explores how founder **CHRIS XU** has ensured that his 1 million+ daily active users shine in and shine out of shein.com

by **SANJAY BAKSHI**

China-based Zoe Top Business Co Ltd operates Shein.com – an internationally-focused online store, generating ecommerce sales in US and major countries of Europe. Shein.com achieves the greatest part of its ecommerce sales in the ‘fashion category’. Catering to over 1 million daily active users, it handles over 10,000 orders every day, shipping to 220 different countries with US being its largest market. According to estimates, Shein accounts for 28 per cent of US fast-fashion sales, up from 14 per cent last year and has overtaken fashion giants such as H&M, Zara and Forever 21. For the first time in June, Shein overtook Amazon on the iOS App Store to become the leading US shopping app – a rank it holds in other

50 countries. Shein is among the most talked-about brands on TikTok and YouTube besides being the most visited fashion and apparel site in the world, according to the web analytics platform Similarweb. At \$10 billion in 2020, its global revenues have doubled every year for the past eight years with astonishing CAGR of 101 per cent in sales between 2016 and 2020.

SHEINSIDE TRAIL

Founded as ‘Sheinside’ in 2008 by Chris Xu – a Chinese entrepreneur, the fashion ecommerce platform changed its name to ‘Shein’ in 2015. Since then Shein has evolved into a global B2C fast fashion player that deals in clothes, accessories, bags, shoes and other fashion categories for men, women and kids. Additionally, it

offers home fashion. The company targets shoppers in America, Europe, and Middle Eastern countries along with consumer markets in other nations. Shein.com is available as localised sites for US and European markets, communicable in four languages and accepting 13 currencies. Driven by its mobile-first philosophy, Shein consistently tops charts in app store downloads, user engagement and social media presence. Shein’s ultra-fast fashion model scrapes internet data and uses artificial intelligence to predict fashion trends.

SHEIN MODEL

Shein’s business model abides by the belief that more is better, and excess can be made accessible through mysteriously low prices. Thus began Shein’s initial journey with affordable priced merchandise which achieved improved quality and scalability over a period of time.

During its initial days Shein used to ensure that its designers further their studies of fashion design. Alongside, expert senior designers were also invited for professional guidance in building the brand. This has now changed. Today, Shein commands a well-established

huge team of professional designers, each designer having his or her own unique sense of fashion. Product teams also contribute by keeping up with the latest fashion trends around the world and quickly bring these styles to the market. Quality inspection including checking for style, colour, sizing and workmanship, is a must before introducing the product to the market. It is made sure that all of the cutting, sewing and ironing meet the quality requirements. After quality inspection, each product is sent to the warehouse where it is again reviewed during the packaging stage. As a procedural practice, the workers are required to follow the guidebooks to ensure flawless appearance of the finalised product.

FABRIC SELECTION

The Shein model also includes objective selection of required fabric. A fabric that would match the Shein’s scheme of things needs to be in trend and design-in-vogue to start with. In addition, it should neither inflate the production cost nor come at a price that would eventually hit the pocket of Shein customers. This has been the company’s guiding philosophy that has always dictated its partnership

FACT FILE



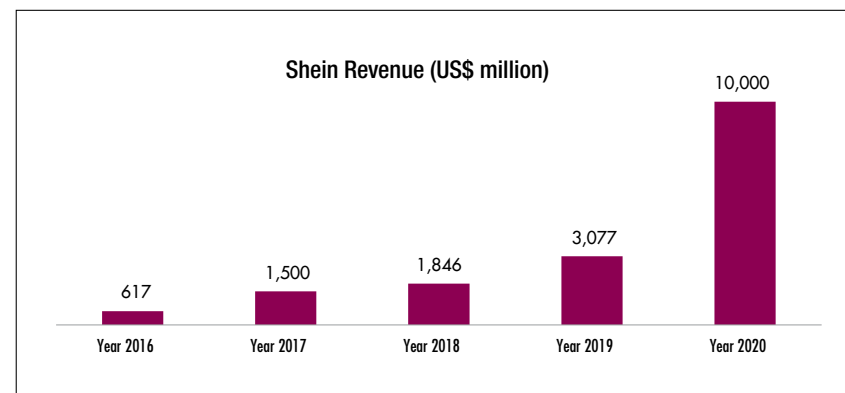
Domain name: www.shein.com
Company name: Zoe Top Business Co. Ltd.
Headquarters: Guangzhou, China
Founder: Chris Xu (founded in 2008)
Operation: More than 220 countries and regions
Positioning: Trendy ultra fast-fashion for Gen Z at affordable rate
Tagline: ‘Shine In, Shine Out’
Product range: Fashion - Clothing, shoes, accessories, jewellery, bags, beauty products
 Home – Bedding & bathroom fashion, home decor & improvement, kitchenware, pet supplies, stationery etc.
Market valuation: \$15.8 billion (2020)
Website languages | Accepted currencies: English, French, Dutch & Spanish | Euro, Danish Krone, Czech Koruna, Poland Zloty, Hungarian Forint, Croatian Kuna, Bulgarian Lev, Swedish Krona, Canadian Dollar, Swiss Franc, Pound Sterling, Mexican Peso & US Dollar
Global revenue: \$10 billion (¥63.5 billion) (2020)
Investors: JAFCO Asia, IDG Capital, Greenwoods Asset Management, Sequoia Capital, Tiger Global and Shunwei Capital

¹CB Insights – Market intelligence platform

TIMELINE

- **2008:** Founder Chris Xu is a SEO and brand marketing expert – the underlying reason that helped Shein achieve current online popularity
- **October 2008:** Xu launches 'Sheinside' with drop shipping (buying from third party and selling to overseas clients) of wedding gowns and other womenswear, sourcing products from China's wholesale clothing markets in Guangzhou – a region with many garment factories; 'Sheinside' is still not into garment designing or manufacturing
- **Early 2010s:** Overseas sites selling beauty, shoes, bags, jewellery and womenswear launched in Spain, France, Russia, Italy and Germany
- **2012:** Early adoption of social media marketing, partnerships with fashion bloggers for giveaways and strategic utilisation of social platforms like Facebook, Instagram and Pinterest to promote its products; establishes noticeable online presence and enough customers to expand operations
- **2014:** Sheinside acquires its own supply chain system and becomes a fully integrated retailer; purchases another Chinese ecommerce retailer Romwe
- **2015:** Sheinside is rechristened and shortened to 'Shein' that turns out to be more memorable and searchable for online shoppers
- **2016:** Chinese tech site Late Post reports of Xu assembling around 800 designers and prototypers to rapidly produce Shein-branded clothes; supply chain honed by cutting out suppliers producing 'mediocre-quality products or images'
- **2017:** Gets into full swing advertisements, marketing and product showcasing; advertises on daytime TV shows in US and fashion influencers showcase Shein products; popularity skyrockets with retailer's early use of TikTok and ability to market viral products; India business starts in July
- **2019:** Trouble with Mumbai customs authorities
- **2020:** Indian government bans Chinese apps including Shein
- **2021:** Shein re-enters India through Amazon 'Prime Day' sale as a seller

FIGURE 1 Business



SOURCE: Internet research | 1 US\$ = ~₹ 6.5

with fabric suppliers over the years. However, in order to achieve desired cost, fabric quality is never compromised.

PRODUCTION DESIGN

Shein gains significant market share by reducing design-to-production times with the help of machine learning. Compared to competing 'ultra-fast' sites which release 1,000 styles per week, Shein adds about 1,000 styles on daily basis to tens of thousands of styles already listed on its sites. This has become possible with its vertically integrated supply chain which compresses production times to as low as 3 days and adjusts inventories based on user app behaviour patterns to enable addition of thousands of low-priced items to its platform every day.

To begin with, each item in the production process is required to be rigorously tested for quality aspect before making it available to customers. Only the prototyped design goes into production

chain where advanced equipment and professional handiwork come into play. Factories are monitored to eliminate any production-related inefficiency. Production management works to shorten the production cycle for releasing new products and special attention is paid to the details like fastening and ironing to realise desirable item presentation. Models are invited to try the clothes and overall look, feel, colour coordination and appearance are judged prior to the final approval. A perfect look is the main goal even if it means multiple modifications and then only the product goes for the sale on the website.

LOGISTICS

Shein operates a well-organised warehouse that continually keeps developing methods of increased efficiency related to stocking, distribution, sorting and packaging. In about a decade, Shein has grown its

INDIA STORY

Shein began its Indian story in 2017, making a quiet entry after studying the local styles and developing marketing and business strategies for the neighbouring market. Strategy included establishing and localising efficient logistics, customer service and dedicated marketing team. An investment of ₹250 crore was made in marketing, attracting more than 3 million social media followers and about 2,000 influencers which translated into 20,000 orders every day mostly from metropolises like Delhi, Mumbai and Bengaluru. Encouraged with the response, Shein in began eyeing India's non-metro cities as serious potential markets. The brand gained further confidence and started exploring possibility of local designing within India. Sale data provided further encouragement, reporting ₹500-4,000 as the most popular price range among Indian customers. Shein worked on the process of introducing new trends and exciting offers for India. The company also started collaborating with Indian designers to create fusion and Indo-western outfits for the Indian audience. The anniversary of India entry was celebrated by holding SheinxMe Fashion, Shein's first-ever fashion show that invited Shein customers to catwalk in Shein outfits. However, this journey was destined to reach a bumpy road soon. In 2019, Mumbai customs authority seized 500 parcels belonging to Sino India Etail—the Indian retailer for Shein, on account of allegedly undervaluing clothing imports to evade customs duties. The incident prompted Indian policy makers to plug the loopholes in ecommerce import guidelines. This incident could have been a one-off and probably a soon-to-be-forgotten case in a foreign market. But that was not to



be. In 2020, Asian neighbours India and China entered into a border dispute and as passions ran high it led to India banning numerous Chinese applications including Shein, crippling its website operation in India which stands suspended till date. Prior to the India ban, the reported average order value on Shein platform was between ₹1,000 (~\$13) and ₹1,500 (~\$20).

However, the Chinese retailer remained keen for a return to India's lucrative market. And

the awaited opportunity came through another ecommerce giant Amazon that had planned its Prime Day sale between July 26 and 27, 2021. Shein made a disguised comeback in Indian market by listing itself as a seller on Amazon India. This served as a safer route to avoid any legal complications with Indian authorities rather than re-entering as a standalone entity. This entry has been challenged through a PIL in Delhi High Court and the matter remained sub-judice at the time of writing this feature.





small storehouse to a warehouse with an area of over 10,000 square metres. Its transportation strength ensures that the company coordinating with Shein always provisions for a standby plane or truck for the shipment. Empowered with such a status, Shein has successfully shipped its products to 80 plus countries around the world.

MARKETING APPROACH

Occasionally, Shein does undertake popular marketing gimmicks such as collaborating with well-known musicians (Katy Perry, Nick Jonas, Lil Nas X, Tinashe) for concerts and events, sponsoring influencers (Addison Rae) and creating capsule collections with D-list reality TV stars (*The Bachelor's* Hannah Godwin, *The Only Way Is Essex's* Amber Turner). Not quite for the creme de la creme to be peddled by celebrity faces, it has cemented its reputation among regular people, particularly Gen Z shoppers, who promote the brand through unsponsored clothing hauls and outfit posts on social media. It is this segment which the brand considers as its strongest marketing tool. It engages its admirers and patrons and penetrates their network for enhancing customer acquisition. This is achieved through its creative marketing strategy in the form of 'Affiliate' programme which incentivises influencers and users for sharing content natively and on social media platforms. It runs several affiliate programmes out of which following two stand out:

- **Shein Official Affiliate:** The 'Affiliate' user is required to promote Shein on social platforms. If a person clicking on the posts also ends up placing an order at Shein.com, the Affiliate is entitled to 10-20 per cent commission on the referred sale. Other benefits include extra monthly cash bonus for sharing promotions, new monthly profitable activities such as uploading of banners and coupons and newsletters about new activity and promotions update. The customer too gets benefited with exposure to over 2 million items in stock and 500 new arrivals every day at affordable prices, 24x7 customer & live chat service as well as privileges of no-questions-asked return & refund.
- **Partner Affiliate platform:** This includes a host of Shein's partner websites such as Sharesale, Affiliate by Conversant, Pepperjam, Admitad and Awin, promoting Shein. The customer benefits from the unique preferential policies of these partner sites.

CUSTOMER ENGAGEMENT

Shein's desktop and mobile shops include reviews to help customers decide on the quality of the outfits. The shops come with a style gallery through which shoppers can share their outfits and tagged products. To service global customers, Shein has appointed customer service representatives in many countries speaking different

languages including English, French, German, Russian, Arabic etc.

To build customers' confidence, Shein offers customer-friendly return and refund policies with country-specific clause in some cases. For example, Belgium enjoys extended return time frame of 45 days as against standard time of 30 days elsewhere. Shein's Europe website states group-specific return procedures for three main groups – one, comprising France, Germany, Italy, Netherlands, Poland, Spain and Sweden; second, comprising Portugal, Denmark and Greece; and, the third group includes other shipping countries. Alongside, there are individual procedures each for Belgium and Ireland. Stipulated refund time against the return is 5 working days and refund is transferred directly in customer's Shein wallet or the original payment account, excluding original shipping fee and guarantee.

SOCIALLY RESPONSIBLE

Shein has been a strong supporter of Black Lives Matter and racial equality, women's empowerment, the homeless community, climate change and at-risk youth. The company has donated over \$1.5 million to various causes. It donated 12,000 pieces of clothing to women in need, PPE kits to healthcare workers, \$100,000 each to Together We Rise and Ecologi, and planted over 6 lakh trees to offset its carbon footprint. Shein claims to have never engaged in child or forced labour. If any of its partners is found violating labour laws



or fail to meet its social commitments, it is terminated and reported immediately. To contribute in global efforts against pandemic, it launched #SHEINtogether initiative and put on a Global Livestream that benefited the UN Covid Relief fund and its virtual fashion show.

SUSTAINABILITY

Shein vows against wasting raw materials. To comply with that, it produces only 50-100 pieces per new product with large scale production flagged off only in case of high demand. Similarly, traditional screen printing is also undertaken only in case of significant demand, limiting Shein's screen printing pollution to the fraction of usual output. Preference is given to sourcing recycled fabrics like recycled polyester – an environment-friendly non-virgin fibre that reduces damage to the original material. The sustainability culture permeates deep into warehousing and logistics too. Automated systems optimise the workflow and reduce energy and carbon

emissions in the company's operations. Boardroom discipline ensures that meetings' duration also stay to the minimum to conserve paper and electricity. Automatic switching off of power and water when not in use saves both. The company uses solar-powered vehicles for transporting products on site thus cutting down significant emissions of CO₂ as well.

CONTROVERSY IN TOW

Popular among Gen Z, Shein is the most-installed app in America and racing high on acceptability scale. Despite that the ecommerce giant has picked up some controversies on its growth journey. Shein is often accused of plagiarism by indie designers and reproducing their original work without permission. Such charges keep surfacing on social media from time to time. The accusations fail to get settled conclusively and mostly remain unresolved in the absence of strong copyright laws pertaining to fashion products.**FF**