SWOT Analysis of Shein's Marketing Strategy

Xinhui Chen*

College of Communication, Boston University, Boston, United States

*Corresponding author: xhchen@bu.edu

Abstract. Shein, a Chinese online retailer brand, grew tremendously during the COVID-19 pandemic and becomes a phenomenal company. The company experienced rapid acceleration during the pandemic, reaching a peak in 2021. The paper examines the marketing aspects of Shein's success as an emerging online fashion retailer. Using the SWOT analysis method and incorporating evidence from media press and research, this paper studies the strength side of the company such as its affordable price, segmenting the right target market and successful marketing strategy, its weaknesses in terms of its delivery services, market opportunities created by the COVID-19 pandemic, as well as threats within the fast-fashion industry due to the fierce competitions and the company's poor performance on ESG. The paper offers recommendations for increasing the transparency of the supply chain and workforce, establishing a sustainability plan, developing a premium version of the brand, and a shift in Shein's public image with Shein's desire to go public in 2022.

Keywords: SWOT analysis; fast-fashion retailers; marketing strategy; ESG performance.

1. Introduction

Considering that it started without a strong base and does not have any big brands associated with it, the booming of Shein is surprising compared to its competitors. With its fast and trendy advantages, Shein quickly expanded overseas, generating revenues of over 1.4 billion dollars in the U.S., Europe, and the Middle East [1]. Innovative marketing strategies are crucial to the growth of this company and can be learned by other start-ups or even large corporations. Additionally, its business understanding and ability to adapt to the environment could serve as examples for others. However, it is still the early days for Shein. There are also difficult situations and negative sides to the company. For instance, the company's environmental, ethical, and labor policy, as well as its reputation as cheap and low-quality are still major concerns for many customers. As of now, Shein's achievement has been the subject of numerous blogs and research, whereas little research has been conducted on Shein's disadvantages and potential improvements. Thus, the paper will mainly focus on the success of Shein's marketing strategy, the challenges that it will face, and how to minimize risks in the future. The paper will begin with a brief introduction to Shein and its impressive accomplishments. And then the paper will use SWOT analysis to examine the different aspects of Shein. It follows the latest trend and provides the affordable and latest clothes to the right target customers. Another successful way of Shein is its digital marketing strategy such as micro-influencer marketing. Moreover, the pandemic offers Shein a lot of opportunities since it changed the behavior of consumers towards online shopping. Unlike domestic products, Shein's products take longer to arrive in foreign countries as a Chinese company. Also, it faces problems regarding sustainability, transparency, and public perception. Therefore, the last section of this paper provides suggestions such as increasing transparency by working with trustworthy manufacturers that provide fair working hours to their employees in China.

2. Shein's Introduction and its Development

Shein, a Chinese fast-fashion retailer, has gained significant attention in the past few years, especially during COVID-19. Founded in 2008 by Chris Xu in Nanjing, China, and started as a wedding cloth company, this B2C e-commerce platform is known for its affordable fashion products including women's and men's clothes, accessories, and shoes. The tagline of the company is "Shine In, Shine Out" with a vision statement of providing the highest quality, value, and service with trendy items at the best price. In contrast to many Chinese-based companies, Shein focuses exclusively on the international market and ships to over 220 countries worldwide including the United States, Italy, Russia, Germany, the Middle East, etc., due to its extensive global warehouse network [2]. As a result of its partnership with hundreds of clothing manufacturers in Guangzhou, China, Shein is able to produce its trendy items at such a fast rate. Starting in 2008, the company was first named She Inside and then rebranded to Shein. The company was first launched in the U.S. in 2017, featuring daytime television, and now the U.S. has become one of the largest markets of Shein [3]. Over the past two years, the company has seen revenue skyrocket, increasing 398 percent from 2019 to 2021. In six months, Shein's portal has grown from 500,000 to 4 million monthly visitors [4]. Today, it serves over 1 million users daily and processes more than 10,000 orders each day. In 2021, its revenue increased by 60 percent from $9.8 billion in 2020 to $15.7 billion [5]. In 2021, Shein APP was downloaded 157 million times, ranking as the second most popular shopping app. The company was recently valued at $47 billion ahead of an IPO scheduled for 2022. Shein reached a valuation of 100 billion dollars for a successful investment round, surpassing Zara and H&M [6]. Shien's dominance in the retail industry is due to its unique business model and strategy, especially on the marketing front. Thus, the paper will mainly focus on the success of Shein's marketing strategy, the challenges and opportunities that it will face, and how to minimize risks and be more sustainable in the future. A SWOT analysis will be conducted in this paper to assess the current situation of the company and its success in targeting the right audiences and social media strategy, followed by the weakness of the company and threats that the company is facing. Lastly, this paper will give suggestions regarding public perception, and its environmental and social performance. Then suggestions will be provided regarding the issue discussed earlier in this paper.

3. SWOT Analysis of Shein’s Marketing Strategy

3.1 Strength of Shein’s Marketing Strategy

To start with, Shein has many strengths compared to its competitors including its affordable price. As part of its mission, Shein strives to make fashion accessible to all consumers regardless of their economic status. In comparison to other western appealing retailers like Zara and H&M, which have an average price of around 35$, Shein offers a more affordable price, especially for Gen Z. Shown on their official website and apps, the average price of their clothing is around 10$, sometimes even 2$ with frequent discounts or sales. In addition, Shein’s speed and frequency of launching new products are unparalleled. With its team of 2,000 designers, Shein creates roughly 6,000 products per day, with 2,000 new products in the women's clothing category alone every day [7]. If it keeps the same pace, Shein can produce about 200 million products annually. It has caught up with Zara's annual new product volume in just a few months. Despite the quality of their products being considerable, Shein's colors and designs are more diverse. In this way, the company can also attract more customers.

Shein is taking advantage of this media era better than any other fast-fashion retail company. Digital marketing has been the key to its success. Through search optimization, Shein works to understand its consumers’ shopping habits and build better online shopping experiences for them, allowing them to retain more customers. Social media and targeted mobile advertising are more likely to lead Gen Z to fashion brands than other generations. Their micro-influencer marketing strategy, for instance, helps them grow sales. In its micro-influencer marketing strategy, Shein also utilizes customer reviews as a place of promotion. Shein tends to focus more on small influencers rather than celebrities. The company offers free products every month to micro-influencers with hundreds or thousands of followers on social media platforms like TikTok and Youtube, and they post relevant content praising Shein’s products in detail [8]. Using this strategy, Shein's referral sales can sometimes result in 10-20% commissions [1]. Along with the micro-influencer strategy, Shein also works with famous public figures like Katy Perry, Nick Jonas, and Hailey Bieber [1]. Recently in 2022, Buthaina Al Raisi was a collaborator with Shein. On YouTube and Tiktok, Shein Haul videos, featuring influencers unpacking their deliveries, trying on clothes, and sharing how they feel, have gained billions of views [9]. On TikTok, Shein has received 7.3 billion views on TikTok and Shein's official account has more than 26 million followers on Instagram. Besides, Shein also uses a live stream marketing strategy. Shein would use Livestream to sell clothes or announce deals, and it also has a policy called Shein point. When customers participate in Shein's Livestream or reply to comments, they receive Shein points that can be used to pay for eligible purchases, including clothing and shipping.

3.2 Weaknesses of Shein's Marketing Strategy

One of the major weaknesses of Shein is its delivery service. Shein's warehouses are mostly located in China, so deliveries to the U.S. typically take 10-15 days, and may be delayed if unexpected events occur. Delivery time is always a major concern for consumers. Another weakness of Shein is that its executive team remains discreet under many circumstances. The company does not disclose its financial details due to its private ownership. And the CEO of the company, Chris Xu, remains silent with the company. Shein was rated 1 out of 100 in the recent Fashion Transparency Index report released by the non-profit Fashion Revolution, which placed it above brands such as Tom Ford and Quiksilver, but below H&M, Gap, and Nike; In terms of supply chain traceability, Shein scored zero [10]. Considering that transparency can build consumer confidence, this may be a potential risk for the future expansion of Shein. In addition, according to Six Tone's interview, Shein works with many small-scale manufacturers without signing any contracts, which results in those small manufacturers being careless with their employees.

3.3 Opportunities for Shein's Marketing Strategy

COVID-19 has accelerated the development and surged the demand for online retailers. While growth in online retail has been fast for the past decade, the online retailer has experienced a new positive level shift during 2020 in most of the countries considered [11]. During the pandemic, online retail gained more market share than offline retail in only a few months, which would have taken several years under normal circumstances. Carrying on with the growth of e-commerce platforms, consumers' behaviors are also influenced by the pandemic. Constraints forced consumers to adopt alternative habits, such as switching to online retail channels, enabling the "store to come home" [12]. Thanks to COVID-19, consumers have developed the habit of shopping online and are more likely to do so than in a physical store, which creates high-potential opportunities for Shein.

Another opportunity for Shein is the possibility of entering the middle-higher income market. So far, Shein is mainly focused on the target group of lower-income including college students and high school students and Shein is more popular in poorer areas in the U.S. [6]. However, in 2022, approximately half the U.S. population is in the middle class [13]. This is a market Shein hasn't explored. Creating a new product for this segment of the market would be a great way for Shein to expand its market.

3.4 Threats of Shein's Marketing Strategy

Shein is no exception to the environmental issues caused by the fast-fashion industry. Fast fashion utilizes excessive resources at the fastest pace in order to keep up with the latest trend in fashion. The United Nations Environment Assembly states that 2 to 8% of global carbon emissions are generated by the fashion industry [14]. Textile dyeing is another concern since typical jeans require around 2,000 gallons of water to dye. Most fast-fashion retailers are doing something sustainable to reduce the negative effects they bring to the environment. As an emerging company, however, Shein has not started anything so far. With the growing size of the company, Shein also faces the issue of low-wage labor. Shein's manufacturing process involves poor working conditions and loose oversight. Reuters reported in July that Shein failed to disclose labor conditions in its supply chain to the public, as required by UK law [15].

Digital retailers face fierce competition in the market. Competitors in the markets including Zara, H&M, and Amazon are very mature whereas Shein is an emerging new one. The fast fashion industry is also one of the largest in the world, which means there are numerous competitors.

4. Suggestions

Environmental, social, and governance become more important when considering a business since people are more aware of the importance of the environment and the purpose is not only to profit but also to do good for society. ESG stands for environmental, social, and governance, and it has become a significant investor indicator alongside other traditional financial measurements. And one of the important categories in ESG rating is the transparency of the company. Transparency in both the labor force and supply chain are two big problems within the company, which may further impact Shein’s IPO process. Shein’s ability to maintain high ethical standards while offering low prices is questionable. Since Shein has grown into such a massive company, it could shift its only short-term profit-based strategy to a long-term one. Thus, Shein could use different approaches to ensure the working environment of its employees and choose not to work with certain factories which have treated their workers poorly with minimum wages and excessive working hours. Shein is suggested to use public relations and media press to clarify its consideration for and care for its employees, which could also improve Shein's reputation and improve its ESG appearance. In terms of supply chain transparency, Shein can better evaluate which path the company should take by identifying the objectives and risks first. If a company is interested in going public, it should gather information on the products it produces and the manufacturers, and communicate this information with stakeholders and shareholders.

Shein should also come up with plans for sustainability. Shein’s supply chain and manufacturing process should use sustainable practices at every stage. Many other giant companies have done something related to sustainability. For instance, Zara announced a list of environmental commitments in April, and the five-year goals range from water conservation to reducing landfill waste. Zara also states that 100% of their cotton will be recycled, BCI (Better Cotton Initiative), or organic. Additionally, as the world's largest buyer of renewable energy, Amazon aims to use renewable energy solely to power its operations by 2025. They are working to simplify and reinvent sustainable packaging options. Shein could take a similar path as many of its competitors did, for example, simplifying the packaging and using more sustainable materials in terms of making products.

Shein is often associated with cheap and low-quality products. Based on customer reviews throughout the Internet, many people have concerns regarding the quality of Shein’s products, which may further cause future problems and customers’ distrust of the company. In order to maintain trust and shift the public image, the company could build a premium version of its product to enter the market of middle-income people and optimize public perceptions. The latest version of Shein should be more unified in terms of languages, web designs, and packaging. For instance, some of the languages in the app are translated directly from Chinese, while others contain awkward wording. Moreover, the website and app design are too cluttered with sales notifications. It might be better if Shein displayed these kinds of information in a smaller tab or window and keep the main page clear. Additionally, some packings are inconsistent since Shein's products are made in different factories in China. For this reason, Shein is supposed to communicate with its manufacturers to ensure a more consistent packing process and unified production process. When it comes to the premium version, Shein could launch a product line that has higher prices and quality with premium materials that are both sustainable and safe.

5. Conclusion

In conclusion, many factors contribute to the success of Shein. Using the SWOT analysis, the study discovers that Shein's affordable price, target market segmentation, novel marketing strategy of micro-influencer marketing, and live streaming on TikTok are all strengths of the company. These strengths help the company achieve its giant sales and become one of the largest online-only fashion brands in the world. The pandemic creates opportunities for the company since consumers' likelihood of online shopping increases and tends to purchase things online. However, the long delivery time and transparency of the company are weaknesses of Shein, which may impact consumers' confidence and trust in the company. In addition, Shein faces threats posed by the fast-fashion industry and environmental damage caused by excessive resource use, frequent disposal, and replacement of old in order to keep up with the latest trends. Several recommendations are made regarding the environmental, social, and governance performance of the company. In terms of the environment, Shein's profit-oriented strategy should shift to one that emphasizes long-term sustainability and comes up with certain plans like many other online retailers are doing in order to reduce the damage they cause. For the social aspect, Shein could create a premium product line with unified designs, packaging, and languages in order to change the public perception of cheap and low-quality products. In terms of governance, Shein should be more transparent with its supply chain and use ethical practices throughout. Due to the lack of research based on the SWOT analysis conducted so far on Shein, this paper will provide some insight for readers and future researchers. The paper does not cover every factor of Shein's success. Some contemporary factors, such as the pandemic resulting in shifts in consumer behaviors, may not hold true in the future. The analysis, therefore, has certain limitations, which can be addressed by conducting further research using the most recent data and contemporary situations.

References

[1] Du Zhiqin. On overseas development innovation strategy and experience reference for China fast fashion cross-border E-commerce——take Shein as an example. Journal of Tianjin College of Commerce, 2020, 8(6): 6.

[2] Daxue Consulting, Market Research China. Shein's market strategy: How the Chinese fashion brand is conquering the West. July 6, 2021. December 2, 2022. https://daxueconsulting.com/shein-marketstrategy/#:~:text=One%20of%20the%20strategies%20of,commission%20from%20Shein's%20referral%20sales.

[3] Euromonitor. How the Chinese fast fashion brand Shein is conquering the.... December 13, 2021. December 3, 2022. https://www.euromonitor.com/article/how-the-chinese-fast-fashion-brand-shein-is-conquering-the-us-market.

[4] Banerjee, Anik. Shein company - founder: business model: funding: owner. StartupTalky. July 19, 2021. December 6, 2022. https://startuptalky.com/shein-success-story/#SheinShein-StartupStoryAndHistory.

[5] Curry David. Shein revenue and usage statistics. Business of Apps. September 14, 2022. December 6, 2022. https://www.businessofapps.com/data/shein-statistics/.

[6] Shu Ping. Fast fashion brand Shein is going to surpass Zara. Shanghai Quality, 2021: 47.

[7] Fu, Y. Shein: A story of online segregation and data as business intuition Yiqin Fu. August 29, 2021. December 6, 2022. https://yiqinfu.github.io/posts/shein/.

[8] Gui Xiaoqian. Analysis of the overseas marketing growth strategy of fast fashion brand SHEIN. Textile Reports, 2021.

[9] Gemma Goldfingle. How did Shein become the world's biggest fashion retailer? Retail Gazette. April 8, 2022. December 3, 2022. https://www.retailgazette.co.uk/blog/2022/04/how-did-shein-become-the-worlds-biggest-fashion-retailer/.

[10] Wu Peiyue. The Shady Labor Practices Underpinning Shein's Global Fashion Empire. SixthTone.September 17, 2022. December 2, 2022. https://www.sixthtone.com/news/1008472/the-shady-labor-practices-underpinning-sheins-global-fashion-empire.

[11] Szász L, Bálint C, Csíki O, Nagy BZ, Rácz BG, Csala D, Harris LC. The impact of COVID-19 on the evolution of online retail: The pandemic as a window of opportunity. Journal of Retailing and Consumer Services, 2022, 69:103089.

[12] Sheth J. Impact of Covid-19 on consumer behavior: will the old habits return or die? J. Bus. Res. 2020, 117: 280–283.

[13] Frankenfield, Jake. What is middle class income? the latest numbers available. Investopedia. July 14, 2022. December 3, 2022. https://www.investopedia.com/financial-edge/0912/which-income-class-are-you.aspx.

[14] UN. Putting the brakes on fast fashion. UNEP, 12 November, 2018. December 2, 2022. www.unep.org/news-and-stories/story/putting-brakes-fast-fashion.

[15] Person, and Victoria Waldersee. Exclusive Chinese retailer Shein lacks disclosures, made false statements about factories. Reuters, Thomson Reuters. August 6, 2021. December 5, 2022. https://www.reuters.com/business/retail-consumer/exclusive-chinese-retailer-shein-lacks-disclosures-made-false-statements-about-2021-08-06/.