

The Rise of SHEIN: Navigating the Digital Era of Fast Fashion and Its Comprehensive Impacts

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Abstract: This comprehensive study investigates SHEIN's ascent as a digital fast fashion powerhouse, emphasizing its multifaceted impact across economic, social, and environmental domains. The research traces SHEIN's evolution from a modest e-commerce startup to its current status as a global fashion leader, underscoring its revolutionary digital retail strategies. These strategies have significantly shaped consumer behavior and fashion trends, marking a shift in the broader landscape of retail consumerism. Central to this analysis is SHEIN's business model, which is dissected to understand its market positioning and competitive tactics within the fast fashion industry. The thesis closely examines SHEIN's pricing strategies, supply chain management, marketing techniques, and technological innovations. These elements collectively contribute to its success but also raise questions about sustainability and ethical practices. A critical aspect of this research is the exploration of SHEIN's environmental footprint. The study assesses the ecological implications of its rapid production and distribution models, highlighting the sustainability challenges that confront the fast fashion sector. It discusses the company's initiatives (or lack thereof) in addressing environmental concerns, including waste management and carbon footprint reduction. Furthermore, the thesis explores the social implications of SHEIN's operations. It scrutinizes the company's labor practices, customer engagement, and its role in shaping global fashion consumption patterns. The study evaluates how SHEIN balances profitability with social responsibility, particularly in light of growing consumer awareness about ethical consumption.

Keywords: SHEIN, Digital transformation, E-commerce, Fast fashion

1. Introduction

SHEIN, a digital fast fashion company, epitomizes the intersection of technology, fashion, and global commerce. This introduction examines SHEIN's multifaceted role in creating economic value through innovative digital retail strategies, its social impact, particularly in shaping consumer behavior and fashion trends, and its environmental footprint, an aspect increasingly scrutinized amidst global sustainability concerns. SHEIN's journey from an e-commerce startup to a fashion juggernaut reflects broader shifts in retail, consumerism, and the challenges of balancing profitability with social responsibility and environmental stewardship.

Based in Nanjing, China, SHEIN is a global e-commerce fast fashion retailer that was established in 2012. Its target market is primarily young women, and it has a separate website and app. Using a

digital-first business model, SHEIN introduces disruptive e-commerce technologies and digital supply chains to improve outcomes for suppliers, manufacturers, and customers. enhancing results for suppliers, manufacturers, and customers by implementing disruptive e-commerce technologies and digital supply chains. Its distinctive business strategy has allowed it to solidify its place among the top 10 brands in the fashion sector. with sales of £718 million in 2021, to rank among the top 10 fashion brands in the UK [1]. Until 2022, SHEIN has become one of the most popular brands for Gen Z consumers in the UK [2].

2. Literature Review

2.1. Business Environment

Michael Porter's five forces can be used to analyse the microenvironment of Shein at an industry level. This framework, as shown in figure 1, is a tool used to analyse the state of competitiveness of the industry and assess profitability.

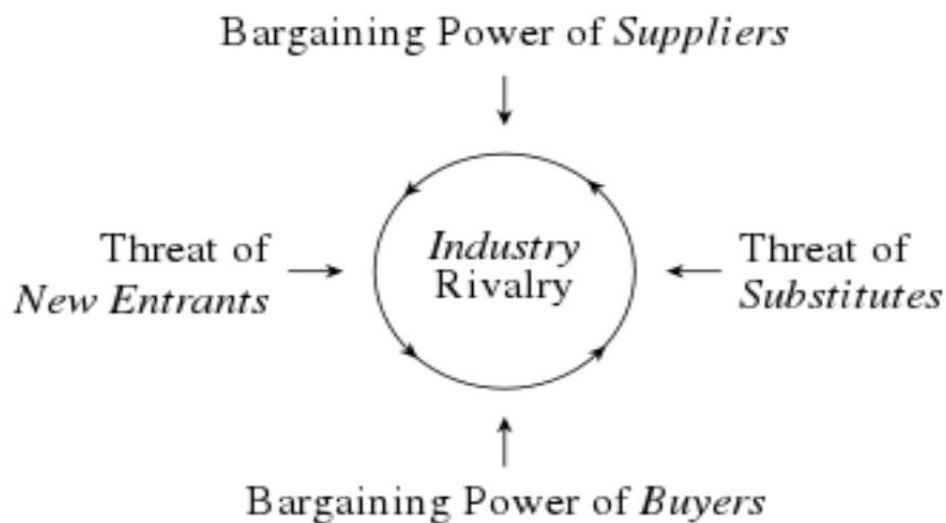


Figure1: Porter's five forces model [3]

2.2. Competitive Rivalry

SHEIN's biggest competitors are British fast fashion retailers ASOS and Boohoo, whose brand awareness in the UK exceeds SHEIN's. Over 80% of British consumers are aware of ASOS, compared to 70% for SHEIN [4]. Low market growth rates and low brand loyalty have fuelled this competition, forcing Shein to differentiate itself by focusing on e-commerce and digital marketing. Despite these efforts, competition remains fierce due to the high degree of product differentiation of other brands, the large number of marketing and strategic campaigns undertaken by large corporations, and accusations of a lack of originality in Shein's designs. Experts note that Shein releases as many as 2,000 fashion products per day, which is equivalent to the number of products released by other platforms in a week [5].

2.3. Threat of Substitutes

The threat of substitutes for Shein is moderate, as clothing and apparel are essential but can also be viewed as discretionary items based on brand differentiation. Shein mitigates this threat by diversifying its offerings to include casualwear, sportswear, and formalwear, appealing to a wide consumer base. However, the ease of switching to substitute brands, such as more specialized

sportswear brands like Nike and Adidas, combined with the high availability of market information, keeps this threat at a moderate level.

2.4. Threat of New Entrants

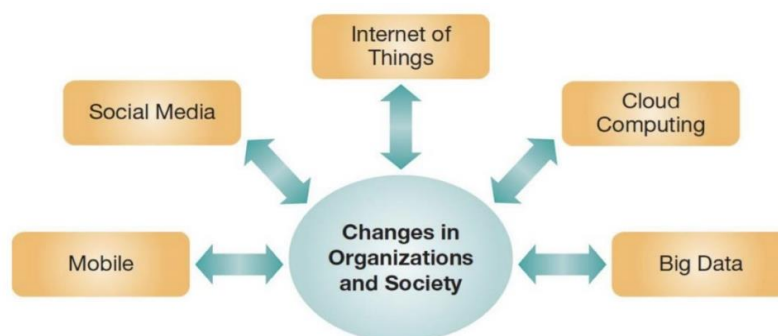
SHEIN has responded to new market entrants with consistently low prices. Over the past two years there have been a number of young brands entering and rapidly exiting the fast fashion market [6]. The threat of new entrants in the fashion retail market is high, primarily due to the ease of starting a business in this sector, low production costs facilitated by manufacturing outsourcing, and the availability of online platforms for marketing and sales. Shein attempts to counter this threat with its fast-fashion business model, leveraging e-commerce and digital marketing to keep its products affordable and accessible. SHEIN has responded to new market entrants with consistently low prices. Over the past two years there have been a number of significant changes which have occurred in the competitive fashion market [6]. However, the low brand loyalty among consumers and the availability of novel distribution channels ensure that new entrants continue to pose a significant threat.

2.5. Bargaining Power of Buyers

Buyers in the clothing and apparel market possess high bargaining power, thanks to the abundance of alternative and substitute brands. Shein addresses this challenge by offering affordable products and focusing on being an online fashion retailer. Despite these strategies, the ease of switching between brands, the high availability of information, and the price sensitivity of a large segment of the market means that the bargaining power of buyers remains a strong force.

2.6. Bargaining Power of Suppliers

Shein benefits from a weak bargaining power of suppliers, owing to its proximity to numerous suppliers in China and its expanding market reach, which makes it an attractive business partner. The abundance of suppliers, low differentiation across production inputs, and the low cost of switching suppliers further weaken the bargaining power of suppliers. Additionally, Shein's forward integration strategies enable more direct transactions and stronger relationships with suppliers, optimizing its supply chain for efficiency and cost-effectiveness. The first manufacturing run for SHEIN's website is usually small, as opposed to the thousands of items that traditional peer retailers normally manufacture [7]. For suppliers, these small-scale orders from SHEIN frequently result in losses, but the brand's extensive consumer data aids in better decision-making for everything from raw materials and design to effective production in the long run [8] (Figure 2).



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Figure 2: Five IT Megatrends [8]

Shein is a service e-commerce company with business strategies focused on four megatrends: mobile devices, social media, big data, and cloud computing.

2.7. Mobile

SHEIN's mobile strategy makes good use of the increased mobile usage that has resulted from the digital transformation. Using a specialised shopping app, their strategy aims to boost customer engagement and put user convenience first. In addition to streamlining the purchasing process by incorporating payment options, the app is a vital resource for gathering and evaluating customer data. With the help of their target demographic's high mobile engagement rate, SHEIN offers a tailored and effective shopping experience that boosts their market position and fortifies customer relationships.

2.8. Social Media

SHEIN's flexible and responsive marketing approach is demonstrated by their skillful use of social media to meet the demands of users in the digital era. Their ability to adapt quickly to new trends—like the Y2K fashion trend—evidences their dedication to staying ahead of the curve in the quick-paced fashion industry. SHEIN appeals to the youth market and presents a brand image that is current, trendy, and sensitive to the shifting tastes of young consumers by closely monitoring social media and acting upon these insights in a timely manner.

2.9. Big Data and Cloud Computing

SHEIN has adopted an integrated technology strategy to correlate big data and cloud computing to create an efficient data analysis and storage hub, and this move is considered a development trend in the fashion industry [9]. SHEIN's use of cloud computing and big data shows how forward-thinking they are when it comes to utilizing technology for supply chain management and market analysis. SHEIN has been able to promptly respond to customer demands by gaining valuable insights into market needs through the optimization of data collection, classification, and analysis. Based on current sales data, their enterprise resource planning system guarantees that production is in line with market trends and enables efficient communication with suppliers. Because of its clever use of technology, SHEIN has become a leader in innovation within the fast fashion sector, creating a strong digital supply chain ecosystem. This strategic use of technology has resulted in a robust digital supply chain ecosystem, making SHEIN an innovation leader in the fast fashion industry.

3. Analyse

3.1. Social Responsibility

SHEIN is representative of the digital transformation of the retail industry, which has had a significant impact on a societal level, especially in terms of women's fashion and its representation during the epidemic.

SHEIN has made a significant impact on women's fashion through its digital platforms. Its market penetration strategy, particularly its clever use of social media, has made it a key player in the industry, influencing fashion trends, especially among young women. SHEIN has dramatically changed consumer behaviour and contributed to the development of a fast fashion culture by featuring affordable prices and a wide range of styles. In addition, SHEIN's model has reshaped consumer expectations and industry standards by increasing the accessibility of fashion and expanding its reach to different audiences. This accessibility has had an impact on the fast fashion industry, challenging traditional retail norms and driving the industry towards a more flexible and responsive model. It's

also worth noting that SHEIN's focus on women goes beyond fashion, as SHEIN announced that the first recipient of the SHEIN Cares funding is Vital Voices, a global NGO that invests in women leaders who aren't afraid to tackle issues ranging from gender-based violence to the climate crisis, but who need support in order to realise their visions. Through a two-year \$500,000 partnership, SHEIN Cares funding will support scholarship and mentorship programmes for many women changemakers around the world, as part of a program that calls for more women to participate and help diversify the fashion industry develop [10].

SHEIN has shown remarkable adaptability and resilience in business operations during the pandemic. The brand has effectively adapted its business model and marketing strategy to the dramatic changes in consumer behaviour, especially the surge in online shopping and changing fashion preferences. SHEIN's response to these changes has been characterized by agility and innovation, especially in digital marketing campaigns and product offerings, which resonated well with the changing needs of consumers during the pandemic. During the 2020 pandemic, SHEIN achieved significant sales growth and is now catching up with fast fashion giant Zara [11]. Specifically, in terms of supply chain management, SHEIN faces unprecedented challenges due to global disruptions. However, the company's strategic response, including diversifying the supply chain and optimizing logistics operations, has ensured continued product availability and timely delivery, which are key factors in maintaining customer satisfaction and trust during such uncertain times. Economically, SHEIN has surpassed many traditional retail models, showing remarkable resilience. The brand has not only maintained its market position, but also achieved growth in sales, customer base and global reach. This growth can be attributed to its effective adaptation to the online retail space, which has become increasingly important during the pandemic. During this period, SHEIN's ability to maintain a strong online presence and engage with customers through various digital channels has contributed significantly to its financial stability and expansion.

3.2. Environmental Responsibility

The business operations of SHEIN, a notable entity within the fast fashion industry, have substantial environmental implications. The fashion industry stands as one of the leading industries, about an alarming 85% of textiles in the U.S. are discarded, exacerbating landfill issues [12]. This is further aggravated by SHEIN's production methods, which contribute to the escalation of waste, pollution of aquatic ecosystems and soil through microplastics, and other detrimental materials. These practices are instrumental in the significant increase in carbon emissions, thereby intensifying the global climate change crisis. The environmental ramifications of such a business model are profound, positioning the fast fashion sector as a major contributor to global environmental deterioration.

However, SHEIN's publicized sustainability initiatives have been met with skepticism [13]. The lack of verifiable evidence or proper certification backing these claims leads to accusations of greenwashing. This deceptive practice not only misleads consumers but also undermines the efforts of genuinely sustainable brands, thus obscuring the true essence of environmental responsibility within the fashion industry. SHEIN's appeal primarily lies in its extensive range of trendy and affordable clothing options. This effectively drives consumer behavior towards excessive consumption, particularly among young female shoppers, the brand's primary demographic. According to the data posted by Le Influenced by ever-changing fashion trends and attractive pricing, these consumers may not fully consider the environmental consequences of their purchases [14]. The resulting rapid consumption and disposal cycle is not just environmentally unsustainable but also fosters a culture of disposability. The ease of online shopping on platforms such as SHEIN further perpetuates this 'buy and dispose' mindset, significantly contributing to the escalating issue of textile waste.

SHEIN's quest for reduced production costs often leads to the exploitation of economically disadvantaged and marginalized communities. This exploitation extends beyond unfair labor practices to encompass environmental injustices. These communities, in dire need of economic opportunities, bear the brunt of the pollution and waste generated by the fast fashion industry. The global footprint of companies like SHEIN means that their environmental and social impacts are not confined to local communities but have far-reaching global implications, affecting various ecosystems and contributing to wider issues such as climate change.

The environmental aspect of fast fashion is not solely a human-centric issue; it also impacts local environments and biodiversity. The use of chemicals in clothing production, including dyes and finishes, poses a threat to water bodies and aquatic life, disrupting ecological balances and undermining planetary health [15]. The challenges presented by SHEIN, and the fast fashion industry at large underscore the pressing need for sustainable practices. This requires a collaborative approach involving companies, consumers, and policymakers. Companies must adopt environmentally friendly production methods, minimize waste, and adhere to ethical labor standards. Consumers have a pivotal role in this transformation by making informed purchasing choices, valuing quality over quantity, and supporting sustainable fashion brands. Policymakers, on their part, can facilitate this shift by enacting regulations that promote sustainable practices and hold companies accountable for their environmental footprint. The environmental impact of SHEIN serves as a representative example of the broader issues prevalent in the fast fashion industry. The company's operations contribute notably to environmental degradation, waste production, and the perpetuation of a culture of excessive consumption. The dubious sustainability claims and the exploitation of vulnerable communities add complex ethical dimensions to this issue. Tackling these challenges necessitates a concerted move towards sustainable practices, heightened consumer awareness, and effective policymaking. Only through such united efforts can the fashion industry transition towards a more sustainable and ethically responsible future.

Although SHEIN is now facing some environmental concerns, in its Sustainability and Social Impact Report, SHEIN outlines its sustainability efforts, which include a variety of programmes and initiatives aimed at reducing environmental impacts and promoting sustainable practices. These efforts include areas such as reducing greenhouse gas emissions, sourcing sustainable materials and fulfilling extended producer responsibility. The company aims to decarbonise its supply chain and use more environmentally friendly materials in its products. In addition, SHEIN has set ambitious targets to reduce its carbon footprint and increase sustainability throughout the product life cycle. The report also details SHEIN's commitment to ethical labour practices and community empowerment, demonstrating the company's integrated approach to sustainability that encompasses both environmental and social dimensions.

4. Conclusion

SHEIN has revolutionized women's fashion by introducing reasonably priced, adaptable, and stylish clothing that specifically targets younger consumers. SHEIN was a pioneer in the use of digital platforms. This strategy not only made fashion more widely available, but it also changed consumer behavior and highlighted the allure of fast fashion. SHEIN showed an amazing capacity for flexibility during this time of popularity, adjusting fast to the move to online shopping and meeting shifting customer demands. In the face of challenges to traditional retailing, SHEIN demonstrated its economic adaptability and flexible supply chain management during this time. But SHEIN's quick expansion and business strategy sparked questions about ethics and sustainability. Focus is placed on the environmental impact of waste and high production turnover as well as the moral dilemmas raised by labor practices. Notwithstanding these obstacles, SHEIN's prospective future efforts in ethical and sustainable business practices have the potential to completely transform its reputation and market

share in the fast fashion sector. Based on its current trajectory, the brand is expected to have a significant impact on shaping future trends in digital retailing and striking a balance between meeting market demands and upholding ethical and environmental standards.

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