

Business Model Analysis Report Based on SHEIN

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Abstract: With the development of mobile internet, cloud computing, big data, artificial intelligence and other technologies, the e-commerce industry has grown rapidly globally and has become an indispensable part of the global economy in recent years. This report will analyze SHEIN's business model by analyzing its customer value proposition, revenue model, market space, main competitors, company comparative advantage, and market strategy. Based on the research on SHEIN, this article suggests that the e-commerce industry create a more intelligent and data-driven e-commerce platform, expand diversified procurement channels and pricing strategies, and fully utilize social marketing media to promote the sustained and healthy development of the e-commerce industry.

Keywords: E-Commerce; Business Model; SHEIN

1. Introduction

1.1 Outline of the SHEIN Company

SHEIN is a Chinese fashion e-commerce startup founded in 2008 and headquartered in Shenzhen, Guangdong Province. The company is renowned for selling women's clothing, men's clothing, children's clothing, footwear, outdoor products, beauty products, and other products. Its main business is to provide innovative fashion products and services to global consumers. Currently, SHEIN has become one of the most popular fashion e-commerce platforms in the world.

SHEIN has a very broad audience and its users come from over 200 countries worldwide, with daily views reaching 200 million times. As of the end of 2021, the company has over 10000 employees and its sales have exceeded \$10 billion. SHEIN's goal is to become one of the largest fashion e-commerce companies. (Wu, 2022)

1.2 Purpose, scope and structure

This report describes SHEIN's business model by visiting the SHEIN website and analyzing SHEIN's customer value proposition, revenue model, market space, main competitors, comparative advantages of the company, and market strategy. Based on the above analysis, evaluate whether SHEIN's current market strategy is the most suitable one. Finally, summarize this report and provide some suggestions on how to develop the current e-commerce technology and presence to strengthen the current market strategy.

2. Business model analysis

2.1 Customer value proposition

SHEIN's customer value proposition is to provide diverse and high-quality fashion clothing and accessories for young, fashionable, and cost-effective consumers, and to present them at highly competitive prices. SHEIN continuously follows fashion trends and quickly releases the latest global popular styles and exclusive original designs, allowing consumers to keep up with the forefront of fashion at any time. In addition, SHEIN continuously optimizes the customer service experience, providing fast and convenient global delivery services as well as comprehensive and reliable after-sales services, establishing close interaction with consumers, and creating a satisfactory shopping experience.

MAKING THE BEAUTY OF FASHION ACCESSIBLE TO ALL

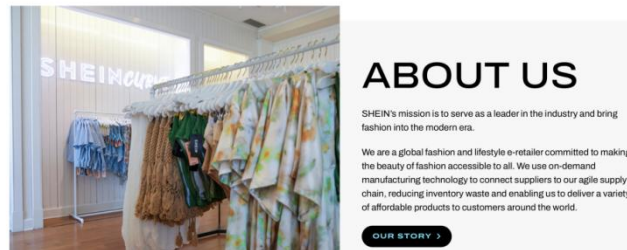


Figure 1 Introduction of SHEIN

2.2 Revenue model

From July 2018 to April 2022, SHEIN doubled the valuation by about 40 times in over three years. Last year, SHEIN's valuation of \$100 billion reached its peak, which exceeded the combined market value of H&M and ZARA. In the list of global start-ups, it ranked third in the world after ByteDance (\$140 billion) with Tiktok and TikTok and SpaceX (\$100.3 billion), a space exploration company of Musk. (Wu, 2022)

SHEIN's revenue model mainly includes two aspects: online sales and advertising promotion. Firstly, SHEIN generates sales revenue by selling products such as fashion clothing and accessories through online e-commerce platforms. In this model, SHEIN's main income comes from consumer purchasing behavior, including product sales. According to public information, SHEIN's annual revenue in 2021 has exceeded \$10 billion. (Dong, 2023) SHEIN's main source of revenue is sales of fashion, beauty, footwear, and other products, with online sales as its main sales channel. SHEIN sells products to global consumers through its global e-commerce platform, and its sales have continued to grow in the past few years. As of the end of 2021, the SHEIN website has over 200 million daily views and has members from over 200 countries worldwide. The Financial Times reported that SHEIN has achieved profits for four consecutive years, reaching \$700 million in 2022. (Dong, 2023)

Secondly, SHEIN also earns revenue through advertising promotion. SHEIN provides various advertising promotion methods on its e-commerce platform, such as popular product promotion, brand advertising placement, etc. These provide opportunities for brand merchants to showcase and promote their products, and can generate advertising revenue from them.

2.3 Market space

SHEIN is a company focused on fashion e-commerce, primarily in the fast fashion market. (Wang, 2022) With the popularization of the Internet, the rise of e-commerce has had an impact on traditional retail industry, and fast fashion has also become a shopping hotspot. SHEIN quickly gained market share in the fast fashion industry by quickly introducing new products and using low prices. Meanwhile, SHEIN relies on its powerful online platform and global procurement chain to provide consumers with higher quality and fashionable products and services, continuously expanding the market.

According to Bloomberg Second Measure data, from early 2020 to early 2022, the market share of SHEIN increased from 18% to 40%. (Jing, 2023) Meanwhile, the number of daily active users (DAUs) of SHEIN has significantly increased. By 2022, SHEIN's download volume and user volume have climbed to the forefront of the world. According to data released by mobile intelligence company Apptopia, SHEIN is the world's most downloaded shopping application in 2022, with 229 million installations. According to the ranking of iOS user size in global shopping apps released by third-party data agency data.ai, as of the end of January 2023, SHEIN ranks first in the ranking of iOS user size in global shopping apps. (Du&Gu, 2022)

Top 10 most downloaded shopping apps globally:

1. SHEIN: 229 million	
2. Meesho: 210 million	
3. Shopee: 203 million	
4. Amazon: 195 million	
5. Shopsy: 141 million	
6. Flipkart: 115 million	
7. Pinduoduo: 79 million	
8. Alibaba: 66 million	
9. Lazada: 64 million	
10. Mercado Libre: 58 million	

Figure 2 Top 10 most downloaded shopping apps globally

Overall, SHEIN is currently in a rapidly developing fast fashion market with huge market potential.

2.4 Competitors

SHEIN's main competitors are other fashion e-commerce companies that own the same type of products and target the same type of consumers, including the following companies:

1. Zara: is one of the world-renowned fashion brands with complete brand influence and production experience, and has also achieved great success in e-commerce business.
2. H&M: It is a Swedish fashion brand with over 4000 stores worldwide. H&M is also continuously expanding and enhancing its business in the e-commerce field.
3. ASOS: is a fashion e-commerce company headquartered in the UK, providing fast fashion style clothing, shoes, accessories, and more to the global market.
4. Romwe: is an e-commerce company primarily targeting young fashion groups, with a similar fashion style and price positioning to SHEIN.
5. Boohoo: is a fashion e-commerce company headquartered in the UK, providing fast fashion clothing and accessories products similar to SHEIN, focusing on young fashion groups.

All of these competitors have a certain market share in the fashion e-commerce market and are under significant competitive pressure with SHEIN. The company needs to continuously improve the quality of its products and services, innovate continuously, and enhance its market competitiveness.

2.5 SHINE's Comparative Advantage

SHEIN's comparative advantages mainly include the following aspects:

2.5.1 Price advantage

SHEIN provides fashionable clothing and accessories at a lower price, allowing more young consumers to afford its products. SHEIN has a direct supply chain and its own production line. It collaborates with a large number of suppliers, manufacturers, and factories to reduce intermediate costs by directly purchasing and producing its own branded goods, thereby controlling the price of goods within a reasonable range. So SHEIN can maintain a significant advantage in price.

2.5.2 Quick update

SHEIN features fast update, with a very fast daily update speed, ensuring that consumers can always have the latest and most trendy fashion elements. SHEIN often launches limited time flash sales activities, releasing new products and offering discounts in a short period of time. The rapid pace of updating enables SHEIN to maintain an advantage in the fierce competition in the fashion e-commerce market.

2.5.3 Global logistics network

SHEIN has established its own logistics system and distribution network worldwide, ensuring timely and smooth delivery of

goods from suppliers to consumers, and improving consumers' shopping experience.

2.5.4 Personalized shopping experience

SHEIN provides a personalized shopping experience through intelligent technology and user data analysis. It can provide product recommendations and shopping suggestions that are more tailored to different users' preferences, historical purchase records, and search records. (Zhang&Yu, 2023)

2.6 Market strategy

2.6.1 Price strategy

SHEIN attracts consumers with its fashionable and low-priced positioning, continuously launching discounts and promotional activities, and increasing market share through price advantages.

2.6.2 Product strategy

SHEIN focuses on extracting fashion elements in product design and procurement to meet the fashion needs of young consumers. At the same time, based on market feedback and user data analysis, we continuously adjust our product line to provide products that are closer to consumer needs.

2.6.3 Channel strategy

SHEIN adopts a direct e-commerce channel model, eliminating sales intermediaries, avoiding inflated marketing costs, and conducting global sales business to meet consumers' shopping needs.

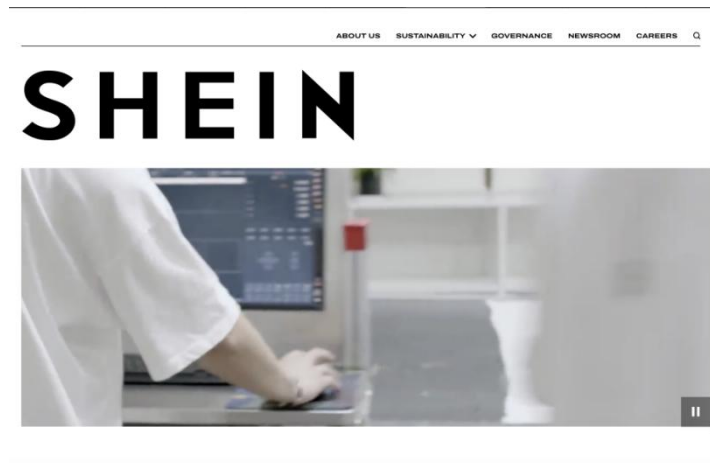


Figure 3 SHEIN's website

2.6.4 Marketing strategy

SHEIN's marketing strategy mainly involves advertising on social media platforms, promoting and collaborating through social media to enhance brand exposure and expand potential consumer groups. SHEIN has been able to better promote through various marketing channels such as social media promotion and joint live streaming sales, and has successfully attracted more and more consumers. (Zhang et al. , 2023;Cai, 2022)

2.6.5 Data strategy

SHEIN's data strategy can help enterprises timely grasp market demand, segment target audiences, improve product quality, and quickly respond to trends, thus standing invincible in the fierce market competition. (Baoming, Z., & Xiaodong, Y. 2023)

3. Evaluate SHEIN's current market strategy

SHEIN's current market strategy is relatively successful, as it has gained the favor and recognition of a large number of young consumers through its advantages in price, global procurement, powerful e-commerce platforms, and personalized services. However, due to fierce market competition and difficulty in maintaining market share, SHEIN needs to continuously adjust its strategies to maintain its advantages and enhance its competitiveness.

In terms of price strategy, with the increase of brand awareness and market share, SHEIN should gradually abandon the low price strategy and provide more high-quality and diversified products to meet consumers' requirements for product quality and fashion, and have better performance in increasing brand premium and improving profitability.

In terms of social media marketing, SHEIN needs to increase the comprehensiveness of social media marketing. In addition to focusing on placing various social media advertisements, it should also strengthen the operation of social media platforms, increase consumer participation, cultivate brand fans, and establish a true, transparent, and trustworthy brand image to enhance the attractiveness and influence of the brand.

In terms of data analysis and personalized services, SHEIN needs to increase its efforts in data analysis, collect and organize more consumer information and consumption trends, deeply understand consumer needs and preferences, provide consumers with more accurate and personalized services and product recommendations, and increase consumer loyalty and stickiness.

In summary, SHEIN's current market strategy is relatively suitable, but it still needs to be continuously adjusted and optimized. With market changes and changes in consumer demand, SHEIN needs to continuously expand and enhance its strength to adapt to market changes, meet consumer needs, and maintain operational competitiveness and strong development trends.

4. Conclusions and recommendations

4.1 Conclusions

This report first introduces the overview of SHEIN Company, and then describes SHEIN's business model by analyzing SHEIN's customer value proposition, revenue model, market space, main competitors, comparative advantages of the company, and market strategy. SHEIN's revenue model includes e-commerce platforms and advertising promotion services. And SHEIN is in the rapidly developing fast fashion market, with huge market space and numerous competitors. Its advantages include price advantage, global procurement and logistics network, rapid updates, and personalized shopping experience. Its market strategy mainly focuses on price advantages, fashion products, global sales channels, social media promotion, and data analysis. Based on the above analysis, this article believes that SHEIN's current market strategy is its most suitable strategy, but it still needs to be continuously adjusted and optimized in response to market changes.

4.2 Recommendations

Here are my suggestions on how SHEIN can develop its current e-commerce technology and presence to strengthen its current market strategy. The same goes for other e-commerce.

Invest in building a more intelligent and data-driven e-commerce platform: In order to better provide personalized services to consumers, SHEIN needs to invest in building a more intelligent and data-driven e-commerce platform. Through intelligent technology and big data analysis, provide consumers with more personalized product recommendations and shopping suggestions, and enhance operational efficiency and marketing effectiveness. (Zhou, 2022)

Expand diversified procurement channels and pricing strategies: In order to provide new fashion elements in a better way, SHEIN needs to expand its diversified procurement channels, cooperate with other brands, increase sales volume and brand awareness, and provide products that are closer to consumer needs. In addition, SHEIN needs to continuously adjust its pricing strategy, adjust prices and sales strategies in a timely manner based on market conditions and consumer demand, in order to maintain a competitive advantage.

Social marketing: With the rise of social media, SHEIN should take advantage of this opportunity by frequently posting social media advertisements and collaborating with models to promote its products, in order to gain more consumer attention, enhance the brand and attention, and enhance brand exposure. (Cai, 2022)

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