



Analysis of business development of a technology commercial company

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Abstract

This thesis centers on analyzing SHEIN, one of the giant technology commercial companies all over the world. It is from China but only develops business abroad. SHEIN has got an extraordinary achievement in this decade and that is inextricably linked to its unique operating model which is composed of six important parts that are the business gene of SHEIN, the supply chain, the modern digital system, the marketing methods, the logistics and the industry environment. These six different parts are interlocked and closely linked to each other. Specially, different from other leading brands in the industry such as ZARA and Amazon, SHEIN has quickly captured the fast-fashion market of the younger generation with cheaper prices and faster logistics supply chain. So far, SHEIN has its own design line of products on the website and has also expanded other categories of products like household products. However, a large part of SHEIN's success has been brought about by this era. With the development of the Internet economy, people from the younger generation have an increasing pursuit of fashion. The rapid rise of online marketing and social media make it easier to promote the brand reputation all over the world. In conclusion, it can be said that SHEIN is in line with the trend of this era and this era has achieved SHEIN's business model. However, one coin has two sides, there is a voice of doubt here. How far can SHEIN go in the future? Whether it is to make quick money in a few years? It is undeniable that SHEIN does have a lot of problems, and although they have been well solved so far, if the solutions are sustainable in the long run or not and SHEIN would face them positively with their young and energetic company culture.

Key Words

SHEIN; fast-fashion; e-commerce; business analysis; data

Resumen

Este trabajo final de master se centra en el análisis de SHEIN, una de las gigantescas empresas comerciales de tecnología de todo el mundo. Es de China, pero desarrolla su actividad en el extranjero. SHEIN ha conseguido un logro extraordinario en esta década y eso está inextricablemente ligado a su modelo operativo único que se compone de seis partes importantes que son el gen empresarial de SHEIN, la cadena de suministro, el sistema digital moderno, los métodos de marketing, la logística y el entorno de la industria. Estas seis partes diferentes están entrelazadas y estrechamente vinculadas entre sí. En especial, a diferencia de otras marcas líderes del sector, como ZARA y Amazon, SHEIN ha captado rápidamente el mercado de la moda rápida de la generación más joven con precios más baratos y una cadena de suministro logística más rápida. Hasta ahora, SHEIN tiene su propia línea de productos de diseño en el sitio web y también ha ampliado otras categorías de productos como los productos para el hogar. Sin embargo, gran parte del éxito de SHEIN se ha producido en esta época. El rápido auge del marketing online y de las redes sociales facilita la promoción de la reputación de la marca en todo el mundo. Además, con el desarrollo de la economía de Internet, la gente de la generación joven tiene una creciente búsqueda de la moda. En conclusión, se puede decir que SHEIN está en línea con la tendencia de esta era y esta era ha logrado el modelo de negocio de SHEIN. Sin embargo, un maíz tiene dos caras, aquí hay una voz de duda. ¿Hasta dónde puede llegar SHEIN en el futuro? ¿Si es para hacer dinero rápido en unos pocos años? Es innegable que SHEIN tiene muchos problemas, y aunque se han resuelto bien hasta ahora, las soluciones no son sostenibles a largo plazo y SHEIN los afrontará positivamente con su joven y enérgica cultura empresarial.

Palabras clave

SHEIN; fast-fashion; comercio electrónico; análisis empresarial; datos

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List of abbreviations / Glossary

IOS	Internetworking Operating System-Cisco
B2C	Business to customer
B2B	Business to Business
ROI	Return on Investment
FBA	Fulfillment by Amazon
FBM	Fulfillment by Merchant
IT	Information Technology
ERP	Enterprise Resource Planning
MES	Manufacturing Execution System
SFC	System Files Checker
C2M	Customer-to-Manufacturer
CR3	Current Rank NO.3
CR4	Current Rank NO.4
CR10	Current Rank NO.10
AWS	Amazon Web Services
CAC	Customer Acquisition Cost.
LTV	Lifetime Value
GMV	Gross Merchandise Volume
CAGR	Compound Annual Growth Rate
KOL	Key Opinion Leader
GEN-Z	Generation Z, people born between the late 1990s and the early 2010s

1.Introduction

1.1 Analyzing backgrounds

1.1.1 Company background

SHEIN is a cross-border B2C Internet enterprise established in 2008, mainly operating in the field of women's fast fashion, providing cost-effective fashion products for global consumers. The company is headquartered in Nanjing and has opened branches in Guangzhou, Shenzhen, Foshan, USA, Belgium, Dubai, and many other places, and has already entered the markets of North America, Europe, Russia, Middle East, and India. Since 2012, the company has established SHEIN's own brand, relying on China's supply chain advantages, constantly integrating industry resources, establishing a complete supply chain system from design and development to pattern making, from fabric procurement to garment manufacturing, from e-commerce operations to after-sales service, realizing production, research, and marketing.

Baidu illustrates that:

In May 2021, data from the application tracking companies App Annie and Sensor Tower showed that SHEIN replaced Amazon as the most downloaded shopping app on iOS and Android platforms in the US.

SHEIN's revenue in 2020 will be approximately RMB 70 billion.

As of May 17, 2021 local time, SHEIN is the NO.1 iOS shopping app in 54 countries and regions. In the U.S., SHEIN's market share in the fast fashion segment jumped from 7% in January 2020 to nearly 30% in June 2021.

In February 2022 news, Byte spring first challenged SHEIN and failed.

On February 16, 2022, Reuters reported exclusively from sources familiar with the matter that SHEIN is aggressively expanding its Singapore office, aiming to triple its Singapore workforce to around 200 by the end of the year. [1]

How could SHEIN get such a big success within a decade? From EGOBEST, Chris Xu, who is the founder of SHEIN invested 29 million euros in 2011 to establish their Independent station abroad and the domain name was "Shein.com". The website was officially launched in less than 3 months of development. Soon at the end of 2012. Xu started to consider establishing an overseas warehouse and two core employees were assigned to manage the company based in the United States. Then in 2013, with the support of PayPal's mobile payment solution, Xu spent a lot of

money to rapidly develop SHEIN's mobile shopping app and successfully launched it. In 2015, after more than a year of operational promotion, SHEIN's mobile order ratio rapidly exceeded 15%.

In July 2016, SHEIN, already known as the largest Chinese cross-border fast fashion company, completed a Series B financing of more than 300 million RMB from IDG and Jing lin Capital. And before that, SHEIN acquired ROMWE, a similar e-commerce company.[2]

In the "Late Post" reports, "Fast fashion cross-border e-commerce company SHEIN's 2020 revenue is close to \$10 billion (approximately RMB 65.3 billion), the eighth consecutive year the company has achieved revenue growth of more than 100%. SHEIN is already the top cross-border apparel e-commerce company in China in terms of sales. A similar company, Cross Border which owns fast-fashion websites, posted revenue of \$11.417 billion in 2019 in its export e-commerce business."

1.1.2 E-commercial industry background

China's cross-border e-commerce has the manufacturing base of global business and high-quality supply chain resources. Although the labor cost in China has increased in recent years, it is still low compared with the labor cost in developed countries, and the lower labor cost will still be a major advantage of China's manufacturing industry in the division of labor in international trade in the future period to produce advanced and high-quality products. At the same time, as an important business in China's foreign trade, export cross-border e-commerce also creates momentum for the Chinese manufacturing industry and promotes the accelerated development of the manufacturing industry to "digitalization, networking and intelligence", which promotes the prosperity of the real economy. In China, there is a huge pool of talent and industry knowledge built up around mobile app e-commerce. By simply adapting China industry best practices to the ROW, SHEIN is able to give itself a massive advantage with which companies like Fashion Nova, H&M, and Zara can't compete.

From the report of <e-commerce in the US analysis in Passport>[3], which mentioned the COVID-19 pandemic impact on the e-commerce industry these years. It illustrated that in 2020, the sales of e-commerce in the US is around 700,000 USD millions that covid-19 really drives a historic surge in e-commerce sales. "E-commerce is expected to record an 11% current value CAGR (9% CAGR at constant 2020 prices) over the forecast period to reach sales of USD1,120.2 billion in 2025 "

However, the pandemic has made it clear to all US retailers that they must have a robust digital strategy that stop thinking of e-commerce as a supplement to their business and instead work to make expanding and improving their digital operations.so that a new method, curbside pick-up, is here to stay to provide more convenience for consumers and during the pandemic, more US

consumers began using curbside pick-up than ever before. As we all know, Amazon.com which is the premier e-commerce retailer in the US by a significant margin and the report illustrates that one of the most important factors contributing to Amazon's continued success is the company's unrelenting focus on improving its own delivery capabilities. As previously mentioned, SHEIN also has the same system as Amazon that builds their own warehouses in different countries to guarantee their fast supplement and in this way to satisfy their consumers with convenient services.

From the point of view of user access, cross-border trade has gone through several stages. The earliest is the Canton Fair era, Chinese merchants and foreign merchants through the Canton Fair such occasions to achieve information interchange, reach cooperation and generate transactions; then is the Alibaba era, from China's Yellow Pages to Alibaba, Ma initially did is "online Canton Fair"; and then enter the SEO (search engine optimization) and eBay, Amazon In the age of SEO (Search Engine Optimization) and eBay and Amazon, Chinese merchants opened stores in foreign websites, and did business through advertising and ROI optimization traffic model; and SHEIN entered the fourth stage, that is, self-built independent station model. Enterprises build their own websites and operate their own users. If enterprises in the third stage is customer acquisition first, traffic efficiency first, then SHEIN's model is retention first, extending the user life cycle first.

1.1.3 Fast-fashion industry Background

What is fast fashion? Fast fashion is a new paradigm born out of consumer demand, and these "fast fashion" brands such as ZARA, SHEIN, H&M are characterized by trendiness, style, low price and quick delivery.

Why does fast fashion develop so fast and get popular all over the world? With the world economy slowing down and income growth entering a stable period, consumers are moving away from the blind worship of luxury brands with high bill of goods and back to rational consumption and design itself, those with a sense of design and a 90% lower bill of goods than the big brands are meeting consumers' individual needs. Another reason is that according to the data released by the United Nations Department of Economic and Social Affairs in 2020, the global Generation Z (people born between 1995 and 2010) will reach 2.4 billion in 2019, accounting for 32% of the world's population, making it the largest group of people. As the spending power of this group continues to be released and the main consumer group becomes younger, the share of fast fashion will continue to increase.[4]

How fast could the fashion industry make a high profit? The 2021 Gartner Supply Chain Top 25 list[5] evaluates companies with superior supply chain management capabilities during the epidemic from four perspectives: return on tangible assets, inventory turnover, revenue growth, and environmental stewardship. Summarizing the supply chain strengths of the Top 5(CISCO,COLGATE-PALMOLIVE, Johnson & Johnson, SCHNEIDER and NESTLE) it was found that they used the following methods to improve supply chain resilience:1) Digital supply chain 2) Accurate forecasting based on consumer data.

Apple and Inditex (Zara's parent company) are the two companies with the strongest supply chains. Apple has a global factory production model for standard products, and Zara has a flexible supply chain. SHEIN also uses a flexible supply chain as the same as ZARA and in the following content would explain the reasons.

1.2 Analyzing objectives

In fact, SHEIN is not only an e-commercial fashion company, although its marketing is in apparel and footwear industry, it is more than like a technology company because the core of this company is not excellent fashion design but take advantage of large sales volumes and low product unit prices for general consumer group. To achieve this, SHEIN totally relies on modern digital tools to get direct access to consumers information and data, not physical objects, with attractive product graphics and low prices greatly reduce the cost. Public see ZARA as a pioneer of fast fashion and after so many years, ZARA and its parent company Inditex announced the closure of 1200 stores worldwide in 2020. Meanwhile, SHEIN made a big success with the real-time fashion. The biggest difference between fast fashion and real-time fashion is digital transformation. 2020, a special year, covid-19 seeped the whole world with is another survival challenge in human history. The global economy has been hit hard and many industries have fallen off a cliff but conversely the digital industry (online technology software, social media, digital commerce...) is on the rise under epidemic. SHEIN shows a new possible for e-commercial industry with digital technology in this century but is still a mystery for public that most people are not familiar to it even have never heard about it at all.

This thesis will tell SHEIN's development story and illustrate how SHEIN attracts a large quantity of young customers, how SHEIN operates their online application from the back-end to front-end, how SHEIN could achieve the super-fast logistic of real-time fashion, how SHEIN uses data and information to provide their supply chain. How SHEIN manages their tons of data. All progress that SHEIN made based on other traditional companies. Those progress definitely are the results of

this era and would give public more revelations about using modern technology to build a business in digital marketing.

However, this thesis would analyze SHEIN based on data visualization and information technology from an engineering angle. All figures in the thesis were made by author using R or Python with data from website or collected by the author. With data, it would be more accurate and clear to show the trends to public and with comparisons, it would be easier to show SHEIN's success in e-commercial area and technology filed.

2.State of the art

“If you’ve spent (eGoBest, 2017), YouTube, or Instagram, odds are you’ve heard of SHEIN.” Kylie Fuller said this in her latest report in brightly economic website. Because of the lower price, those ultra-low prices seem like a dream come true; you can build an entire wardrobe for less than it costs to order takeout.[6] However, in this report, Kylie also wrote her doubt about SHEIN labor and overall sustainability, “Still, SHEIN does not divulge detailed information about factory employees’ wages and rights. To date, SHEIN has continued to release generalizations about “a safe, fair, and happy work environment” rather than disclosing specifics.” As we all know, fast-fashion industry is the second most polluting industry that fast-fashion is responsible for 20% of global wastewater and 10% of carbon emissions.

TechCrunch wrote: “[SHEIN] manufactures in China as many apparel retailers do. The difference is SHEIN controls its own production chain, from design and prototype to procurement to manufacturing. Each step is highly digitized and integrated with another, which allows the company to churn out hundreds of new products tailored to different regions and user tastes at a daily rate. The strategy is not unlike Tok-tok matching content creators with users by using algorithms to understand their habits in real-time.”[7] In the article <10 Things You Need to Know About SHEIN, The Most Downloaded Shopping App>. Most people know SHEIN from social medias so that’s also the reason why SHEIN has so many customers from younger generation. In this article, the author admit that SHEIN’s business strategy is advanced at this stage.

Elisabeth is one of the customers of SHEIN who has been ordering things off of SHEIN for over seven years now. In her reviews, she said that “When it comes to SHEIN, you are paying for low quality, fast fashion. This isn’t always a bad thing. SHEIN takes popular ,trendy, higher-end items and makes a lower quality version of them for a much lower price point.”

There are not so much information about factors behind SHEIN business, but from what their customers said, SHEIN absolutely has its advantages on price and stylish, as well as its fast delivery process. So it could be say that SHEIN seems already get a quite good grade on “customers satisfy”.

3. Analyzing content

3.1 SHEIN's business genes

3.1.1 The popularity in the overseas markets

Based on the dataset <SHEIN marketing revenue by category> from Euromonitor website, generally, we can find that the category, sales are both gradually increasing between 2018 and 2021 and the total sale of 2018 was 1335.1 million dollars, 2019 was 3016.2 million dollars, 2020 was 7490.2 million dollars, 2021 was 15489.8 million dollars that the following year sales were twice as much as the previous year. In addition, "Apparel and Footwear" category has the highest sales, reaching an average sale of 1,381.525 million dollars per year and the worst category is "Hosiery" which only get 5.400 million dollars per year. In conclusion, apparel and footwear are SHEIN main sales category and the most profit is from this category.

From the dashboard of SHEIN application in the App Magic[8] website, in 2021, "SHEIN-Fashion Shopping Online" application has been downloaded about 10.8 million times across the world. Benefit from their unique advantages that keep a unique business model which makes use of algorithms and big data to predict fashion trends. Also, the algorithm-driven supply chain enables it to reduce the production time to one week and offer thousands of new items to reduce its site every week at much lower price levels than its competitors. At the same time, at the end of 2021, the total downloads amounted to an estimated 36.2 billion and what's more, in the most recent examined period, global app downloads across the two major platforms are estimated to have experienced an increase of approximately three percent compared to the corresponding quarter of the previous year.

The following two graphs show the trend in the number of app downloads. From the graph one where shows the dataset <Number of app downloads of SHEIN-Fashion Shopping Online worldwide from 2015 to 2021 (in millions)>[9] on AppMagic website, with R, it is clear to show that during 2019 and 2020, the downloads of SHEIN-Fashion Shopping Online application are growing at more than 100% and reached peak downloads in 2020 that 11.93 million times in total. However, from 2015 to 2019, this figure showed a slow growth trend from 2015 to 2019, and even had a brief decline to 10.78 million downloads after 2020.

To sum up, overall the number of SHEIN application downloads is showing a significant increase these years.

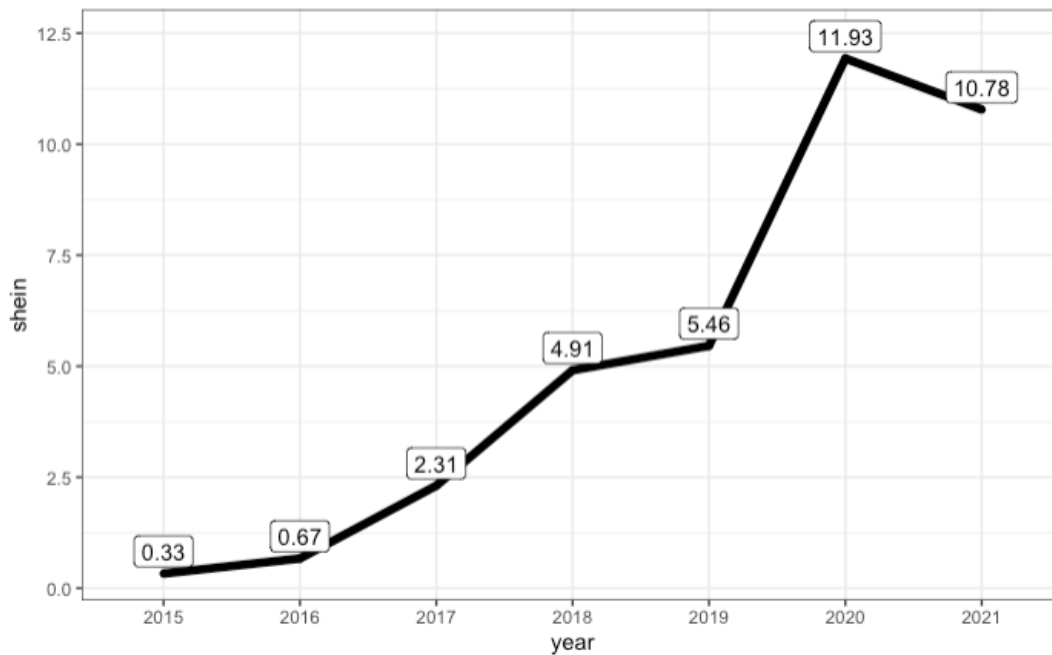


Figure 1 Download times of SHEIN application (in million)

The second graph shows that all the combined global Apple App Store and Google Play app downloads in billions. The data is made from Sensor Tower < Combined global Apple App Store and Google Play app downloads from 1st quarter 2015 to 4th quarter 2021(in billions)>[10], Between 2015 and 2019, SHEIN app downloads grew at a slower rate than overall growth, though between 2019 and 2020, this rate is growing twice as fast. In 2020, the number of downloads of SHEIN applications accounts for 0.083% of the total number of downloads.

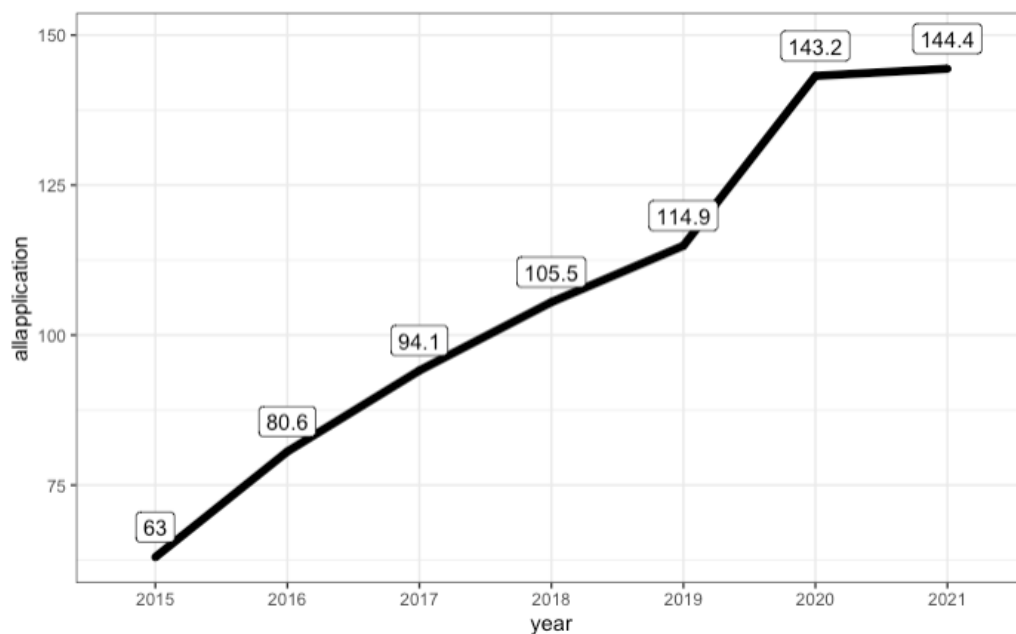


Figure 2 Download times of other applications (in billion)

With the two graphs, it is easy to calculate that at beginning of 2015, SHEIN application only occupied a small part of downloads, which is 0.0005%. But in 2020 and 2021, the figures are 0.008% and 0.007%, that shows a substantial increase.

In the report of <e-Commerce DB - Top online stores worldwide> from Statista[11], the data in the report shows that SHEIN was included the top 10 online stores in the fashion segment in the US, UK, Germany and Italy and the net sales were 4,807, 654, 692, 681 million dollars separately in 2021. Comparing with another online store giant Amazon which made net sales of 5,598 million dollars in the US, 587 million dollars in the UK, 6,524 million dollars in Germany and 213 million dollars in Italy, SHEIN seems more popular among the local consumer public in UK and Italy. Data visualized by R ggplot2 package, it is obvious that in 2021, although SHEIN made a massive success, the net sale of Amazon far exceeds SHEIN's total global net sale. Meanwhile, the biggest market of SHEIN is the US.

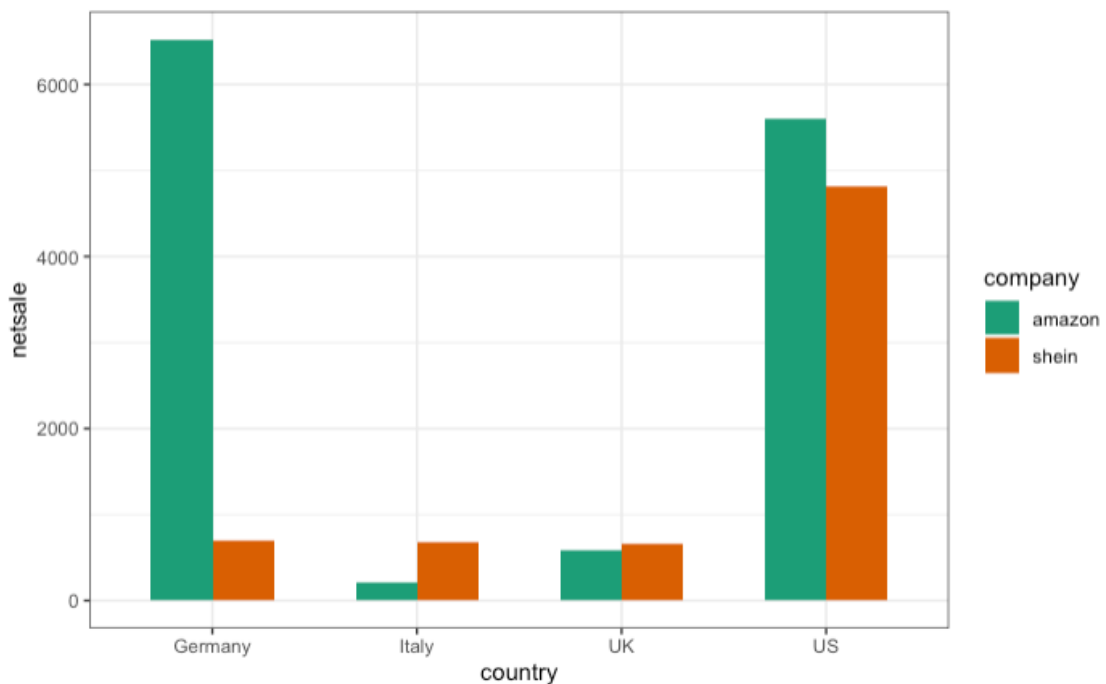


Figure 3 Net-sale of SHEIN and Amazon in different countries (in million)

3.1.2 Features within the SHEIN application

Generous points system: earn rewards for daily logins, design games, verifying email, and more. Customers could use these points to buy more products.[12]

- Incentivized Reviews: Reviews are particularly important in fashion ecommerce to reduce expensive return rates. Star ratings don't tell you much, but pictures tell you a lot. SHEIN

incentivizes with points—pictures with the user’s size information. This allows shoppers to more accurately judge if something will fit them. Inspired by Little Red Book and Taobao, SHEIN encourages UGC. Users can gain followers to their profile and be showcased in the app by modeling the clothes they buy, building loyalty to the brand, providing more pictures for other users to judge the suitability of items, and creating a content feed that keeps users hooked.

- **Livestream Events & Reattainment:** Like a mini Alibaba “11.11” event, SHEIN has #SHEINtogetherfest featuring influencers.
- **Recommendations:** The SHEIN app experience is more than one discovery driven recommendation feed rather than a primarily search driven experience. China’s mobile e-commerce is an environment where recommendation traffic far outweighs search driven traffic. Heavy reliance on recommendation over search is a common thread that runs through the world of Chinese mobile internet. Accordingly, there’s a huge pool of expertise built up around e-commerce recommendation, as showcased in this paper.

3.1.3 Features of SHEIN products and customers

The core features of SHEIN are ultimate cost performance and multi-category continuously update new products. SHEIN has an absolute advantage over its peers in terms of product pricing, for example, compared to fast fashion brands such as Zara and H&M. Take a women's top for example, SHEIN is priced at only \$7, while Zara's price is still \$12.99 after discount, up to a 70% price difference.[13]

The ultimate speed of new products, carefully designed display pictures to maximize the desire to buy. With a strong team of designers, buyers, and pattern makers, SHEIN's official website currently features about 3,000 new styles every day and nearly 20,000 new styles every week through the capture of trends and the recombination of design elements. At the same time, SHEIN attaches great importance to the first impression left by the product display pictures to consumers, through the professional photographer team to take pictures of the product display, to arouse consumers' imagination after wearing the clothing, to maximize the desire to buy.

Interact with consumers by gathering feedback from local consumers to continuously upgrade design and marketing. SHEIN actively listens to customers' demands and continues to improve the speed of product launch, display, localization, and design. By collecting the top 100 high praise ratings for the top 10 items of SHEIN women's wear, dresses, tops, and swimwear, we have created

a hot word cloud of customer ratings for SHEIN products. SHEIN actively listens to customers' demands and optimizes in many aspects.

This part would analyze the price of products in SHEIN, there is one dataset made by the author "SHEIN top rated products" which randomly captures information of 240 items from the top-rated products category. The top-rated products (sample A) are almost woman apparel, and in this In the histogram of frequency distribution ,of these 240 items, the prices were distributed in the range of \$3 to \$38 and the prices are concentrated in the price range of 9 dollars to 15 dollars. This shows goods on SHEIN normally have a low price.

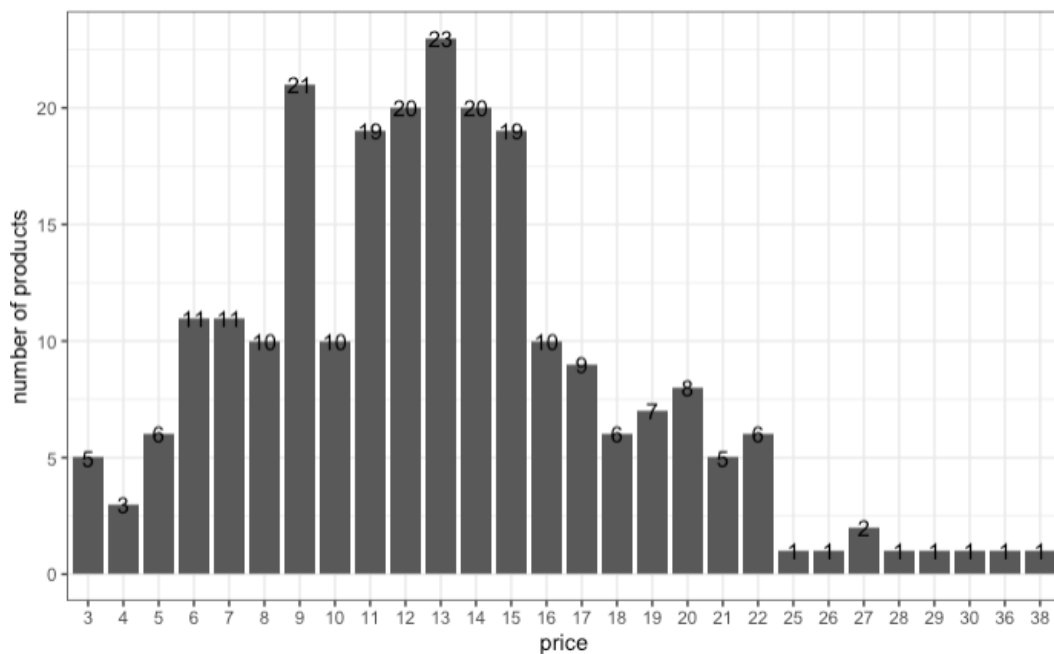


Figure 4 Number of items at different prices in sample A

And what's more, based on the top-rated product dataset, it can still be analyzed that what kind of products are more popular or customers like most. In terms of product characteristics, there are a total of six different types within this random sample, which are "Dopamine Dressing", "High Stretch", "Push-Up Cup", "Seamless", "Softness" and "Buy more save more" respectively. Among these features, "High Stretch" and "Softness" are more popular than other features and reach 32% of products in this sample.

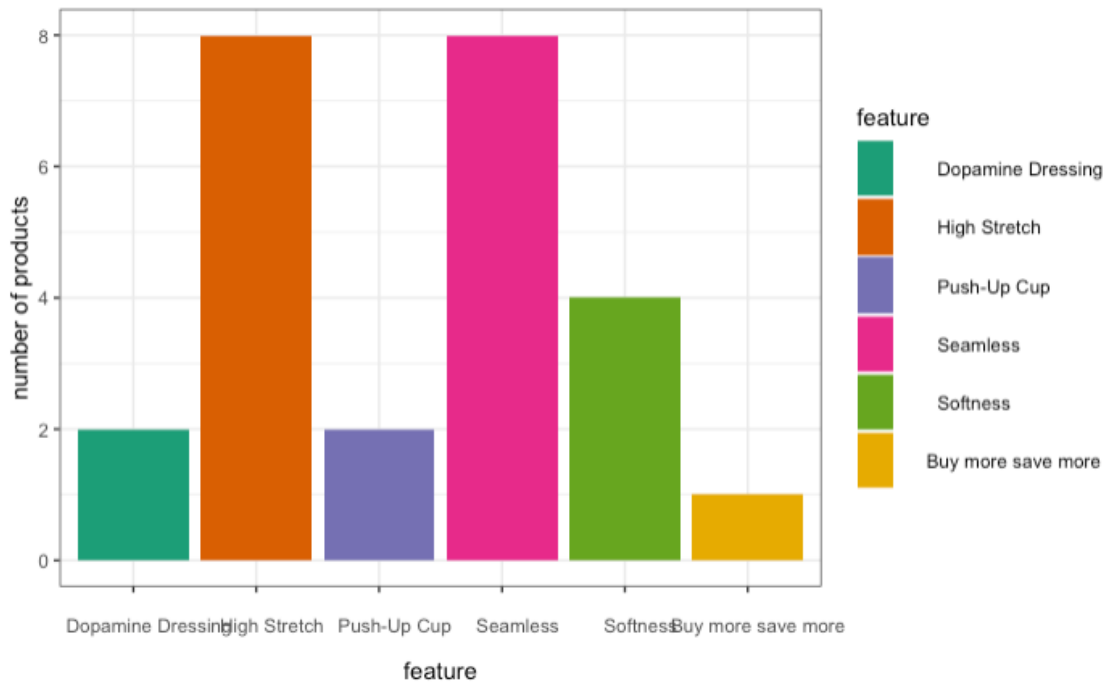


Figure 5 Number of items at different features in sample A

To sum up, the 240 top-rated product dataset illustrates that generally speaking, the prices of goods on SHEIN are quite low and customers think the best features of products are with “high stretch” and “seamless”, it could reflect that SHEIN really has followed the fashion trend and have different styles that young people like .

There is another dataset “user comment.csv” which consists of more than six hundred comments of these top-rated products (sample B) is going to analyze the comment of top-rated products from the customers. One key point of SHEIN comment system is that customers could refer to the height and weight of other customers who have purchased this product and other body information to help decide what size is right for them. With this function, customers can accurately predict the size they need and greatly reduce the return rate. In the bar chart , most reviews mention that the overall fit is true to size, so the size guide feature of SHEIN review really has helped many customers to choose the right size and in this way, the rate of return has a substantial reduction.

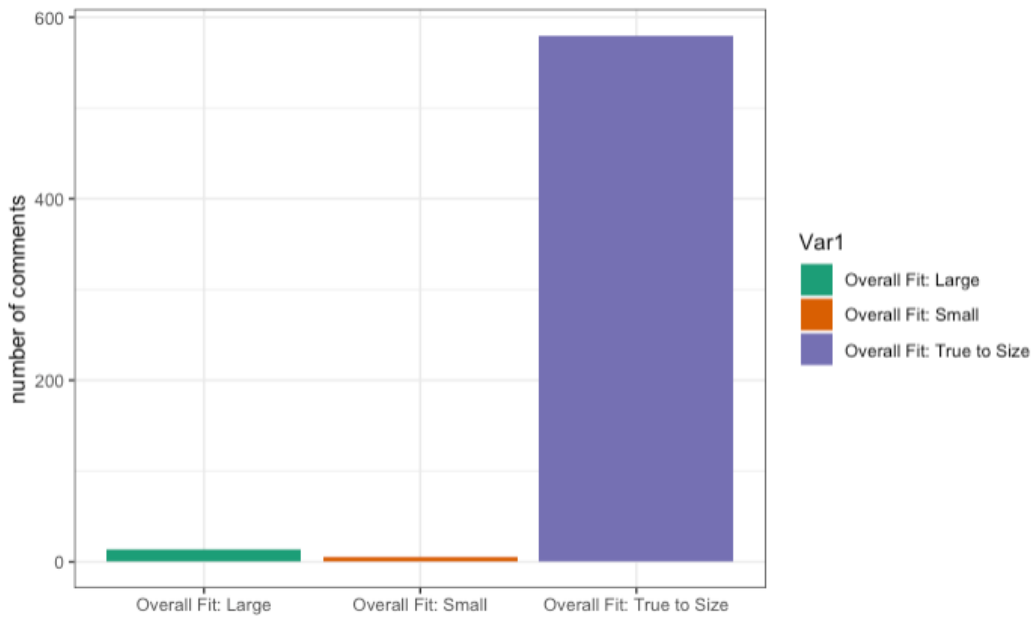


Figure 6 Number of comments at different prices in sample B

Analyzing the users' comments, the most frequently occurring words are "love", "cute", "fit", "like", "top", "super", "good", etc. It is obvious that usually SHEIN's products have been highly valued in customers' feedback. Most customers show their love to SHEIN product. After accumulating a stable enough customer base, SHEIN's spending on the marketing side became smaller and smaller, and the savings were heavily invested in the customer experience. Once the customer has received a good- quality experience, it is followed by customer-to-customer growth and fission marketing. So, the customer's addiction to SHEIN will not only be in the product update, but also in the shopping experience. The shopping experience on the website is better and more convenient time and time again, and customers are naturally willing to stay.

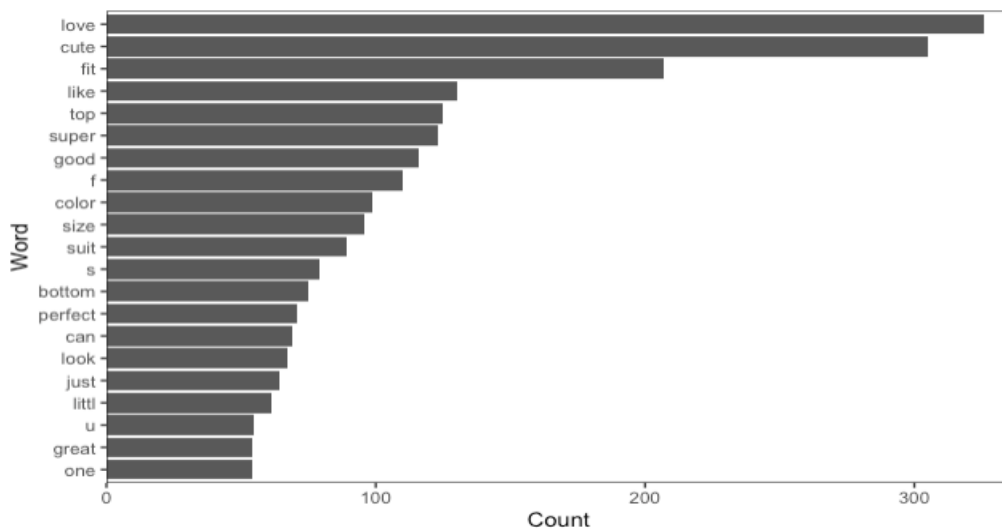


Figure 7 Frequently used words in the comments corpus



Figure 8 Word cloud based on word frequencies

The author used R to draw a word cloud and the more frequently they appear, the larger and darker the words are in the word cloud, so that they can clearly highlight the customer's comments trend.

To conclude, from the comments, most frequent word is “love” then is “cute”, it is a good way to say customers are satisfied with their shopping experience.

3.2 The mystery of SHEIN's supply chain and logistic

3.2.1 SHEIN: Flexible supply chain and fast logistics

SHEIN's existing supply chain back-end department framework setup and clear division of labor, aided by self-developed data systems, has achieved an advanced, efficient, and flexible supply chain system. SHEIN requires partner factories to take a maximum of 15 days from receiving an order to getting the goods into the Foshan satellite warehouse. By 2020, this lead time has shrunk to 11 days, with seven or eight days being the common speed. In the case of a pop-up additional order, SHEIN's suppliers can deliver in as little as three to five days. In the industry, the average delivery lead time for suppliers is typically 15 to 20 days.[14]

The flexible supply chain is the hot topic of discussion in the whole garment manufacturing industry after the epidemic this year. The essence of a flexible supply chain is to obtain big data from the terminal sales and consumer decision e-commerce platform and provide feedback to the back-end supply system and manufacturers to adjust the production plan and change the output, type or combination of goods in a timely manner.

SHEIN adopts the model of centralized warehouse and overseas transit operation warehouse to operate. The domestic central warehouse is located in Foshan, Guangdong, surrounded by several satellite warehouses. Most of the global products are shipped from the 300,000 square meter domestic hub in Foshan, Guangdong. SHEIN also has operational warehouses in Hong Kong, Belgium, Delhi, Northeast USA and Western USA. SHEIN also has operational warehouses in Hong Kong, Belgium, Delhi, the northern United States, and the western United States, dedicated to the distribution of its radiated areas. In emerging markets such as Southeast Asia and the Middle East, delivery times are not so punctual due to the lack of local logistics and infrastructure development. At the same time, due to the geographic distance, SHEIN's delivery time advantage in emerging markets is highlighted. For example, SHEIN has the longest delivery time among all comparative brands in Europe and the US, but SHEIN offers the shortest delivery days among online apparel e-commerce brands in the Southeast Asian market.

In 2018, as trade relations between the world's two largest economies continued to deteriorate, China responded to a new round of U.S. tariffs by effectively exempting direct-to-consumer businesses from export taxes. Since SHEIN ships most of its orders from its warehouse in China, it is already well positioned in the United States. Since 2016, packages worth less than \$800 have been allowed into the U.S. duty-free. Later, the Trump administration-imposed tariffs to raise the price of Chinese products, but these small-value items remained exempt from tariffs.

SHEIN products are updated much faster than other fast fashion brands, that update every day and launch about 40k to 50k pieces per week. SHEIN is more cost effective than other fast fashion brands. Normally the prices are between 1 and 170 dollars. SHEIN inventory turnover is higher than the industry's low inventory turnover level. In 2019, SHEIN's inventory turnover rate, which is fast and cost-effective, already reached 4.62 times per week.

In 2020, COVID-19 pandemic has brought huge growth opportunities to fashion e-commerce companies, it has also placed greater demands on their supply chains. SHEIN currently has three types of warehouses around the world, namely domestic central warehouse, overseas transit warehouse and overseas operation warehouse. The main function of SHEIN's overseas warehouse mainly acts as a return warehouse. SHEIN's return conditions are very lenient, with returns within 45 days and free shipping on the first order, compared to competing products, which are generally returnable within seven days. SHEIN's overseas return warehouse is so ahead of its time that they even put the return policy on the homepage as a selling point in an obvious position. The lenient return terms, in return, obviously promote consumers' willingness to buy multiple pieces at once

and increase the unit price. SHEIN's average unit price is now close to one hundred dollars and exceeds 150 dollars in the Middle East. Merchants will maintain logistics costs at about 20% of the price of goods, and in the case of a high customer unit, SHEIN can naturally use the most expensive logistics, mainly commercial express and some special line products, and rarely use postal products. These logistics, the time limit than the general logistics 2 to 3 days faster, SHEIN used the saving time from logistic in the production, so back to the previous discussion on the fast small order, the most extreme fast small order is in fact completely according to the order demand to organize production. SHEIN has a lot of orders is overbought, some items marked to show that in stock, but the order came before the production on demand.[15]

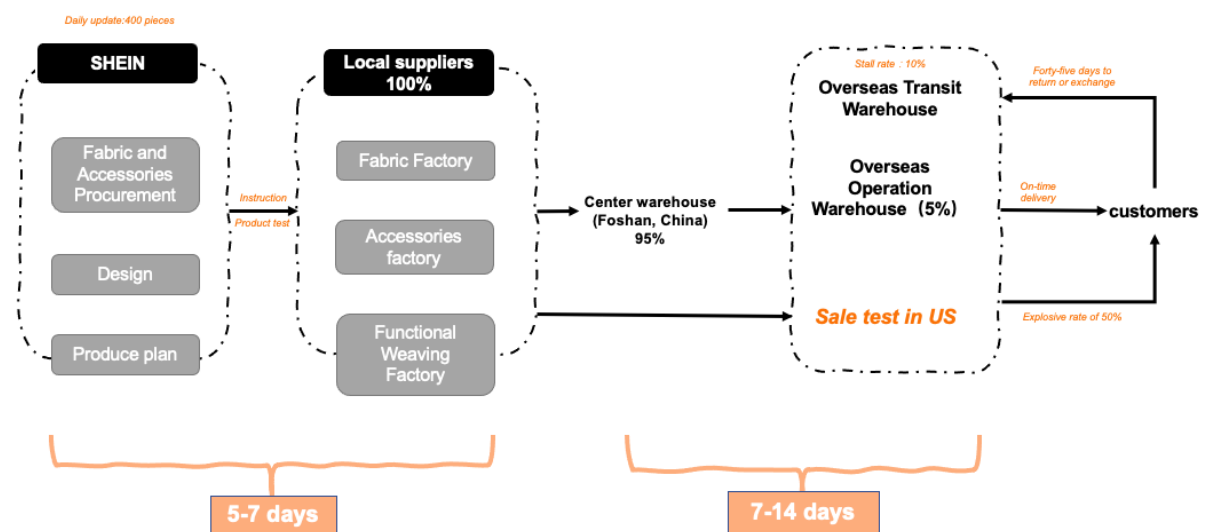


Figure 9 . supply chain model of SHEIN(made by author)

While SHEIN’s supply chain has the advantage of flexibility, the small workshop also has some natural disadvantages.

First, the small workshops are very unstable and may close at any time, which also affects the stability of the supply chain itself. To solve this problem, SHEIN made the billing period the shortest in the industry, a practice that can be praised by everyone in the garment industry. Some brands in the industry may even default on payments to suppliers for as long as one year, and over and over, many suppliers are unable to continue business. As mentioned before, SHEIN also supports its own factories, and through these practices that SHEIN has gained a group of loyal suppliers, so although the suppliers are not in SHEIN’s balance sheet, they are the core of its asset.

Second, the cost of managing small workshops at scale is very high, and management itself is a matter of negative scale effect. Geographical proximity and IT system maturity determine the efficiency and transparency of information transmission; the efficiency and transparency of

information transmission determine the level of management and transaction costs. In order to solve this problem, within 500 meters of SHEIN's headquarters, there are nearly fifty different garment factories, and the office is located in the center of these workshops. By this method, SHEIN could get the newest information from their suppliers within one hour. SHEIN has also built an MES system to achieve penetrating process management of factories and workers. MES is the execution layer between the planning layer and the field automation system, mainly responsible for workshop production management and scheduling execution. A well-designed MES system can integrate management functions such as production scheduling, product tracking, quality control, equipment failure analysis, network reports, etc. on a unified platform, and provide workshop management information services for production departments, quality control departments, process departments, logistics departments, etc. simultaneously using a unified database and through network connections. By emphasizing the overall optimization of the manufacturing process, the system helps enterprises implement a complete closed-loop production and helps them establish an integrated and real-time ERP/MES/SFC information system.

Thirdly, although the fixed cost is much lower than the factory model, there is still a fixed transaction cost between the small workshop and the brand. The small workshop started with high-customized goods like wedding dresses (SHEIN's founder started with wedding dresses before SHEIN), and the revenue per order may not cover the transaction cost for low-customer-price fast-fashion clothing. Facing this challenge, on the one hand, SHEIN's special geographical location reduces the cost of sending samples, following orders, quality control, and a series of other costs that depend on physical entities, and on the other hand, for the parts that do not require physical entities, SHEIN goes directly and completely online. Traditionally, the decision of which order to be produced by which supplier is made by the buyer, that is not only inefficient but also prone to corruption, SHEIN's approach is to model the process of order distribution after Uber, where orders are automatically dispatched by the platform or grabbed online by the supplier after the order is posted, all determined by an algorithm, so the transaction cost of the process can be almost zero.

3.2.2 ZARA: Extreme supply chain

After the design plan is determined, then the purchasing plan and production plan are made, the inventory changes are monitored in real time, production tasks are assigned and outsourced, and the changes in the availability of goods are tracked.

In contrast, ZARA's automated distribution center covers approximately 500,000 square meters, with an underground monorail connecting 11 ZARA garment factories within sixteen miles of the

distribution center. Not only do all raw materials pass through the distribution center on their way to the garment factories, but the "distribution center" is often considered to be the heart of the ZARA supply chain. From the sourcing side, ZARA purchases four or five types of basic fabrics each year and designs, cuts and dyes the clothes in its own factories according to the annual fashion trends. This sourcing model allows for greater utilization of fabrics and reduces the cost of raw material procurement at the end. The raw materials are usually sourced from Italy, Spain, Portugal and Greece, and suppliers located in Europe can usually deliver them to ZARA's sorting centers within five days, helping to reduce distribution costs. At the same time, to improve the speed of dyeing and other processing, ZARA maintains close cooperation with other related companies within the group. more than 260 suppliers provide it with the remaining raw materials, and it is stipulated that the share of supply from one supplier cannot exceed 4%, which minimizes the over-dependence on one supplier and motivates the suppliers to improve their responsiveness. Once the subcontractor has finished sewing the garments, they are returned to the original factory for ironing and inspection, and finally packaged and labeled for delivery to the logistics center via a special railroad between the logistics center and the factory in La Coruña. The quality of the products is further ensured using sampling and inspection methods.

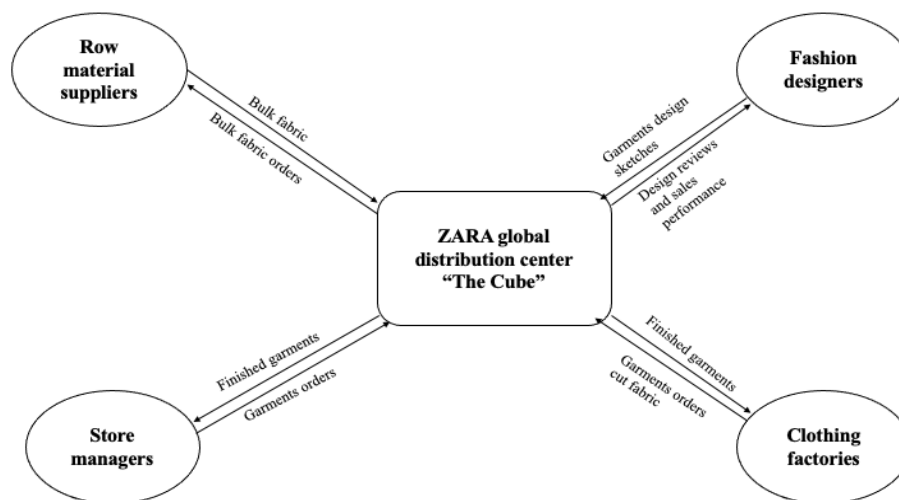


Figure 10 supply chain model of ZARA(made by author)

ZARA has many its own factories in Europe, and each quarter ZARA adjusts production according to market sales data, while ZARA's own factories will bear about 85% of the seasonal adjustment value to ensure that the demand for goods can be met each quarter. For garments made in Spain, they can be delivered within 24 hours to stores in all regions of Europe, within 48 hours to stores in China and the United States, and within 72 hours to stores in Japan. The funny shipping efficiency is inseparable from ZARA's location and distribution strategy. ZARA's corporate headquarters, distribution center and manufacturing center are located in northern Spain, but the distribution and logistics center is located in Zaragoza, a large logistics center developed by the Spanish

government. For their European stores, they opt for truck deliveries, but for other stores, they opt for the more costly air freight. So stores can still receive the items they need within two days of placing an order, even if they maintain a high frequency of placing orders twice a week. The success of ZARA in fast fashion lies in the fact that its manufacturing is based on highly accurate, short-term market demand forecasts. ZARA's competitive advantage lies mainly in the resilience of its supply chain, rather than in low labor costs. 50% of its products are manufactured in Spain, 25% in the rest of Europe, and 24% in Asia and Africa. The average hourly wage for workers in Europe is 8 euros per hour, while in Asia the hourly wage is 0.4 euros an hour.

To sum up, ZARA shortens order delivery times. The integration of production and sales after forward integration, zero inventory, widely distributed stores and efficient information system, and vertical integration of supply chain make it a rapid response model for global retailing. It makes the current supply chain ZARA efficient supply chain management development as a new template.

ZARA's return and exchange system is very convenient. Whether the clothes are purchased from the store or the official website and can be return or exchange directly to the counter within 30 days. For the goods without quality problems, ZARA will immediately put them on the shelves for sale. For goods with quality problems, they will be recycled and reused. For goods that have been squeezed for a long time, they will be redistributed by the headquarters to other regions for sale, or disposed of at a discount. This allows customers to buy with confidence, while reducing inventory and waste.

The used clothes recycling program (Join Life) launched by ZARA, on the other hand, embodies ZARA's long-standing environmental protection philosophy and social responsibility. By collecting used clothes in stores or at home, ZARA reorganizes the used clothes and donates some of them to non-profit organizations and some of them are used for fabric recycling, ZARA extracts the reusable fibers from the used clothes, develops them into new fabrics and makes them into garments. In this way, it reduces material costs and avoids the environmental pollution caused by the disposal of used clothes, thus promoting environmental protection and sustainability, and building a good reputation among consumers.[16]

3.2.3 Amazon: FBM and FBA supply chain

While in Amazon, their supply chain is based on Amazon's fulfillment network which consists of over a hundred buildings across the country for inventory management and processing millions of orders every single day to achieve the task of distribution completion in a short period of time. But

the average small- or medium-sized online retailer doesn't have the capacities or sophisticated logistical processes that Amazon has built. Amazon's supply chain not only benefits them and their customers but also benefits the third-party sellers who sell their products on Amazon. Amazon sellers have two options to fulfill their orders: FBM or FBA. In FBM which is fulfilled by merchant, the seller handles all order fulfillment including storing, packaging, and order shipment. While in FBA which is fulfilled by Amazon, sellers send their products to Amazon fulfillment centers and Amazon handles all storage and order fulfillment. On top of that, products become Prime eligible which allows sellers to have orders delivered to their customers within 1-2 days. By using FBA, sellers get to use Amazon's advanced fulfillment network to grow their business. Instead of worrying about where to store your products or how you're going to package and ship orders, you can let Amazon handle it all. Amazon has 110 fulfillment centers across the US and over 185 across the world to ensure no matter where customers are located, they receive their orders fast and on time. Another fact is that sellers do have the option to send all their inventory to a single fulfillment center. Amazon predicts the demand of your type of products across the US and then will distribute its inventory across multiple fulfillment centers to ensure sellers can meet the two-day Prime shipping promise in any region.[17]

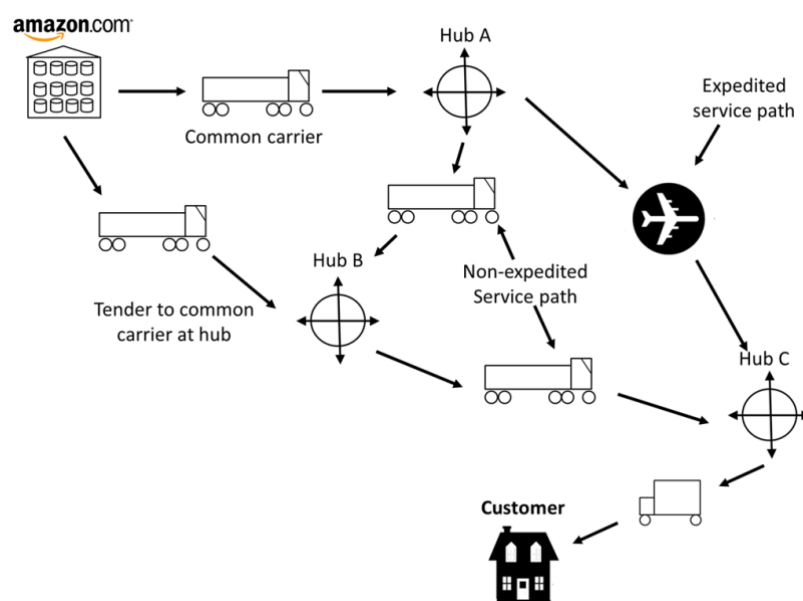


Figure 11 supply chain model of Amazon (source: guruinabottle)

3.3 E-commercial environment

3.3.1 E-commerce industry in China

This graph shows the E-commerce for export trade in China during 2015 to 2020. The data is from <Exports: Euromonitor International from national statistics/OECD/International Monetary Fund (IMF), International>

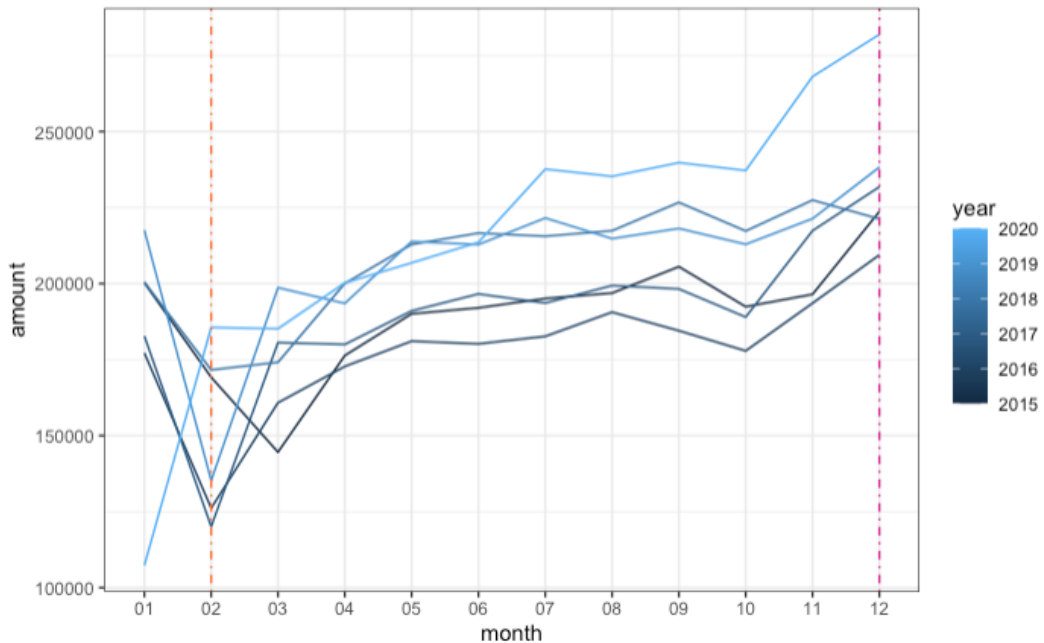


Figure 12 The trade amount of export e-commerce in China from 2015 to 2020(in million dollars)

For each year, typically, exports in December were the highest of the year, reaching an average of 234,390.3 million dollars per month and in February, this figure reached at an average level of 151302.4 million dollars which was the lowest amount during all years.

One of the reasons for this phenomenon is the difference in cultural background that December is Christmas Day in foreign countries, when people have increased purchasing power and need to import a lot of goods. However, February is usually the Chinese New Year, during which many factories are on vacation, thus reducing export trade.

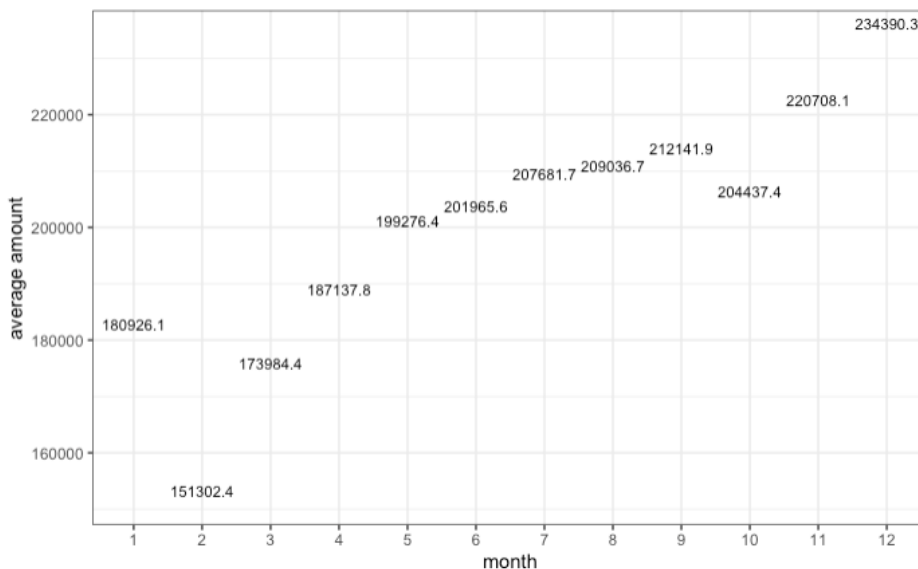


Figure 13 The average monthly trade amount of export e-commerce in China (in million dollars)

The evidence upon all sides points to the fact that the volume of China's export trade is increasing year by year from 2015 to 2020, and this trend can continue into the next few years. Each year, February has the lowest volume of transactions and December has the highest volume, so it is evident that December has the highest demand for foreign exports during the year. But from figure 12, export trade volumes in January 2020 reached a record low in recent years, largely due to the impact of the epidemic, and in the future, it is not easy to predict the outlook for China's export trade industry under the control of the epidemic policy.[18]

It is worth noting that the overall trend from 2015 to 2020 shows rapid growth, except for a brief downturn in China's cross-border e-commerce in 2016, from 190,206.6 million dollars of exports in 2015 to 216,540.4 million dollars in 2019. Why was there a cross-border e-commerce downturn in 2016? In 2016, the Chinese government's policy regulation of the cross-border e-commerce industry tightened and the industry suffered a huge impact, hampering progress in signing up overseas brands, of which another well-known cross-border e-commerce brand "Jumei Youpin" became a vivid example, with the cooperation of Korean brands that once played the mainstay of Jumei Youpin's cross-border business greatly shrinking, resulting in the company choosing to privatize and delist when its share price was low, and fading from the stage of China's cross-border e-commerce history.

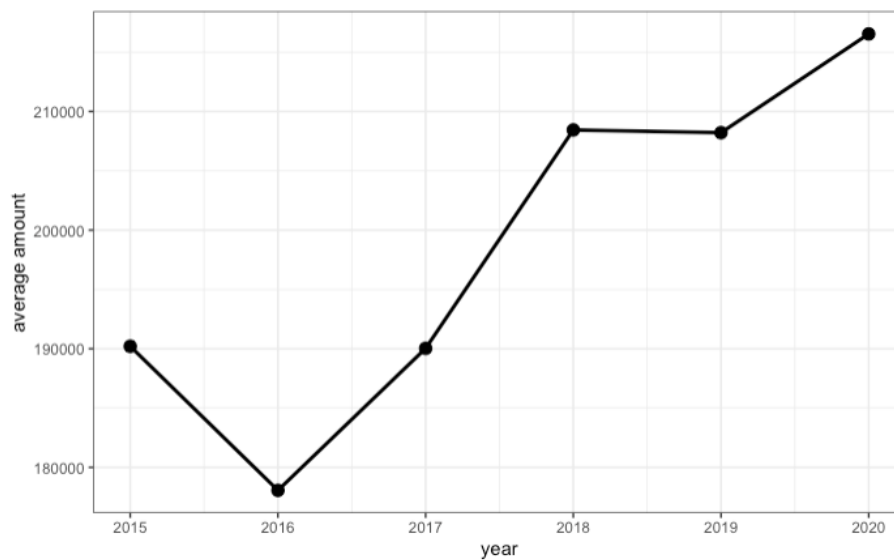


Figure 14 The average yearly trade amount of export e-commerce in China (in million dollars)

In the report <China Cross-Border E-Commerce Market Research White Paper>by McKinsey China[18], the growth in this industry can be attributed to a variety of factors, such as increased smartphone penetration, and poor shopping experience in brick-and-mortar stores, and intense competition in the e-commerce market. The following are the main reasons driving the growth.

First, middle-income class is the main force of cross-border shopping. They have strong purchasing power and a higher pursuit of quality of life (including the pursuit of quality products/well-known brands). This means that they are willing to buy products from overseas via cross-border e-tailing channels if the price is satisfactory (if the overseas retail price of the product plus shipping costs and tariffs is lower than the retail price in China). Over the next five years, China's middle-income group will continue to grow by about 3% per year and income levels will further increase by an average of 5%-7% per year, which will further boost the purchasing power of this group. The strong purchasing power and demand for quality products will further drive the growth of the cross-border e-tailing market.

Additionally, the Chinese government is also greatly supporting the development of cross-border e-tailing for the sake of shifting overseas consumption back to the country. China has established several major free trade zones in the country that are dedicated to facilitating the development of cross-border e-commerce industry, for instance, bonded warehouses.

Finally, technology also plays a key role in facilitating the growth of cross-border e-commerce: today, consumers can easily browse products from around the world without leaving their homes, with just a tap on their cell phone screens. Retailers no longer exist solely as brick-and-mortar stores, but are increasingly moving towards online websites, social media and mobile apps to provide consumers with a diverse range of sales channels. In addition to bringing omnichannel retailing, emerging technologies have also significantly improved logistics services. With the seamless integration of online sales channels and logistics networks, logistics information will become more transparent, making it easier for consumers to check and track their orders anytime, anywhere. The convenience of online shopping will continue to drive the growth of cross-border e-commerce.

3.3.2 The rapid rise of "women's apparel" in the e-commerce industry

Since the 21st century, the feminist movement has been launched around the world, and with unremitting efforts, women's social status has been raised accordingly, and their access to social resources has also increased. Women's pursuit of beauty is increasing, which can be reflected in the growth of the index of "lifestyle aesthetics". The "consumer upgrade" has given rise to a "new generation of women". This kind of women grow up in an era of rapid economic development and mobile Internet, with good education, more disposable income, more emphasis on self-expression, quality of life, and the pursuit of convenience. To enhance the value of the group's main motivation

for buying clothing, "fast fashion" has become the new preference of the upgrading generation of women to buy clothing. Quality, style, and comfort are three of the most important factors that women look for when purchasing clothing. It just so happens that SHEIN has capitalized on these three factors and has been able to attract a large quantity of customers from other regions and countries by taking advantage of the convenience of being made in China.

3.3.3 SHEIN's revenue in North American market

In 2021, the market value of SHEIN is 21.7 billion dollars and it is the fifth most valuable Chinese private company all over the world.

The main sales regions are North America and Europe, of which the United States and Canada accounted for 40% and 6% respectively, France and Italy accounted for 8% and 6% respectively, in addition, the company actively market expansion in South America, the Middle East, Southeast Asia and other regions.

Why SHEIN could achieve such a big success in the US? US E-Commerce's CR3 was only 49% in 2020, while the percentage of CR4 to CR10 in the US was around 12% which is much higher than the number of Chinese (4%) digital marketing. And in the U.S, top players are more diverse, in addition to e-commerce platforms Amazon and eBay, traditional offline retailers Walmart, The Home Depot online mall and Apple official website can also be in the top five. Therefore, such a status gives the self-supporting platforms such as stand-alone website larger development space, from the 2019 turnover, the North American market online self-supporting platform accounted for 29%.

In the US market, we can see that apparel and footwear products are the company's most important sales categories. In 2021, the revenue of apparel and footwear was 3152.6 million dollars, and the apparel category made a total profit of 26,382,000 dollars, while footwear products helped the company earn a profit of 5,144,000 dollars. [20]

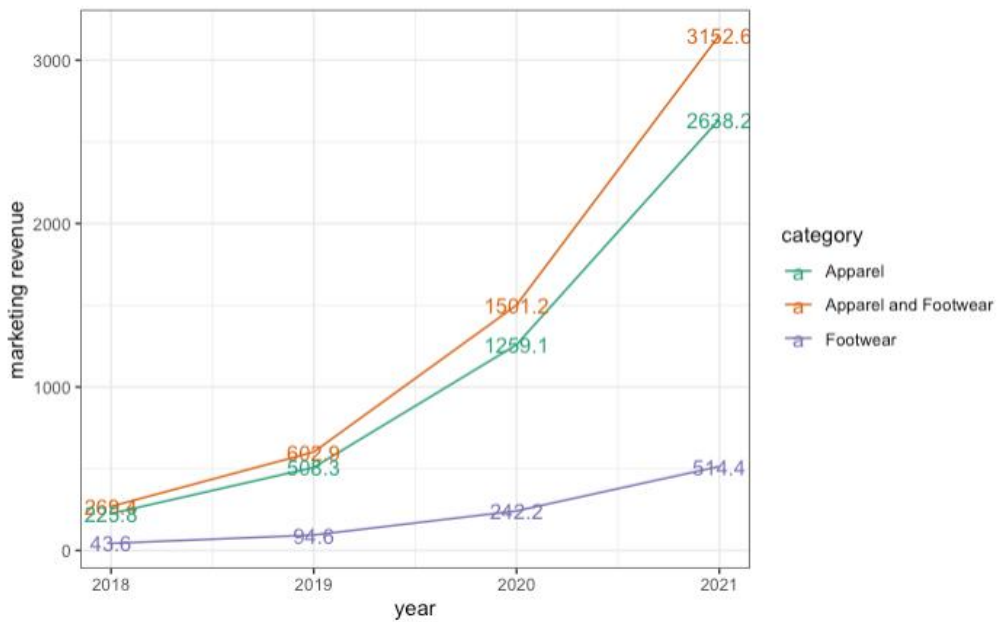


Figure 15 The yearly marketing revenue of different categories products of SHEIN (in million dollars)

Women's apparel accounted for a larger share of earnings than men's apparel, which earned 1555.2 million dollars and the company earned 3.802 million dollars for men's apparel last year. In total of the four years, “menswear” made revenue of 631.3 million dollars, which occupied as 18% and “womenswear” made a marketing revenue of 2857.5 million dollars, which occupied as 82%. We could find that most of consumers of SHEIN are women.

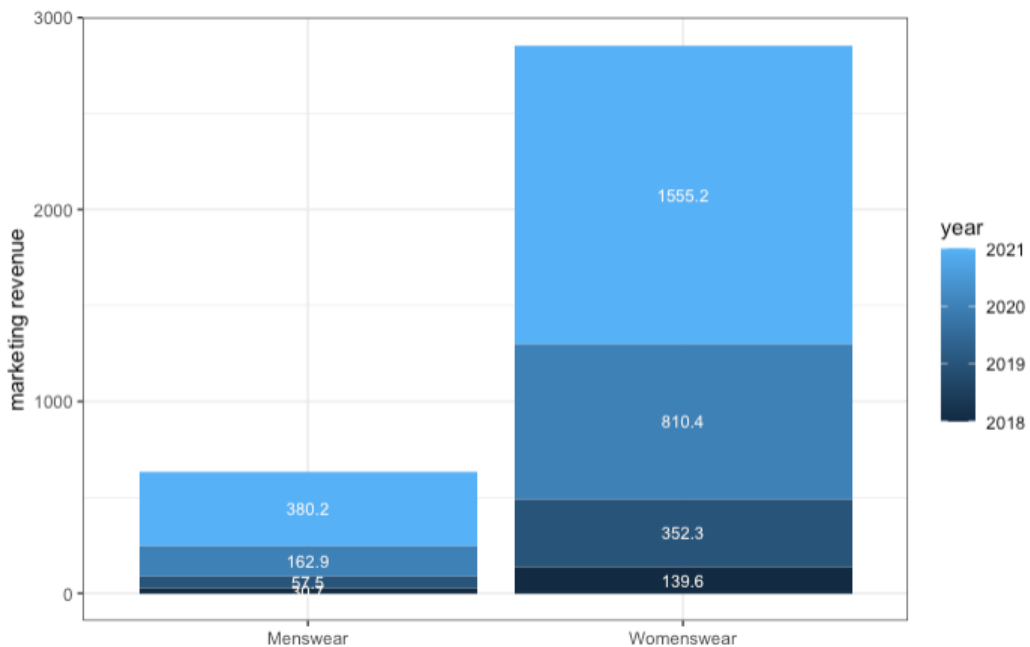


Figure 16 The yearly marketing revenue of menswear and womenswear in SHEIN (in million dollars)

Among the six different apparel categories, the top sellers are outerwear that dominate the market by a huge margin.

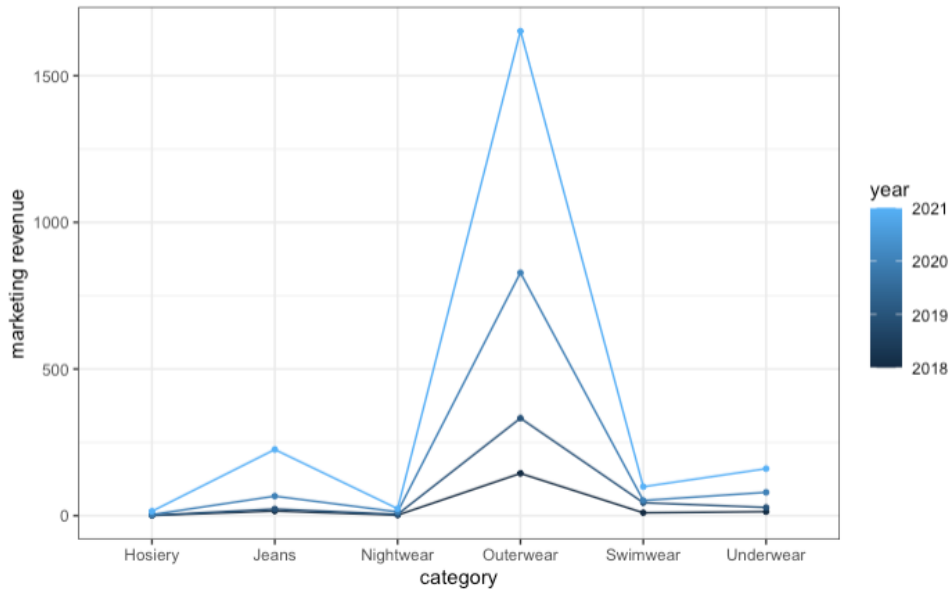


Figure 17 The yearly marketing revenue of different categories of womenswear in SHEIN (in million dollars)

3.3.4 Compare with other companies

As a comparison, Amazon has twenty stations all over the world and the stations in Canada, USA, Brazil ,Australia and UAE are the first five biggest stations. Canada and the USA are the north American region, and the rest of the countries are all included in the abroad region. Amazon's global marketplace has maintained growth in total sales for five consecutive years, reaching \$127.79 billion in total sales in 2021, an increase of more than \$60 billion and a 22% increase compared to 2020. Showing that the Amazon market size is still expanding. Among them, the U.S.-based North American station sales reached \$279.84 billion in 2021, still more than twice the sales of the international station.[21]

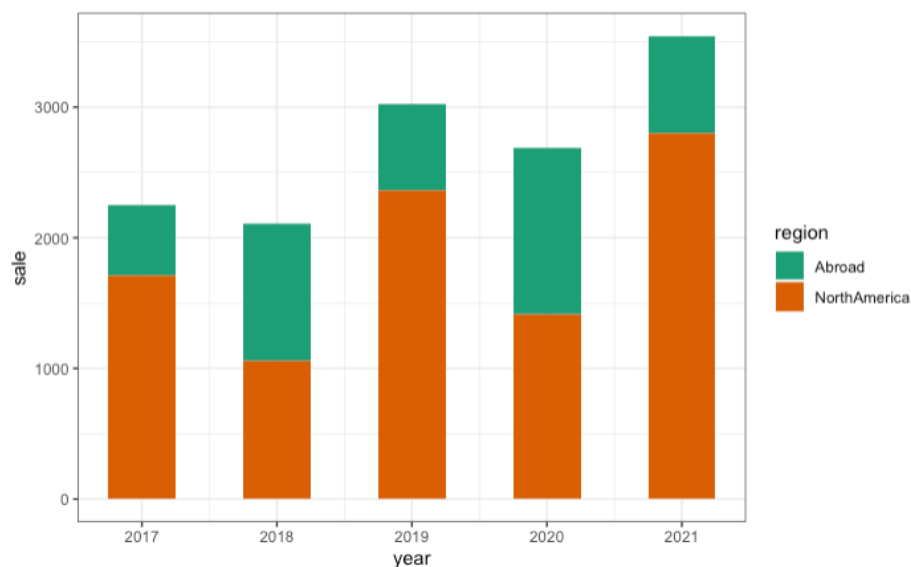


Figure 18 The yearly marketing revenue of Amazon in North America and Abroad (in million dollars)

Amazon's global net revenue by quarter, derived from online stores, offline stores, third-party seller services, subscription services, AWS and other (advertising, etc.) revenue. full-year 2021 net revenue has exceeded 400 billion dollars.

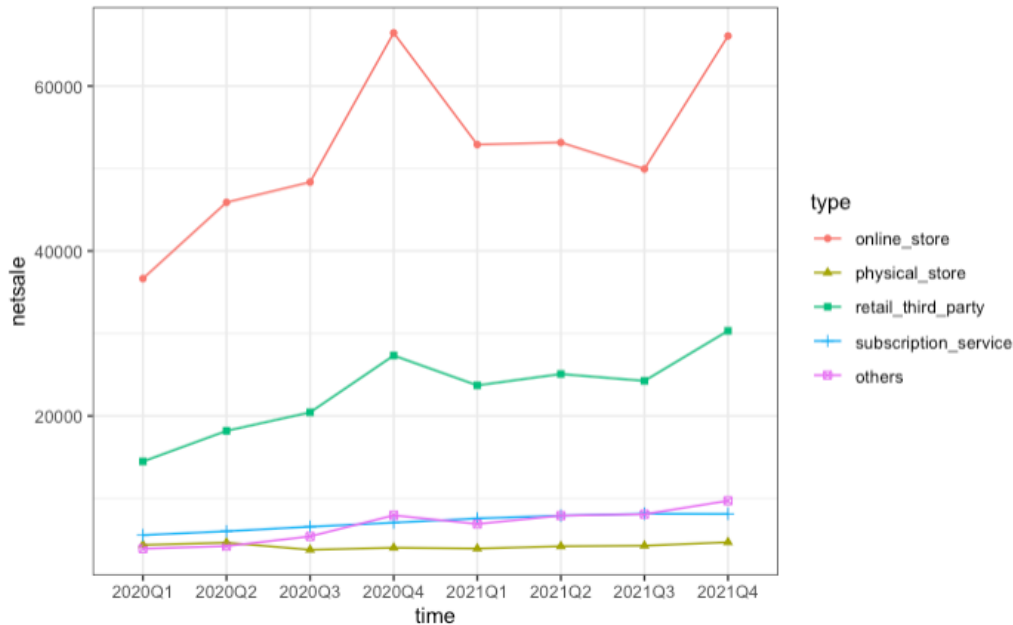


Figure18. The quarterly net-sale of different types of store in Amazon in 2020 and 2021 (in million dollars)

In April and May 2021, Amazon blocking wave came, hundreds of Chinese big sellers due to manipulation of comments suddenly blocked. According to statistics, these blocking wave affected the annual sales of large sellers more than 1 billion dollars, many or BSR list of perennial domination of the head of the product. The blocking wave did not have a significant impact on the platform, the suspension of sales of sellers accounted for only a small part of the Amazon China business. But still caused a shock in the industry, some of the affected sellers have even announced layoffs and bankruptcy. It is also the impact of the blocking wave that has seen the market share of Chinese sellers among top sellers fall for the first time, with only 36% of top sellers on Amazon coming from China by the end of 2021. Previously, the market share of Chinese sellers in the top sellers has been increasing year by year, with 22% in 2017, 26% in 2018, 33% in 2019 and growing to 42% in 2020. As of December 2021, 45.2% of sellers on Amazon's global marketplace are from China, down from 47.9% in 2020. Chinese sellers account for more than 30% of the Top 10,000 sellers on each Amazon site, with 41% of the Top 10,000 sellers on the U.S. site.[22]

SHEIN also has other two very competitive rivals---ZARA and H&M. From 2018 to 2021, SHEIN showed a dramatic growth trend and became the top one brand whose sale was over 3000 million dollars in 2021.

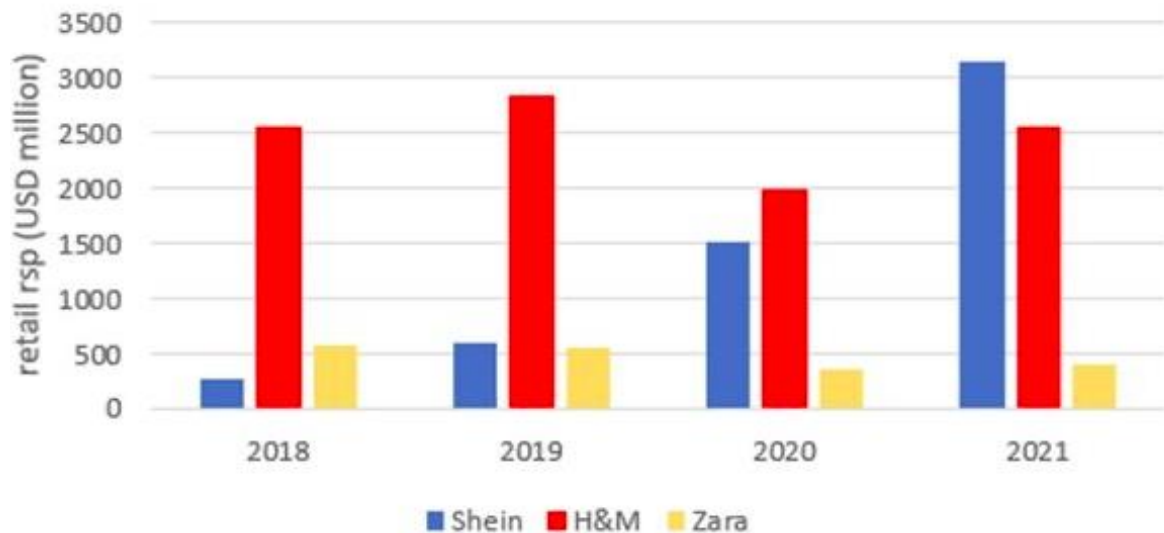


Figure 19 SHEIN, H&M, ZARA in the US: Retail sales rsp (curr/con,USD million)2019-2021 (source: Euromonitor International, Apparel and Footwear Edition 2022)

According to Google Trends data , US users search interest in SHEIN surpassed their interest in H&M and Zara during the pandemic.[23]

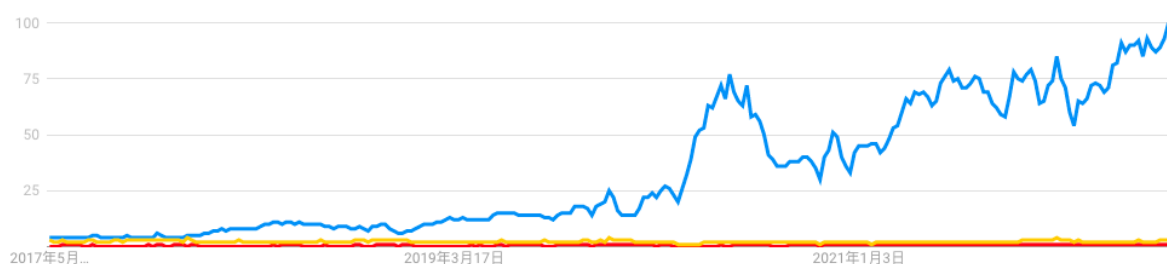


Figure 20 Search interest in SHEIN (blue line), H&M(orange line), and ZARA(red line) from 2017 to 2022 in the US (source: Google Trends on 26 May 2022)

3.4 SHEIN Modern digital management system

“Digital libraries and digital information are exciting everyone. Accessing and using digital information needs to be understood in correct perspective. Many feel that digital libraries and Internet are enough and traditional libraries are no more required. The pros and cons in using digital information and appropriateness as well as limitations of the Internet are highlighted in this slide presentation to participants of the training program.” Dr. M S Sridhar said. [24]

3.4.1 SHEIN’s digital information platform

In fact, SHEIN uses certain tools to control their surrounding capabilities or resources that are not included in their system. This is SHEIN’s digital information platform. This software platform collects some processing plants, suppliers, then puts all this information in the platform to the above, so that all the resources on this platform are for their own use. When this platform is for its

own use, the front end has a wealth of customer traffic to bring orders, in turn, to control these resources to power, this is the success and experience.

At the front end of the market, SHEIN searches the Internet and its own data from social media platforms such as Tik-Tok, You Tube, Instagram, Facebook and Pinterest to extract information on fashion trends. This data is then provided to the design and layout team, which can complete the entire process from design artwork, production, and production to online sales in as little as 3 days. For each new product, SHEIN starts out with a small production run of about 10 pieces. After the new product is launched on the website, the system begins to obtain information on user behavior and based on the number of hits and sales of the item, an algorithm is used to place production quotas. Since the hundreds of garment factories that SHEIN works with use SHEIN's supply chain management software, these factories can receive real-time information about order updates, while the system automatically completes orders for various fabrics and accessories. At the back end of the market, SHEIN also gets the data from competitor sites, google and Trends Finder, to build their third party datasets which are analyzed with data from front end to get the real-time conclusion and real-time optimization. When there is data on the consumer side that an item is a "prospective hit", the company will then return the item to the factory side to increase production orders. Obviously, because it does not involve a lot of advance production, the return order production will greatly reduce inventory. Then vertically integrated supply chain to set a lowest price for this new product. In this way, it is quite easy to achieve an excellent user experience and attract more clients via recommendation and splendid reputation. [25]

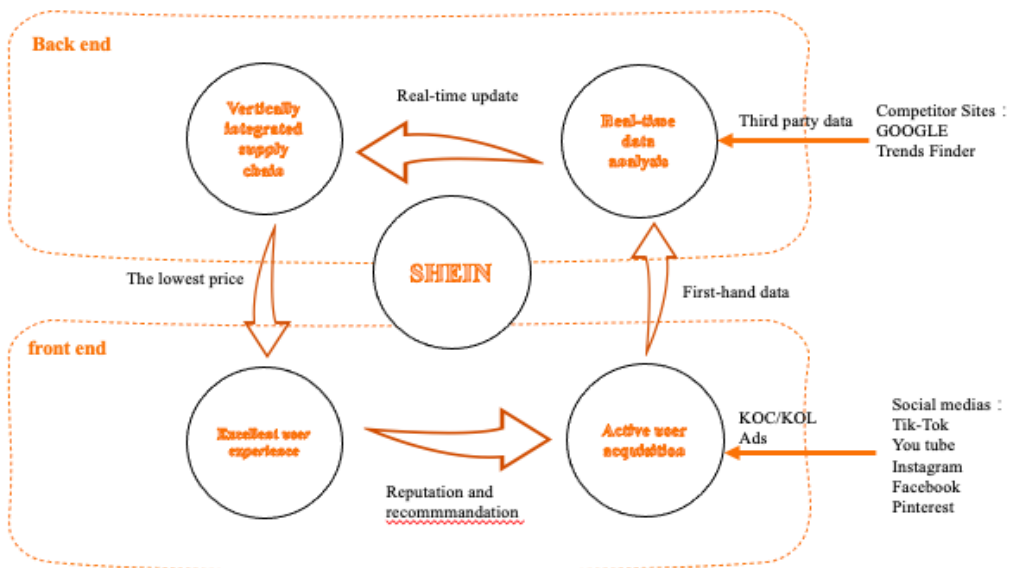


Figure 21 The information management system model of SHEIN. (made by author)

One interesting thing is that there are some goods produced, about 100 pieces, and some even only have pictures. SHEIN can start selling at the terminal first and arrange the production after the order is generated. The ability of the enterprise to do this is closely related to its digital capability. Only by realizing the second-level interaction between the consumer side and the production side in the same digital system can the efficient flow of business, capital, information, and logistics be realized. If all this requires manual judgment and operation, then the basis of SHEIN's business model will no longer exist.

3.4.2 SHEIN's unique business cores

SHEIN shows that it has adopted a completely different playbook from traditional apparel companies. One is data-driving. Relying on massive datasets, using the feedback of consumer browsing and consumption data, the algorithm system is constantly optimized to improve the accuracy of market demand prediction. This method maximizes sales and profits and reduces inventory risk. This model requires a high level of supply chain management, information technology, and control of the whole industry chain, which are the advantages of SHEIN exactly. So it can more quickly expand its market from the U.S. to regions with widely varying consumer behavior, such as Europe and even the Middle East. It is said that the first thing SHEIN did after working with these factories was to digitally transform them, by digitally connecting the small factories, which were physically discrete, into a network that is oversized in virtual space. Second is the seamless integration of front- and back-end capabilities. SHEIN connects behavioral data from app and website users to the back end to automatically predict demand, produce small batches, and iterate quickly.

This is SHEIN's core capability to become an ultra-fast fashion company, thus successfully creating a cross-border version of the C2M model that can provide quality, fashionable goods at ultra-low prices.

At the same time, SHEIN reveals an important management trend which is the need for long-termism in business operations. The October issue of <Business Review> featured an article[26], "What is True Long-Termism," which noted that there are three important characteristics of long-termism. The first characteristic is commitment and persistence. Commitment to doing something for a long time, ten, twenty or more years, and a commitment to extremely high goals. It is important to notice that long-termism is not just about the length of time, but more importantly about pursuing lofty goals. If it is about making a living and doing something repeatedly, without

improving and refining your level, not much higher than your peers, not to mention leading in the industry, it is not a true long termism either.

The second characteristic is a strong altruistic spirit. Long-termites want to "go the long way", so they need more "fellow travelers". Only by creating value for others can we get sincere input from our stakeholders, such as customers, employees, partners, investors, etc., and gain customer loyalty, employee dedication, long-term investment, etc., thus creating greater company value.

The third characteristic is the paradoxical integration of the way of thinking and action. We attach importance to traditional heritage, but also seek new and changeable, and constantly "seek change" based on "no change".

Although ZARA and H&M still seem to be the better-known companies, they have a generational gap compared to SHEIN, and the source of this gap is the degree of digitization. The iterative nature of digitalization will divide future companies into "super companies" and "mediocre companies", and the result will be difficult to reverse.

Digitization is not just about moving your business online definitely. From the analysis of SHEIN, we can conclude that digitalization is even the basis for SHEIN's business model. For many traditional entrepreneurs, what they lack is not digital competence, but "digital awareness"; and it is not that companies do not have data, but that they do not have "data awareness". People need to stop emphasizing past successes to prove themselves and stay in awe of the times. Some people would say that now SHEIN is such a big traffic with big orders, so it can catch all these suppliers in the hands. But SHEIN also started from a very small platform with each style order quantity was only 30 to 40 pieces, and the first order was only 100 to 200 pieces. In fact, for this digital information technology tool, many of traditional footwear and apparel companies now, whether brand companies or manufacturing companies - many of them are making their own mid-stage. However, they basically made their own center platform, but it is not good-looking and not good-used, not really playing its role as a center platform. As we all know, reverse context could be chaotic, chaotic could be mixed, a mixed company has no way to control and manage any more. SHEIN's information management system is a set of original systems, from the beginning to the end, from nothing to having a system all done, the rest is sales. Its front-end supply chain is all taken care of, and its sales technology is promoted through countless applications to various countries and regions.

3.5 Marketing method

The formula of flow thinking is traffic multiply conversion rate, and the formula of retention thinking is CAC/LTV. These are two different business ideas, companies cannot just buy traffic, improve the conversion rate, but use data-based, in-depth insight into user behavior, to make predictions to guide the operation. The only way for companies to have data is to build their own sites and keep users on their own.

SHEIN precisely grasped the dividends of the rise of early Internet traffic around 2010 and began to widely advertise on Google, Facebook, Twitter, etc., targeting marketing based on the social attributes of the platform, while also seizing the early low-cost online celebrity marketing to quickly expand GMV, build brand and product image, and accumulate highly sticky analytics and user word-of-mouth. The company then moved on to Instagram, Twitter, and other social media traffic dissemination.

Through the research we could find that SHEIN has made a lot of moves to import users to its own site. For example, SHEIN opened a store on Amazon as well. Take SHEIN brand dresses for example, the average price of an item on Amazon is \$20, while the average price of an item on SHEIN's own platform is \$15, or around \$13 when coupons for the platform are added. Users will perceive such a huge price difference and change their shopping choices. Social software is undoubtedly the most efficient in reaching users. SHEIN has more than 20 million followers on Facebook and Instagram each, and Tik-Tok is also its home base. "Retention first" is not just about keeping users on your site, but about interacting with them across all channels. There is a certain interoperability of data between different sites, and they work together to data the same group of users and operate them together.[27]

3.5.1 Advertising

On the one hand, the company embarked on upstream supply chain integration, through information technology upgrade, industrial clusters, and an open and fair management system, laying a solid foundation for the supply chain of super-abundant on new, extreme small orders and fast reactions. On the other hand, the company catered the second wave of internet flue, through social media impression, influencers advertising and so on to achieve the precipitation of brand. "What stands out about Shein is that it understands the power of social media and how important it can be for brands to not just grow a huge following but build a community who are there to raise awareness, and do the marketing for you," says retail analyst Richard Lim.[28]

In 2015, SHEIN has been investing heavily in overseas advertising. It does not need to be very precise in targeting users, but only needs to meet the two tags of "age" and "shopping and fashion", and it will start placing them. SHEIN's official account has accumulated 17,000 posts on Instagram and about 40 posts a week on Facebook, far exceeding other fast fashion offline brands and e-commerce platforms. For example, from April 8th to 15th, it published 90 posts on Instagram and 38 posts on Facebook. SHEIN's placement ROI on Facebook can reach more than 5, while the general industry level in the U.S. is 2~3. Other apps cost about \$3 to download, SHEIN's download cost reached 0.5 dollars around 2015.

3.5.2 Application Promotion

In the US a lot of ecommerce still happens in the browser. In China, ecommerce is heavily weighted towards native mobile apps. Accordingly, American ecommerce sellers will often prioritize resources on their website over the app, while in China almost every transaction happens in some kind of mobile app. "Chinese have no habit of buying from an official website!" laughed two Shenzhen based VCs recently on their podcast, ridiculing Ikea's China ecommerce strategy. That would seem to give the advantage in selling into the US to those companies who are able to tap into people experienced in web-based ecommerce.

By analyzing SHEIN's data, we also found the following features: it pays to place search terms in the Apple App Store, including competitors' terms; on Google's keyword ranking, we also see a large number of industry terms like dress , clothing and competing terms like H&M; it has cooperation with almost all discount sites, such as Slickdeals, Dealnews, WOOT, Fatwallet, BradsDeals, etc. From similarweb, the traffic engagement of shein.com was 34.53% of total traffic engagement that was 23.22 million and the traffic engagement of mobile web, SHEIN-ONLINE FASHION got 65.47% between Apr 2021 and Jun 2021 in Spain. Comparing other top two fashion e-commercial companies, SHEIN reached 23.22 million visits, and at the same time, asos.com reached 7.314 million visits, zara.com reached 25.18 million visits.[29]

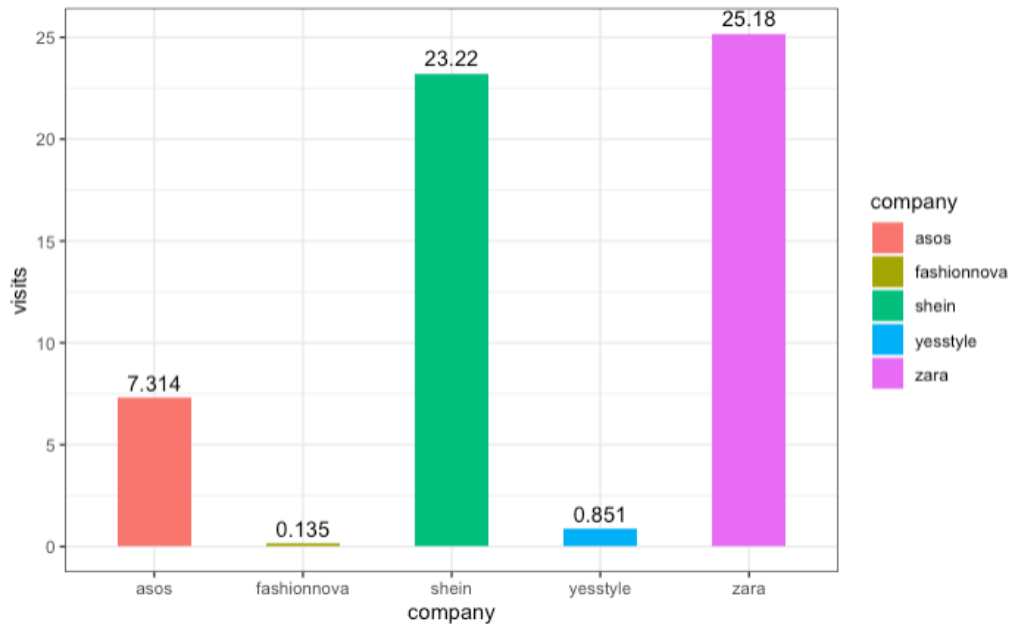


Figure 22 The traffic engagement of different fashion websites of Spain (in million visits)

During April 2021 to April 2022, the SHEIN in Spain’s marketing channels of direct (10.29M) attracted the biggest part of customers then is the organic search(9.908M), paid search(7.079M) and social(1.624M).

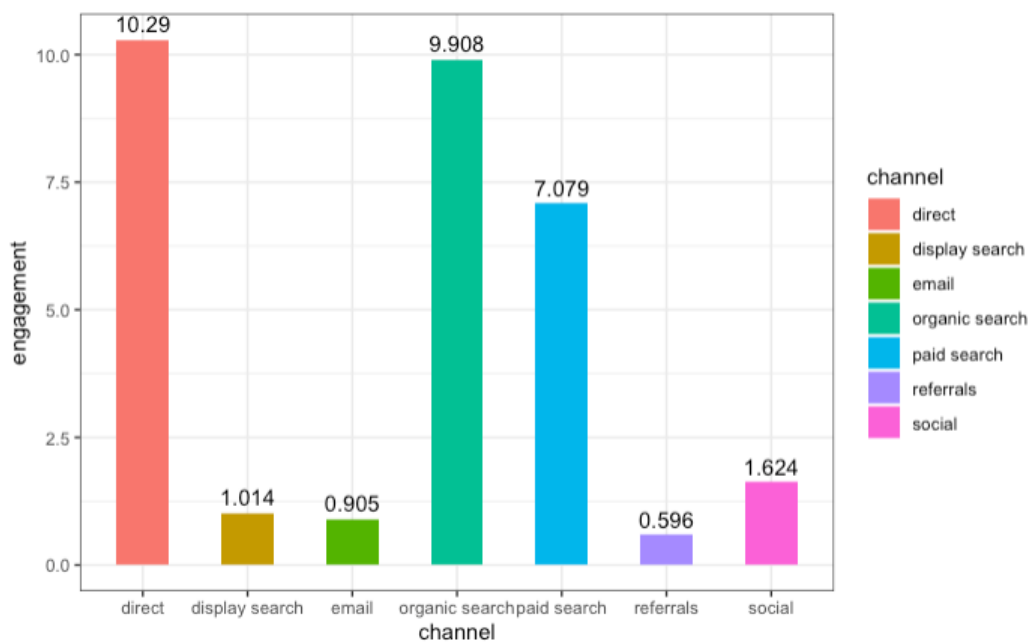


Figure 23 The traffic engagement of different channels of SHEIN in Spain (in million visits)

Specifically, the channel of social media has the highest growth rate which is 155.31% over last year. Youtube occupied 2.22% traffic share of social media while Facebook occupied 1.65% of that.

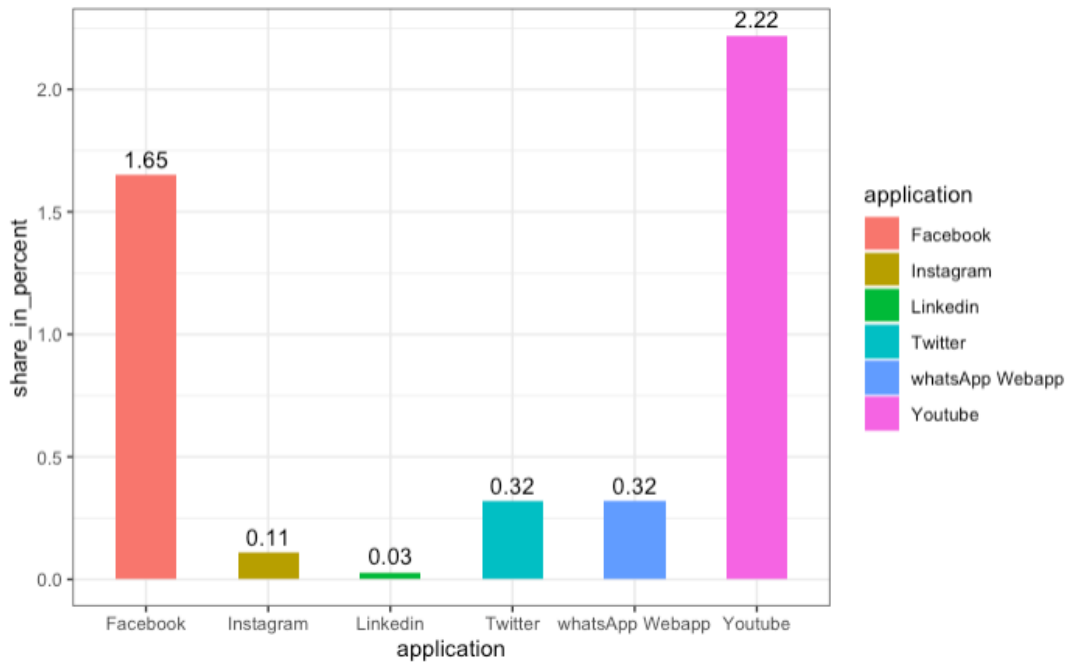


Figure 24 The traffic engagement of different social media channels of SHEIN in Spain (in million visits)

3.5.3 Sending numerous Email

Email marketing is quite popular in Europe and America, SHEIN uses different email accounts to send emails to users to prevent being blocked by them, and its sending frequency reaches six emails per week, while ZARA only has one email per week in the same period. The content of email marketing is mainly limited time promotion, discounts, and benefits such as package shipping. After testing, SHEIN also found that sending emails at 11pm every Monday was the most efficient. The volume of cooperation between enterprises and KOLs is large, and the threshold is low: blogs with 1000 followers and social accounts with 5000 followers of KOLs can cooperate with enterprises. The invitation fission between enterprises and net stars and celebrities is even more in full swing, for example, the celebrities on Tik-Tok will use the control comment in the comment section to reveal the invitation code.

3.5.4 Improving brand image with public figures and activities

With the accumulation of users, the company further used marketing alliance rebates to encourage users to promote products, combined with onsite and offsite data for targeted remarketing, and the use of overseas KOLs and celebrities to promote goods. For example, when the global pandemic fell into a difficult period in 2020, the "SHEIN together" charity online concert was exclusively live streamed on the SHEIN app. In addition to the most popular singers in Europe and the United

States singing, there was a shopping option on the page, and all the profit from the shopping were used to fund the need to fight the pandemic. Moreover, starting in 2018, SHEIN began to open flash stores around the world, hoping to change the stereotype of low-priced products by allowing consumers to experience the appearance and materials of clothing first-hand on site.

The company is also launching a premium version of its SHEIN Premium brand in 2020 and renaming it MOTF in 2021, which explicitly mentions the use of "higher quality" materials in the MOTF branding. Therefore, it could also be seen that these activities are also an online promotion and publicity for SHEIN to open the young market in Europe and the United States.

At the same time, with the help of its own powerful algorithm system, it captured Google Trends trending and kept up with them to continuously achieve efficient marketing investment conversion. However, a world-wide business is always combined with different cultural backgrounds, so SHEIN has fully integrated the sites in different regions into the local culture and consumer aesthetic style to meet the local market needs more flexibly. To achieve this goal, SHEIN is gradually recruiting local talents and teams to better adapt to the cultural and policy changes in different markets during the development process. SHEIN's official website is rich in gameplay and has a dedicated image optimization team to present the rich and massive product images to consumers in a better format.

SHEIN's performance on the global stage isn't just impressive among ecommerce companies, though. In Google and Kantar's 2021 BrandZ Report, released a few days ago, SHEIN ranked No.11 in the 2021 annual index of China global brands, one spot above Not Boring favorite Tencent. The report singled out SHEIN for praise, claiming it's brand power had grown the most of any company in the ranking.

3.5.5 Precise selection of customer groups

The demographic that SHEIN targets is the young mobile obsessed Gen-Z, whose habits are much closer to those of the average Chinese, both groups skipped the Web 1.0, Web 2.0 eras. America's Gen-Z was also the first to catch on to China's short video trend, picking up the Tik-Tok habit long before millennials caught on. SHEIN has been able to do something very difficult and expensive for any brand: it's been able to push even western shoppers to use its app instead of its website, moving the battle onto ground where the Chinese hold an advantage — native mobile app ecommerce. The numbers back it up: SHEIN has a much higher percentage of app traffic than any of its American competitors. [30]

The most of SHEIN's customers are females, which is almost the tribble than male. From the brand report, the female group occupied 77% and male group only occupied 23%. As for the age aspect, young adults who are from 18 to 35 are the domain consumers. 31% of customers are from 18 to 24 years old and 32% of customers are from 25 to 34 years old separately. What's more, 17% of SHEIN's customers are living in rural communities, 22% of them are living in small towns, 25% of them are living in medium size towns and the other 37% of them are living in the urban area. One third of SHEIN customers sometimes deliberately order more items than they want to keep. Also music and dancing stand out as important interests of SHEIN customers as they go to the movies more often than online shoppers in general. 21% of SHEIN customer value always owning the latest technology and they access the internet via a smart TV more often than the average onliner. Success and career advancement are important to SHEIN customers. Obviously, SHEIN customers tend to follow people on social media more than the average population online.

Compared with ZARA, which has 18% user share and is one of the top five online shops. Zara has the similar customer general demographics to SHEIN. ZARA has more female customers which is 59% than male customers which is 41%. But the gender ratio (female/male) is not as high as SHEIN. As for the age aspect, adults who are from 25 to 44 are the domain consumers. 31% of customers are from 18 to 24 years old and 32% of customers are from 25 to 34 years old separately. Regarding the customer income, ZARA consumers are normally having a higher income than online shoppers overall and higher than the income of SHEIN's customers. Health, fitness and playing sports are important interests of ZARA customers. 50% of ZARA customers like to try out innovative products but learning new things is less important for them.

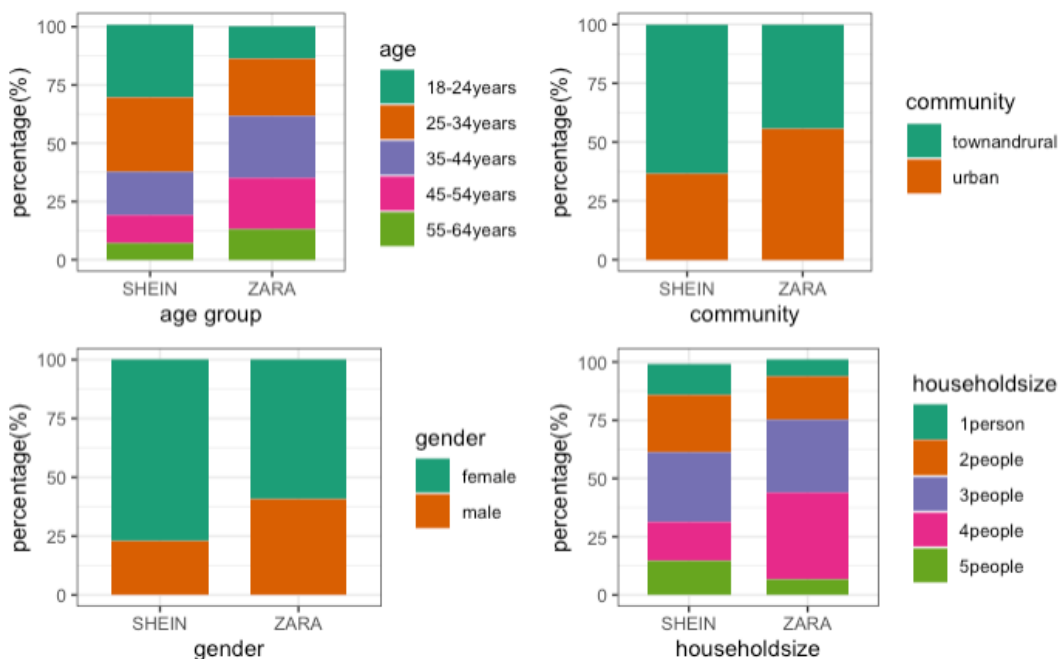


Figure 25 The customer features' percentage in SHEIN and ZARA

4. The impact of COVID-19

4.1 The advantages of e-commerce are even more pronounced

From late 2019 to the present, COVID-19 has driven a shift in consumption patterns, with a significant impact on both brands and consumers, such as an increase in e-commerce penetration in the US from 16 percent at the end of 2019 to 21.3 percent in 2020. Compared to traditional offline retail trade, e-commerce has less time constraints, unlimited geographical coverage, convenience, and timeliness, and digitizes the entire trade process. Global retail e-commerce sales and share to achieve double growth from 2015-2020.

Global retail e-commerce sales will grow from 1.34 trillion dollars to 4.28 trillion dollars from 2014-2020, with a CAGR of 21.35 percent and will continue to grow at a faster pace from 2021-22. The e-commerce share of total global retail sales grows from 7.4 percent in 2015 to 18 percent in 2020, respectively. With the further spread of smartphones, the Internet and the impact of the epidemic, online shopping demand will continue to increase rapidly. According to IIMEDIA, the global B2B e-commerce market is expected to reach 25.7 trillion dollars by 2028, growing at a CAGR of 18.5 percent. the global B2C e-commerce market will be approximately 7.6 trillion dollars by 2028, growing at a CAGR of 9.4 percent.

The epidemic resulted in an 8.3 %reduction in global labor income in 2020 compared to 2019. The overall consumption power and purchasing power decline, specifically must distinguish between necessities and non-essential goods, necessities many people are panic hoarding, for cross-border e-commerce sellers is an opportunity. Making value for money particularly important for lower income consumers in the lower and middle markets, especially as U.S. consumers show a clear preference for cost-effective goods and perceive lower prices available for online shopping offers lower prices. SHEIN 's accelerated rise is an irrefutable proof of that.

The surge in online shopping triggered by the pandemic has not only put Amazon's 2020Q4 revenue on track to top 100 billion dollars for the first time, it has also boosted an overlooked part of the company's business: advertising. As more merchants' flock to Amazon's vast marketplace, brands that want to stand out are beginning to invest heavily in advertising on the Amazon platform, meaning that the potential of the online shopping market is also being increasingly valued. U.S. retail sales grew 3 percent during the 2020 holiday shopping season, driven by a shift from traditional offline to online shopping due to the COVID-19 explosion, Mastercard Inc. said.

During the 2020 holiday shopping season, U.S. e-commerce sales grew 49 percent, highlighting the role the COVID-19 explosion has played in changing customer shopping habits. The data show that holiday e-commerce sales accounted for 19.7 percent of total retail sales this year, and point to options like online purchasing, in-store pickup, and contactless technology as critical for retailers.

Global retail market is gradually transforming to e-commerce. With the gradual transformation of the global retail market to e-commerce, the penetration rate of e-commerce retail in the global retail market is also gradually increasing, and some overseas countries and regions have achieved rapid growth in terms of market size and share of e-commerce retail market. According to Euromonitor, from 2012 to 2019, the share of e-commerce retail sales in total retail sales in the United States will increase from about 7.0% to about 15.2% (21.3% in 2020), with a CAGR of 15.7%, much higher than the CAGR of 3.5% in total retail sales in the same period. The share of e-commerce retail sales in total retail sales in the UK increased from about 9.4% to about 18.3%, with a CAGR of 12.6%, much higher than the 2.3% of total retail sales in the same period. In China, due to the rapid growth of the early Alibaba businesses, people are now living a lifestyle that cannot be separated from online shopping. Mobile payment methods have also shifted from bank card payments to e-wallet payments, such as WeChat Pay and Alipay Pay also provides a big convenience of online shopping. In reverse, In 2019, the e-commerce retail penetration rates of traditionally developed countries and regions such as the U.S., Japan, and Europe are below 20%. Considering the level of economic development and the application and popularity of the Internet, it is expected that the e-commerce retail penetration rate in Southeast Asia, South America and other regions will be at an even lower level, and the e-commerce retail market has huge room for development. Overseas e-commerce retail penetration is still at a relatively low level compared to China so cross-border commerce is a good opportunity for Chinese people with the help of the mature and perfect e-commerce system. According to the joint Google & Deloitte report on cross-border e-commerce, "2021 China Fashion Cross-Border E-Commerce Development Report", consumers have turned to online consumption on a large scale under the influence of the epidemic, bringing a high growth of over 15% to e-commerce retail sales.[31]

4.2 Four main impacts due to covid

There are four main impacts due to covid. First, the suspension of international logistics, suspension of shipping, especially commercial flights, the supply chain timeliness, and costs caused a great impact. Before the epidemic, cross-border e-commerce has a very rich trade methods, such as agency shopping, overseas cross-border live origin traceability of the B2C

individual small business between the mail parcels and large B2C self-owned platform, after the epidemic, in addition to large B2C self-owned platform, the original active scattered small agency shopping, live these cross-border mode are limited by the international parcels, as well as the travel port closure and other various. The travel port closure and other aspects of the restrictions. Some self-operated platforms with stock in hand and reliable inventory and fulfillment capabilities are now the preferred business models and trade methods for consumers. So during the pandemic, the original trade model that was seen as the heaviest instead became more risk-resistant.

In this year, SHEIN even opened flash stores to Miami, Paris, Berlin and participated in Paris Fashion Week, and SHEIN has grown from a single women's clothing category to include plus-size women's clothing, children's clothing, men's clothing, beauty, home and pet multiple categories, with sub-independent stations such as ROMWE, MOTF, CUCCO, EMERY ROSE, SHEGLAM and sub-brands Petsin. The company has an independent website and sub-brands such as ROMWE, MOTF, CUCCO, EMERY ROSE, SHEGLAM, etc. and Petsin, DAZY, an independent e-commerce website that can upload eight or nine thousand new products every day.

5. SHEIN'S disadvantages and shortcomings in the future

In the future, the challenges that SHEIN will face are as follows.

First tip is that the increment of traffic tends to be flat. Yang Pei, general manager of SHEIN Mobile in 2016, said that SHEIN had a very profitable period in 2011 when 100% of the traffic came from Netflix and the ROI was 1:3. In the future, the trend of growth in terms of traffic gradually tends to level off.

Second, SHEIN is accused of plagiarism. AirWair International, the maker of "Dr Martens" brand footwear, sued SHEIN over the presence of more than 20 counterfeit "Martin boots" on its platform. denied the allegations. Prior to AirWave, apparel brand Levi Strauss also accused SHEIN of copying the "Arcuate" stitching style commonly used on the back pockets of Levi's jeans. Although the market size of SHEIN is large enough, with certain competitive barriers and high room for development, the company is pragmatic. "SHEIN, which appears with a strong functional role, may be a fairly successful company in a commercial sense, but it is not destined to become a great company." [32]

Third one is Social Responsibility Issues. There are many external questions about SHEIN's environmental impact issues, labor rights protection issues. SHEIN's supply chain is based on the labor force linked to Chinese garment factories, and various problems of overtime.

Last, the decreasing trend of low-end labor force in China. If we look at the lesser child of the Chinese economy, the supply of cheap labor for garment factories will be less and less in the future, SHEIN's advantage of low price and fast counter will be lost gradually.

If benchmarked against the real fashion industry, SHEIN still has a long way to go in terms of fashion influence and brand culture awareness. In the next ten years, going abroad is a great opportunity. SHEIN covers a population of mainly young women, while for other people, there are still many opportunities for companies.

6. Conclusions

In conclusion, SHEIN is a cross-border fast fashion platform mainly for export e-commerce, which was launched in August 2008. It takes the form of an independent website to open up overseas markets, has its own unique supply chain system, designs and produces its own clothes, and creates its own brand. The main target user group is young women aged 18~35, these users aim to pursue fashion and beauty, beyond the basic physiological needs of dressing to the more high-end spiritual enjoyment level - more beautiful and fashionable.

In the 2018 U.S.-China trade war, the U.S. imposed tariffs on higher-priced Chinese imports, while SHEIN's small direct-to-consumer goods were exempted. With China exempt from export taxes and the U.S. exempt from import taxes, the scales of fate tipped in SHEIN's favor. Then the pandemic allowed SHEIN to take full advantage of its e-commerce advantage, with sales exploding, doubling in 2019 and skyrocketing by as much as three times in 2020.

China's efficient and complex supply chain system support the fast and changing demand for fast fashion brands, which is a unique competitive advantage. SHEIN's ability to outperform other fast fashion brands is the result of backing the most developed and extensive supply chain system and efficient logistics system in the world. At the same time, China's mature textile manufacturing factories and low raw material and labor costs are also a unique advantage for SHEIN. Connecting these many sub-sections is an up-to-date information management system. SHEIN's digital capabilities are the most important factor in its rapid success. SHEIN realized supply chain flexibility by establishing high adhesion and high trust cooperation with small and medium-sized suppliers, all of which use MES supply chain management system. Besides, SHEIN crawls fashion elements through big data, obtains fashion element designs as well as guidance on different platforms, and fully utilizes them to support localized operations in each region. SHEIN also analyzes high click-through rate and high conversion rate product images through data and continuously optimizes the images. Smart use of social media marketing, big data to accurately capture a large number of customer groups. Such "design-interface-user" stages, business data analysis has led to a 39% of bounce rate, 50% of pop-up rate, and 10% of lag rate.

SHEIN's success may lie in its founder Crise Xu strategic choice to insist on being a flow pool, reflecting its strong business power, and its deep plowing in the supply chain end, which follows the trend of modernizing and transforming the workshop-style supply chain in the Chinese garment industry. In addition, SHEIN has a set of more underlying management concepts, which may give this company a certain ability to replicate and a broader imagination. Obviously, the development of the past ten years has partly proved the effectiveness of SHEIN's model and data information technology is changing rapidly, the future of SHEIN is still a mystery.

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