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Shein copycats chase its explosive growth

Rivals seek to ride coattails of Chinese fast-fashion giant set to become world's biggest specialist clothes seller



Shein is the world's third-most valuable private company © FT montage/Bloomberg

The ascent of China's Shein, set to become the world's largest fast-fashion specialist retailer, has spawned imitators looking to profit from Gen Z's growing appetite for cheap clothing.

Chinese ecommerce group Pinduoduo and ByteDance, owner of the popular short-video app [TikTok](#), have launched Shein-like platforms in recent months — Temu and If Youou, respectively.

[Shein](#) has rapidly become the brand of choice in the US and Europe for young women, who are attracted by the vast array of bargain-priced clothes and accessories that are shipped from the company's warehouses in China.

It was valued at just over \$100bn at its last fundraising round in April, making it the world's third-most valuable private company at the time, behind Elon Musk's SpaceX and ByteDance.

Analysts said that Temu, an online marketplace that launched in September armed with Pinduoduo's supply chain management expertise, is well-positioned to muscle into Shein's territory.

Shanghai-based Pinduoduo launched in 2015 as an ecommerce platform and has experience growing rapidly in a crowded field. It aggressively expanded its market share by focusing on consumers in less affluent cities ignored by dominant players Alibaba and JD.com through its bargain bulk-purchase offerings.

Allison Malmsten, a Hong Kong-based analyst at Daxue Consulting, said Temu had made a "promising start", with influencers boosting the platform on social media.

Temu has launched a charm offensive to attract garment manufacturers to the platform, using sweeteners such as subsidies and waiving sales commissions and marketing fees to help merchants promote their goods. Pinduoduo has pledged to invest Rmb10bn (\$1.4bn) to help Chinese brands grow their presence overseas.

It is targeting manufacturers in Panyu, a garment-making district in Guangzhou where Shein has concentrated its supply chain.

However, its knockdown prices are squeezing margins for retailers who are forced to accept the platform's demands. Sally, who owns a womenswear line that retails on Temu, questioned the sustainability of its prices. The Guangdong-based merchant said, "Temu's prices are too low. This isn't good for merchants. It reduces our profit."

Meanwhile, ByteDance launched a trial of fast-fashion platform If Yooou in the first quarter of 2022, initially targeting shoppers in Europe. Like Shein, If Yooou adjusts production orders with manufacturers based on live feedback from shoppers on its website.

Despite its huge TikTok audience, which has been essential to Shein's growth, ByteDance has a lacklustre record with its own fast-fashion ventures.

Dmonstudio, the Beijing-based internet company's previous clothing venture targeting western consumers, shut down in February after failing to gain traction.

The rush to imitate an incumbent's innovative business model is common in China, said Mark Greeven, professor of innovation and strategy at IMD China.

"We see it in numerous contexts and industries where start-ups with venture capital backing or larger companies copy new and successful business models," he said, pointing to the proliferation of electric vehicle, bike-sharing and ride-hailing start-ups that emerged after the business models had initial success.

Despite mounting concerns from environmental activists about the impact of fast fashion, analysts forecast the market will continue to grow. Guangdong-based consultancy iiMedia predicts that Chinese ecommerce exports will grow to Rmb3tn by 2024 from Rmb2tn in 2021.

According to an investor briefed on Shein's growth figures, the company sold \$16bn worth of merchandise in the first half of this year, more than a 50 per cent increase from 2021. It forecast \$30bn in sales in 2022, which would make it the world's largest speciality apparel retailer.

"Their numbers are extraordinary," the person said.

Spanish fashion group Inditex, which owns Zara and in 2021 was the world's largest apparel retailer, pulled in €27.7bn (\$27.4bn) in sales in 2021.

Battered consumer confidence in China following repeated Covid-19 lockdowns has spurred the push overseas, experts said. "Competition in China's ecommerce space is fierce. Companies are eagerly looking for new markets, with slowing domestic demand," said Fan Di, an expert on fashion supply chains and professor at Hong Kong Polytechnic University's School of Fashion and Textiles.

Pinduoduo, which has seen its share price see-saw in recent months, is also testing its retail platform in Hong Kong.

Shein declined to comment. Pinduoduo did not respond to a request for comment.

Analysts warn that the imitators will not find it easy to replicate Shein's success.

Founded in 2008, Shein [spent a decade](#) building its supply chain and perfecting its prediction algorithms before experiencing explosive growth in the west. The company also uses artificial intelligence to predict future fashion trends.

"Shein has the first-mover advantage, which puts them in a good position" as newcomers flood into the market, Greeven said.

Ally He, head of the overseas marketing team for a womenswear factory in Guangzhou, said Shein had been "lucky". "Its success has been predicated on digital marketing, paying influencers and pushing adverts on social media," he said. "The marketing costs for Temu buying advertisements and collaborating with influencers are three to five times more than when Shein started."

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Despite the stellar growth figures, Shein, which is backed by Sequoia and General Atlantic, has [shed up to a third](#) of its value in private markets in recent months. The implied valuation drop comes as venture capital and private equity funds liquidate capital following a rout in global equity markets.

Inflation has squeezed Shein's profits. The group's net profit margin, a measure of profit as a percentage of revenue, was 6 per cent in 2021. The investor briefed on Shein's financial figures, which are not made public, said that number had deteriorated slightly with increased procurement costs.

Shein's revenue and profitability figures were first reported by the Chinese news site 36kr.