

30<sup>th</sup> October 2023

## Shein, the emerging Chinese shopping giant shaking up global retail

Today's story is about Shein, a company established in Nanjing, China, back in October 2008, and it has since grown into a world's leading fashion retailer by 2022.

The screenshot shows the SHEIN website header with navigation links: Categories, New In, Sale, Women Clothing, Curve, Kids, Men Fashion, Women Lingerie & Sleep, Women Jewelry & Accessories, Women Shoes, Home & Kitchen, Sports & Outdoors, Baby & Maternity, Beauty & Health, Bags & Luggage. A search bar contains 'Halloween'. Below the header is a navigation bar with 'SHIPPING INFO', 'FREE RETURNS', and 'SHEIN CLUB'. The main banner features a woman in a red velvet top and a 'THE HOLIDAY Gifting Guide' text with a 'GET GIFTING' button. Below the banner are three promotional offers:

Discount	Order Value	Code	Cap
15% OFF	ON ORDERS OF 29+	CODE: 1023USN	*Capped at \$15
30% OFF	ON ORDERS OF 49+	CODE: 1023USN	*Capped at \$15
25% OFF	ON ORDERS OF 99+	CODE: 1023USH	*Capped at \$25
\$40 OFF	ON ORDERS OF \$179+	CODE: 1023USJ	

Source: SHEIN United States website cover page

Shein's business model is unique with three key elements: incredibly affordable pricing, a diverse array of choices with small batch production, and an unbeatable swift-response supply chain supported by local Chinese small and medium-sized clothing producers and studios.

In terms of pricing, for a dress, Shein offers similar products compared to its peers at half or even a third of the price, selling at \$10-\$15.

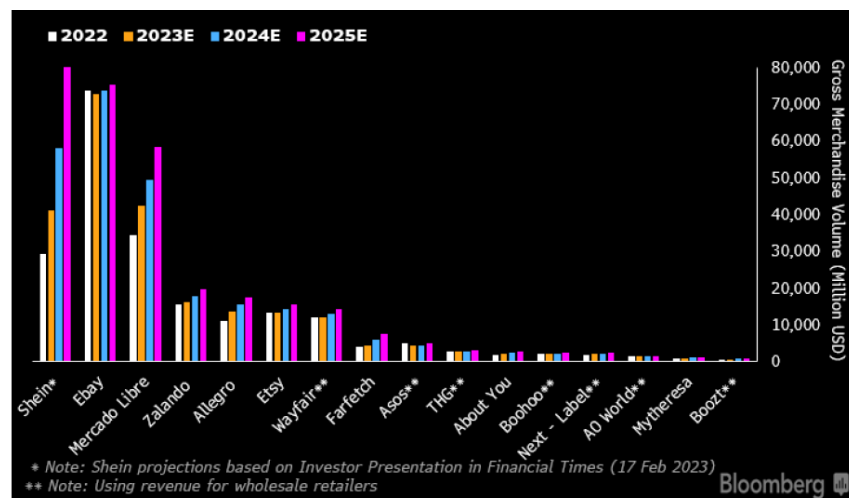
In terms of designs and styles, Shein leverages its capabilities to use algorithms and data to help them determine the next must-have item online. It is said to be able to introduce

more than 2,000 new styles to its website every single week. Rather than making single designs in large volumes, Shein offers limited small batches of around 100 items, which will only be increased if sold quickly to meet rising demand.

What's more impressive is Shein's supply chain management capabilities. Shein can turn around a new item in just 25 days, which takes several months for its peers. At any given time, Shein sells around 60,000 items online thanks to its network of about 200 contract manufacturers near its headquarters in Guangzhou, China.

All these elements are behind Shein's success. Its 2022 gross merchandise value (GMV) may have soared to \$30 billion by some accounts. If accurate, that would make it the world's No. 1 online fashion retailer, implying an explosive 82% average annual GMV growth from 2019 to 2022. According to Bloomberg, if Shein can attain its aggressive \$80 billion GMV target by 2025 -- implying 40% annual gains -- its size could eclipse eBay, making it triple that of Zalando, Asos and Boohoo Group combined. Shein has become profitable for four consecutive years. In 2022, Shein had about \$700 million in profits, lower than \$1.1 billion in 2021 due to increasing logistics expenses and manufacturing costs.

**Gross Merchandise Volume (MODL Consensus)**



Source: Company Filings, MODL<GO>, Bloomberg Intelligence

What caught our attention in the past few weeks was Shein's partnership with U.S. offline retailers, which were once their 'enemy' to defeat.

In late August this year, Shein and Forever 21 decided to join forces as they saw great synergy between them – both having a strong following among young shoppers and a reputation for trendy clothing at low prices. As part of the August deal, Shein acquired one-third of Forever 21's operator, Sparc Group. Sparc would also take a minority stake in Shein. By teaming up, Shein and Forever 21 will expand the reach of both brands to consumers. For Shein, the deal gives it access to Forever 21's retail stores in the U.S. shopping malls.

Then, two months after the deal, on 27<sup>th</sup> of October, Shein announced that it would unveil a co-branded clothing line with Forever 21, primarily sold on Shein's website. Under this partnership, Shein will design, manufacture and distribute a line of co-branded Forever 21 apparel and accessories for both men and women. According to Shein, the line will include new sportswear, activewear and swimwear.

In addition to boosting sales for both brands, this partnership also serves larger goals, as Shein is rumored to be seeking a U.S. IPO in 2024. Shein has faced accusations of using forced labour in its supply chain. A partnership with Forever 21 would indicate a strong confidence vote from Sparc Group, a joint venture of established U.S. retailer Authentic Brands Group and Simon Property Group, a prominent retail real estate company.

After establishing websites and logistics infrastructure in the U.S., Mexico, and Brazil, Shein is launching services in the UK, Germany, France, Italy, Spain, and Poland. Like TikTok, Shein is one of the few truly global companies founded by Chinese entrepreneurs in China in recent decades. The globalization path is not easy, but both TikTok and Shein seem to have laid a solid foundation. We will follow Shein's IPO progress closely.

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