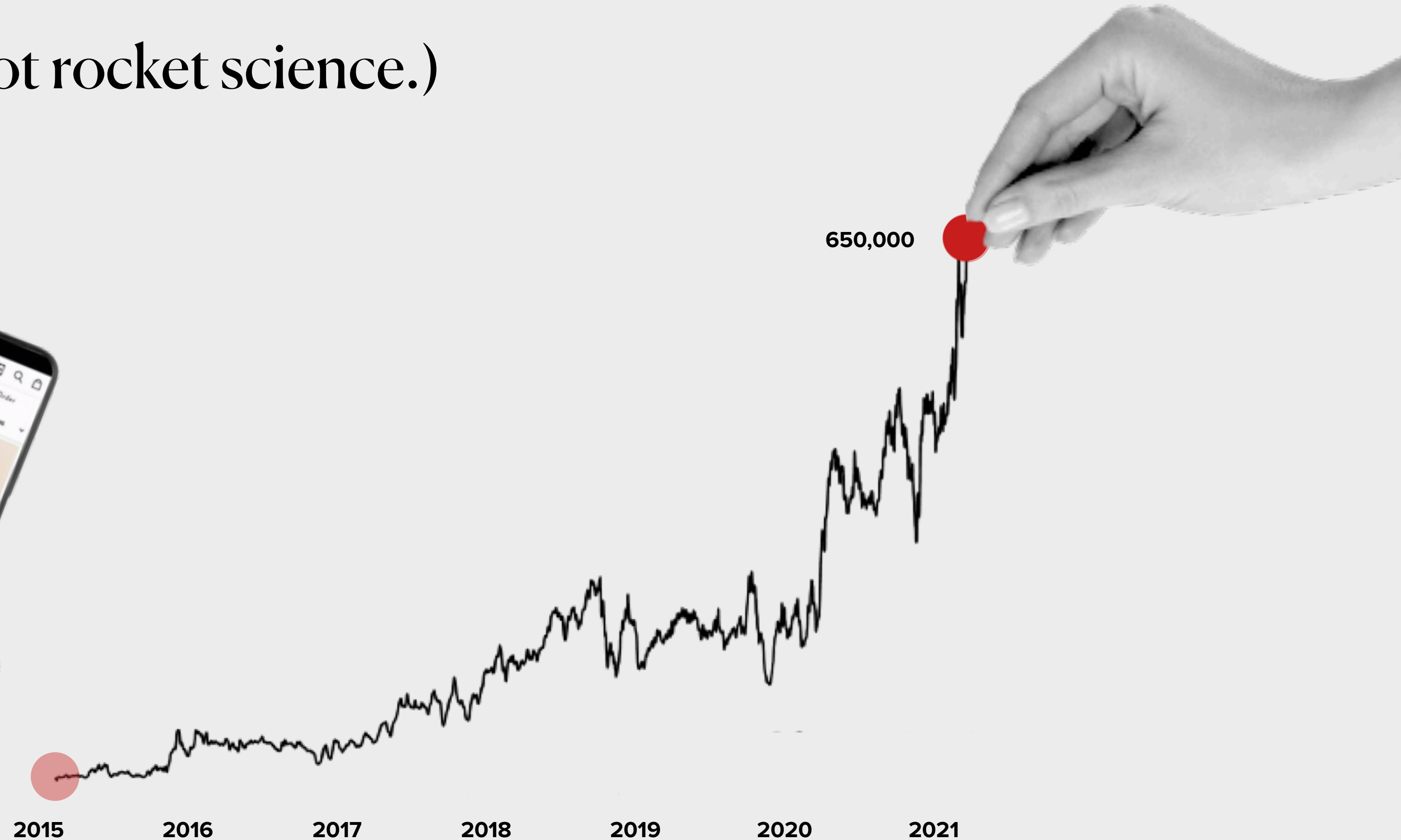
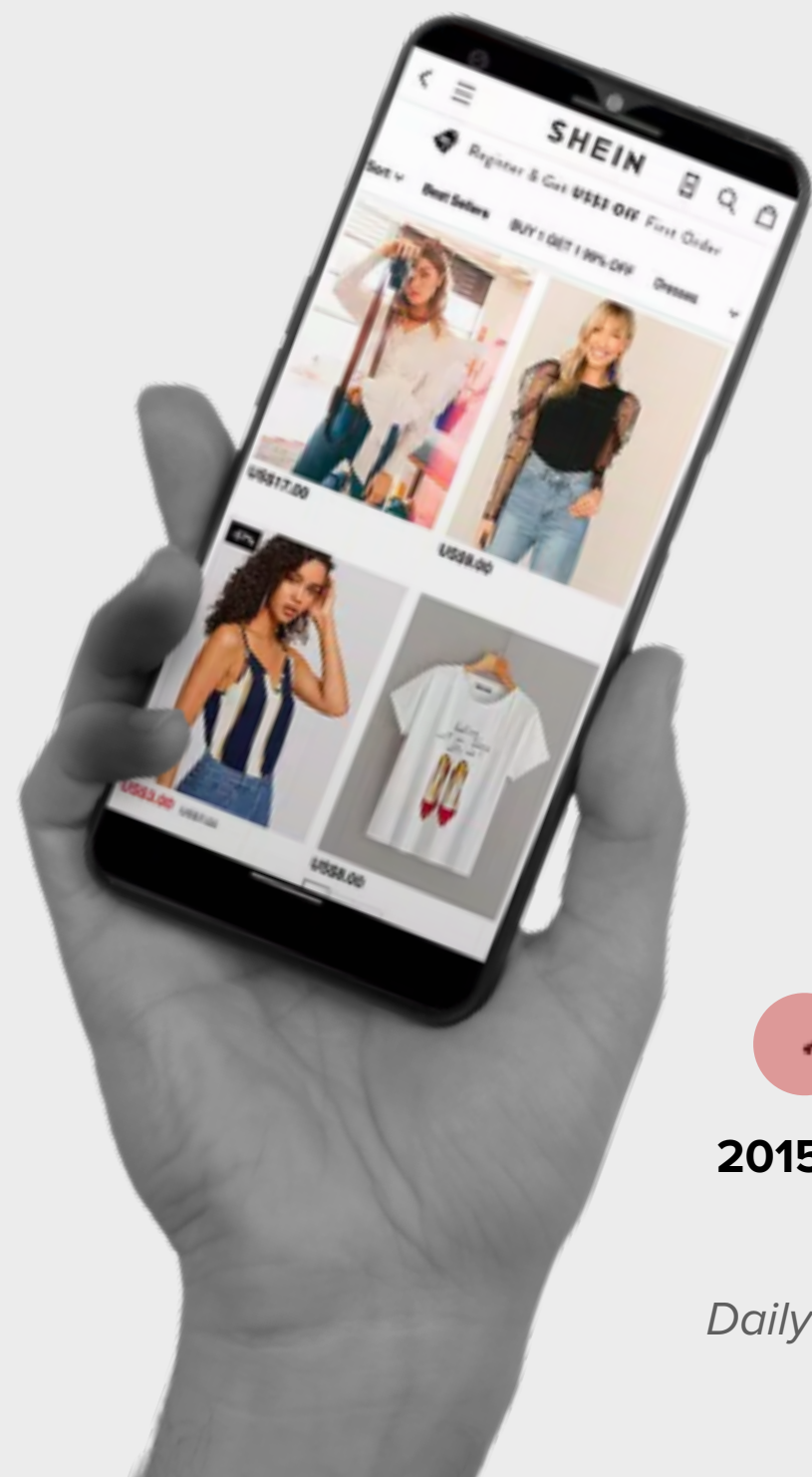


Just 10 Pages:

The Hidden Playbook Behind SHEIN's Ultra-Fast-Fashion

(hint: it's not rocket science.)



Daily App Downloads, Worldwide, SHEIN

How Fast Fashion Got Faster

SHEIN's Operation Model

SaaS: SHEIN-As-A-Storefront

3 Core Strengths of SHEIN's Supply Chain:

Decentralized Design

Supplier Proximity

Small-Batch Ordering

Building a Supplier Ecosystem

Thoughts for the Future

How did fast fashion get even faster?

Let's start with some statistics. Today, SHEIN is the **3rd most valuable private company** in the world, trailing only ByteDance (owner of TikTok) and SpaceX. SHEIN is already worth more than the combined market cap of Zara and H&M.

SHEIN's app has been downloaded over **636 million times** and, in 2022, became the **most downloaded app in the U.S.** They currently work with **over 3000 suppliers** to create **over 10,000 new SKUs** (stock keeping units) **every week**.

So how do they do it? Most analysis to date focuses on the "front-end" parts of their business — how they use gamification to encourage shopping, how they work with social media influencers, or how they develop algorithms to

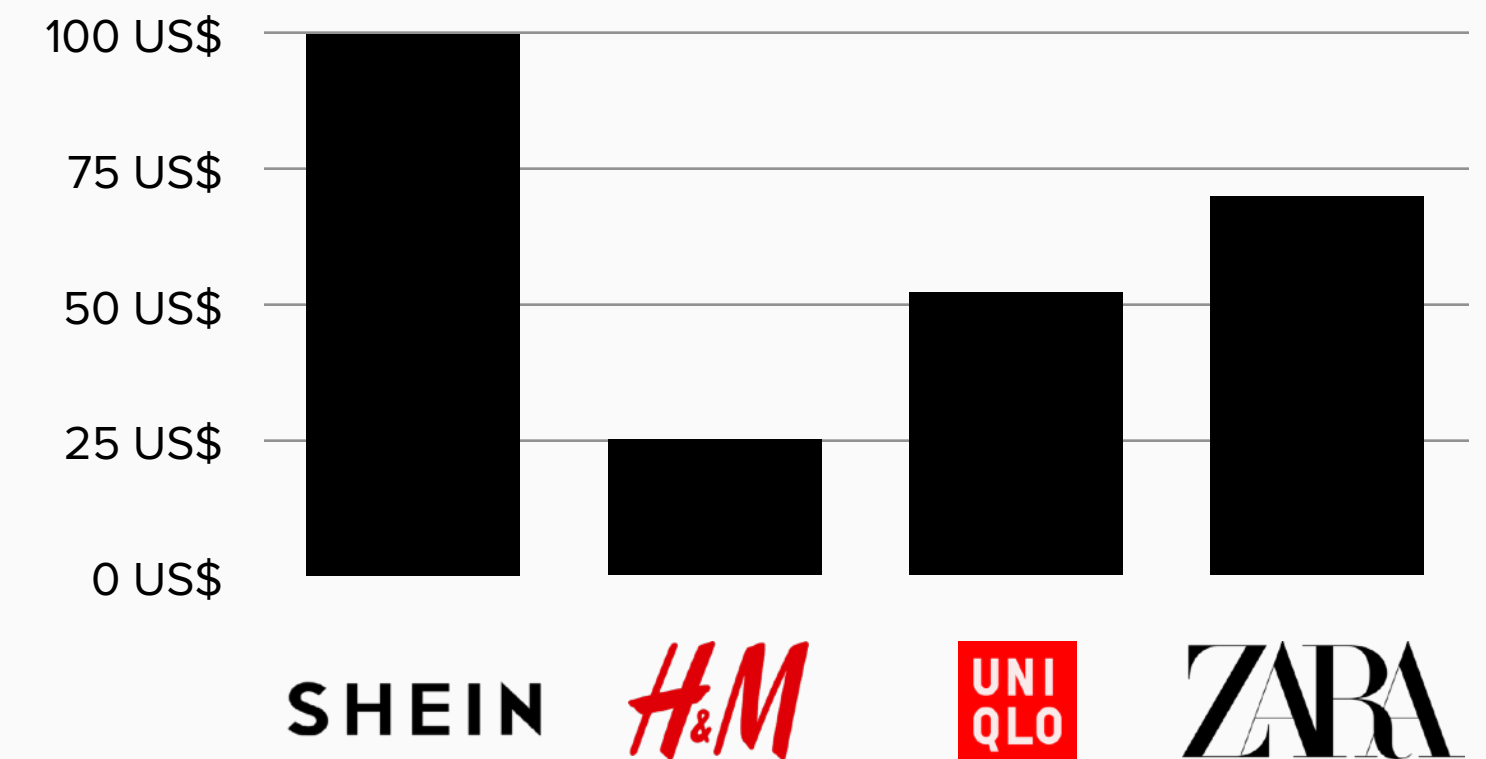
determine which products to show which customers.

These all matter, a lot. But we think that SHEIN's real competitive differentiator is their superior supply chain — the not-so-glamorous "back-end" of their business. SHEIN's supply chain allows it to produce more products, at faster speed than any other supply chain in the industry. (Environmental costs are another story.)

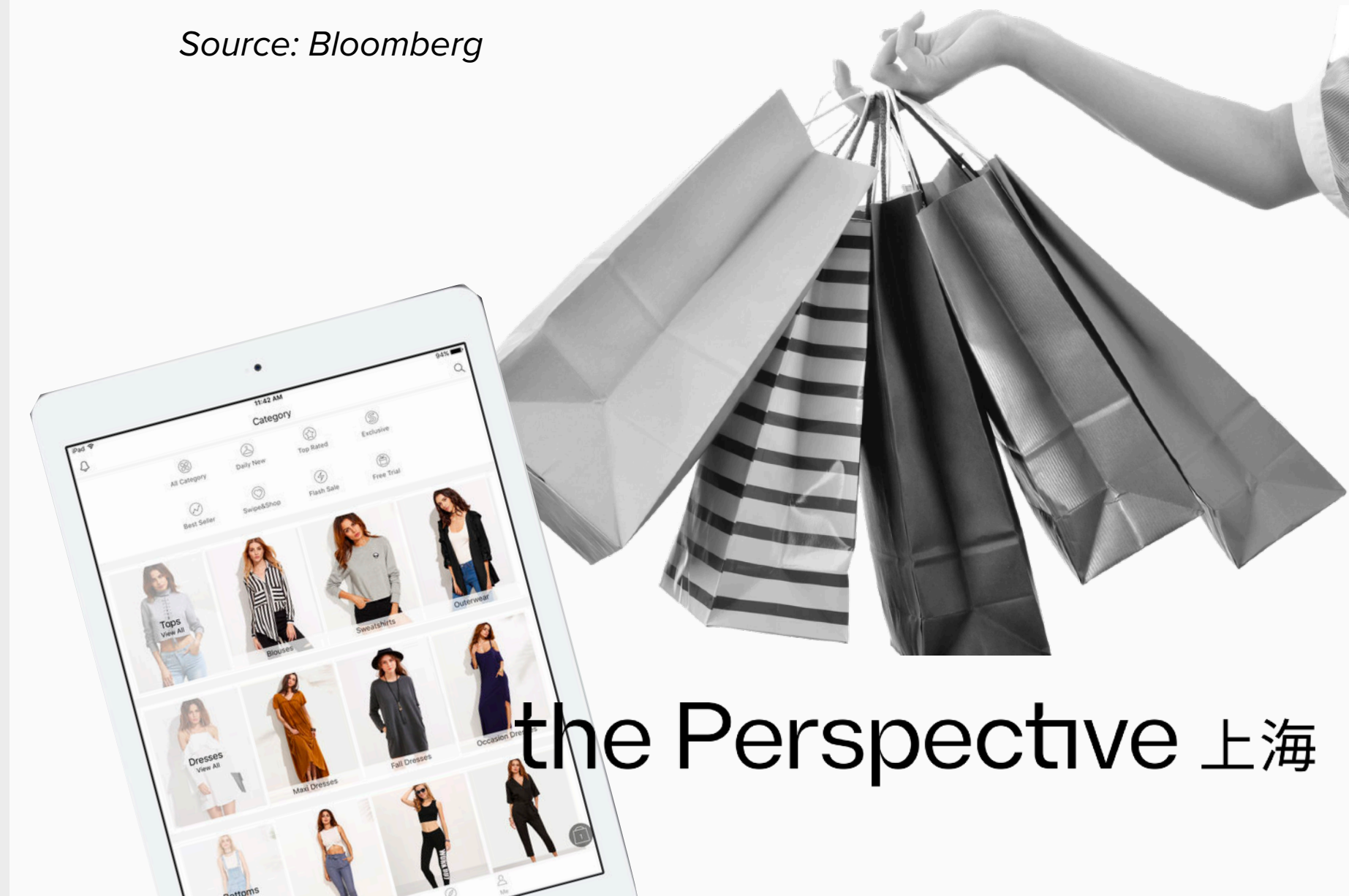
This report will answer the question: **how did SHEIN build a supply chain that made fast-fashion even faster?** (And, by the way, a supply chain that the West will struggle to replicate.)

And, as always, we'll do this in **Just 10 Pages**.

Market Capitalization of Major Fashion Retailers
(\$B, 2022)

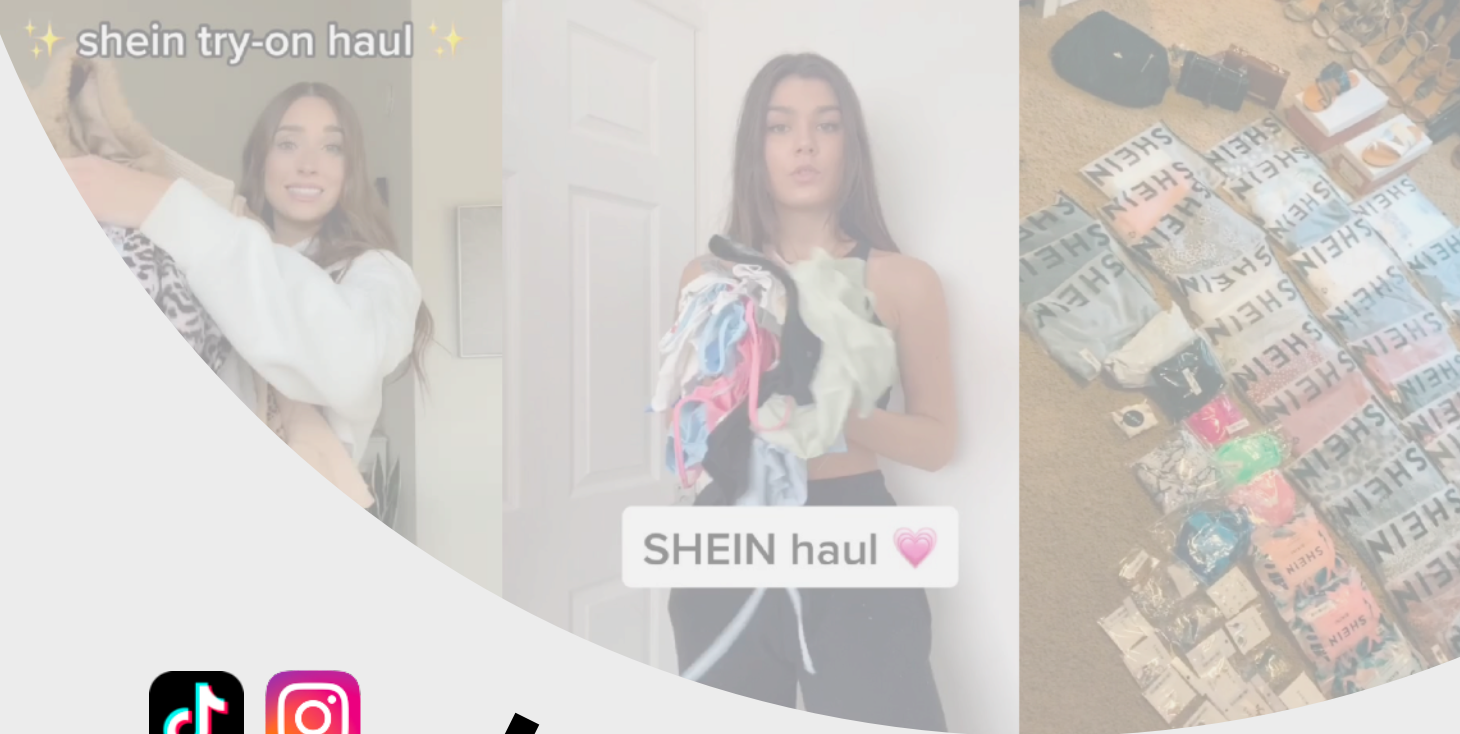


Source: Bloomberg



Two thirds of SHEIN's customers are female; over half are between 18 and 34 years old.

SHEIN's Operational Model

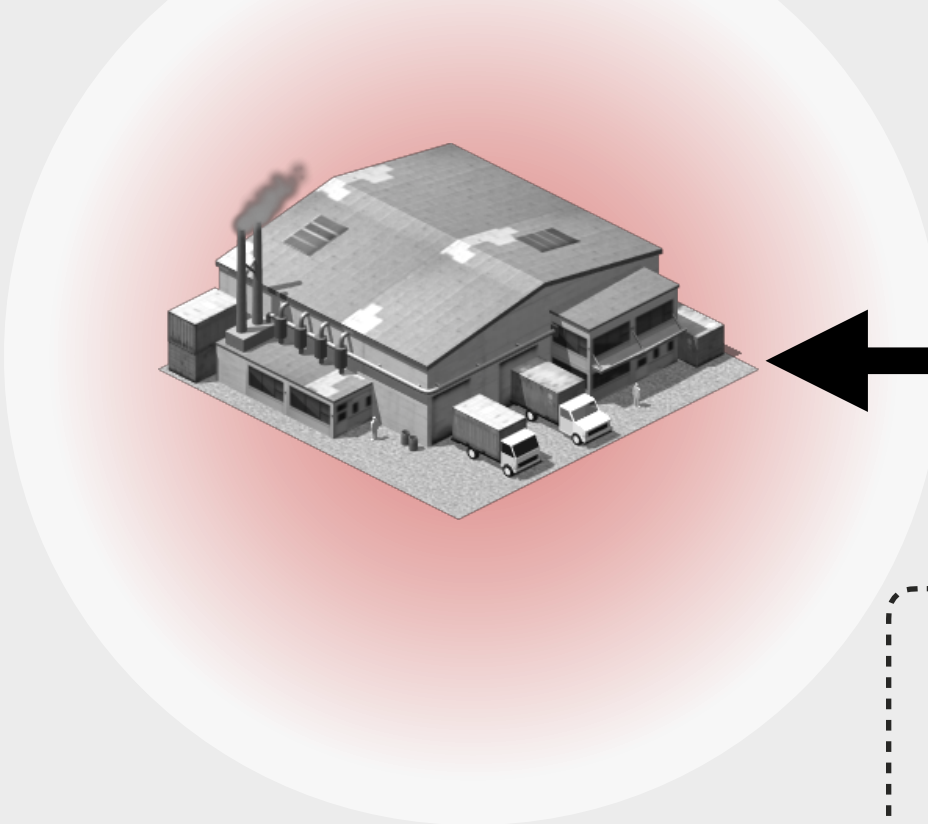


Back-End

Front-End

Supplier Network

SHEIN works with over 3000 suppliers. Most of them produce their own designs (ODMs) and some design to SHEIN's specifications (OEMs).



Data Analytics

SHEIN determines what products to produce by analyzing search trends, social media and its own customer data.

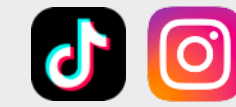


Customer Experience

SHEIN offers an abundance of new products and extremely low prices. Customers are shown the products that algorithms determine they are most likely to buy.



43.7M Users



Customer Acquisition

Search engine optimization, steep discounts, and collabs with influencers (esp. on TikTok) draw users into SHEIN's app.



Customer Engagement

Loyalty programs, rewards, "play-to-earn" games and, of course, low prices ensure that customers stay in keep shopping, browsing and coming back.

- SHEIN helps suppliers decide which styles to produce by providing trend insights gathered from their own customer data;
- When a product begins to sell well, SHEIN immediately purchases more inventory from suppliers;

- Customer behavior is translated into trend insights that are relayed directly to suppliers;
- "Time in app" ≥ quick conversion because SHEIN can collect more data on shopping preferences..

In the time it takes competitors to produce one batch of products, SHEIN has already gone through three production cycles.

SHEIN is a storefront for China's supply chain.

Think of it like this — SHEIN isn't a brand with a supply chain, it's a supply chain selling through a brand. This distinguishes from traditional fast-fashion brands like Zara, H&M and Uniqlo.

Thousands of suppliers in China design, produce and distribute products under the SHEIN label. When customers buy SHEIN, they are buying, quite literally, from Chinese factories.

SHEIN's next plan is to transform into a marketplace, enabling other brands to sell to its customers through its online stores — in direct competition with Amazon. (They're already starting this [in Brazil](#).) In addition to clothing, SHEIN is already expanding its multi-brand strategy across new categories, including home appliances, pet products and cosmetics.



Brand
One seller

Storefront
Many (invisible) sellers

Marketplace
Many sellers

 SHEIN started by selling products the founders picked out of the wholesale clothing markets in Guangdong.

the Perspective 上海

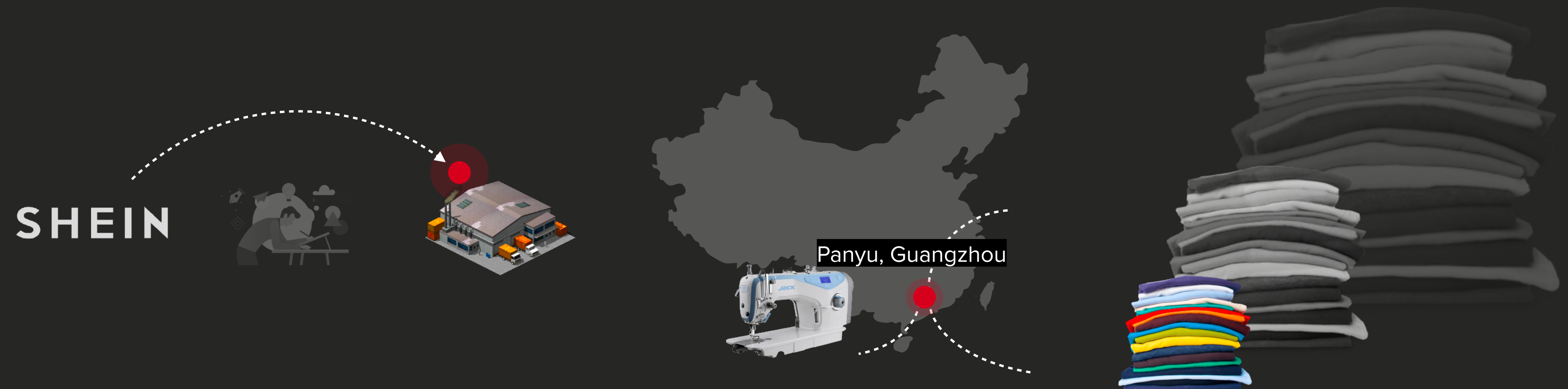
So Many Styles, So Damn Fast: The 3 Core Strengths of SHEIN's Supply Chain

No, SHEIN has *not* built the world's most complex analytics platform that can predict what consumers want before even they themselves know it.

What sets SHEIN apart is a “spray and pray” strategy executed to near perfection. That means rapid manufacturing, rapid testing and rapid re-ordering, all of which requires an incredibly robust supply chain.

SHEIN's supply chain has three distinguishing qualities: **decentralized design**, **supplier proximity** and **small-batch ordering**.

Other brands may have experimented with these concepts, but SHEIN has implemented them across its entire company. In the following pages, we'll look at each one in greater detail.



Decentralized Design

SHEIN doesn't have a big in-house design team. Instead, they outsource design to their suppliers, many of whom do design on their own. These “design-savvy” suppliers are called ODMs.

Supplier Proximity

Most of SHEIN's suppliers are clustered within a 5km radius. This allows SHEIN to engage (and inspect) suppliers face-to-face, while making it easier for suppliers to share resources, and “pool” distribution.

Small-Batch Ordering

SHEIN's initial orders are always small, allowing it to lower costs and production times. If a product sells, SHEIN quickly places another, larger, order.

SHEIN started by selling products the founders picked out of the wholesale clothing markets in Guangdong.

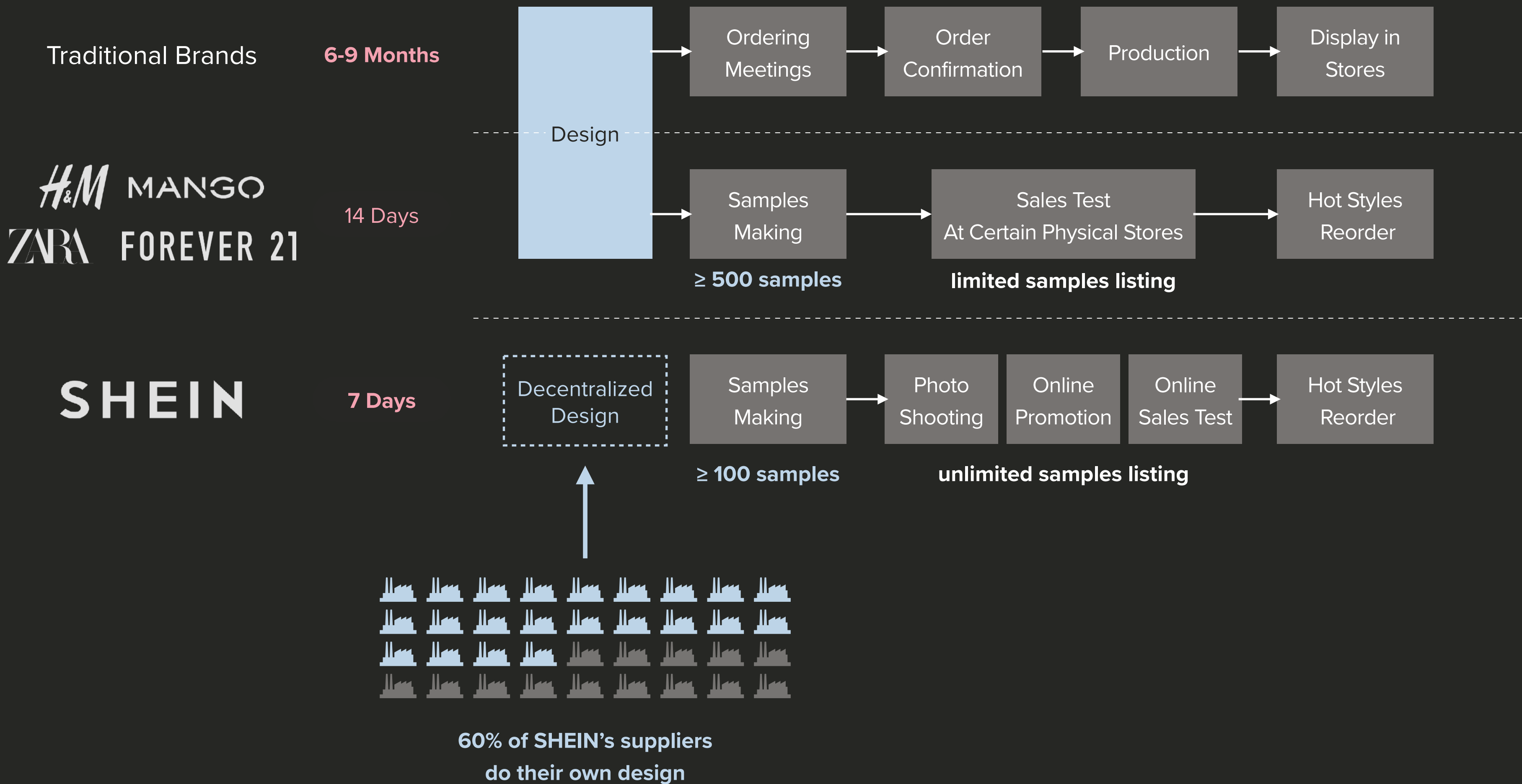
Supply Chain: Decentralized Design

Although SHEIN does do some in-house design, the majority of SHEIN's SKUs are designed directly by its suppliers.

Suppliers produce things that they think will sell well, then submit to SHEIN's team for review. If accepted, SHEIN places an order for production. It's like an internal Kickstarter.

For SHEIN, design isn't about "taste making", it's about consistently making micro-improvements to trial-and-error. But it isn't purely blind guessing—SHEIN opens up its massive database on trending styles and patterns to its suppliers to assist them with design.

By "outsourcing" the design process to its suppliers (and eventually to generative AI algorithms), SHEIN saves weeks in time getting products to market.



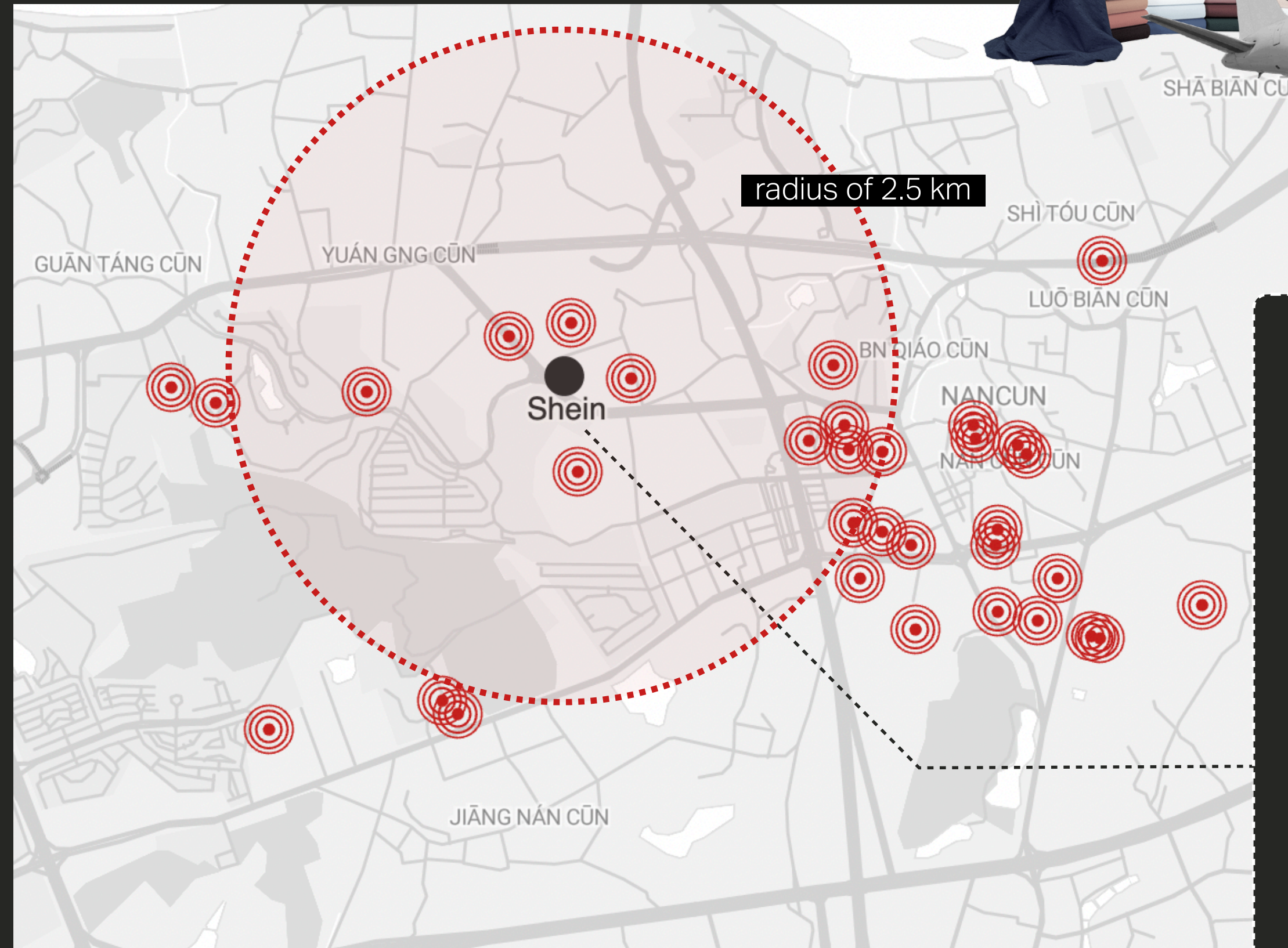
SHEIN's suppliers can receive up to 320k RMB (\$45.5k) in bonuses per year if they meet standards for production quality and timeliness.

Supply Chain: Supplier Proximity

SHEIN's design is decentralized, its suppliers are centralized.

SHEIN has about 3,000 suppliers, compared to about Inditex (Zara)'s 1805 suppliers. To communicate efficiently with its suppliers, SHEIN's locates its centre of supply chain operations in Panyu, Guangzhou. SHEIN reportedly requires its contracted manufacturers to be located within a 'five-hour drive' from its Guangzhou hub.

Each factory has to deal with a large number of orders and SKUs, and each order involves communication in many aspects such as design, purchase of fabric and prices. By putting its office in the center of its manufacturing suppliers, what happened to these factories can be known over a chat over lunch.



Panyu, Guangzhou

- 1 the hub for thousands of small and medium-sized garment factories
- 2 the core of many professional wholesale markets such as Guangzhou Shisanhang
- 3 close to warehousing centers in Foshan and Guangzhou Baiyun International Airport.

It is estimated that within 1 km² of Panyu there are more than 6,000 wholesale clothing shops.

Supply Chain: Small-Batch Ordering

When developing new SKUs, SHEIN starts small — sometimes with only 80 units. Each initial order is like a mini-experiment, many of which fail. But if a product sells, SHEIN quickly orders more.

If sales are good, increase order size.

If sales are good, increase order size.

If a product continues to sell, SHEIN increases the purchase order size, while lowering the per unit order price. SHEIN always lets the original supplier either accept or pass on the order. If they pass, SHEIN will contract out to other suppliers able to produce larger volumes at lower prices. These factories are usually OEMs.

SHEIN



80~100 / order

Initial Batch



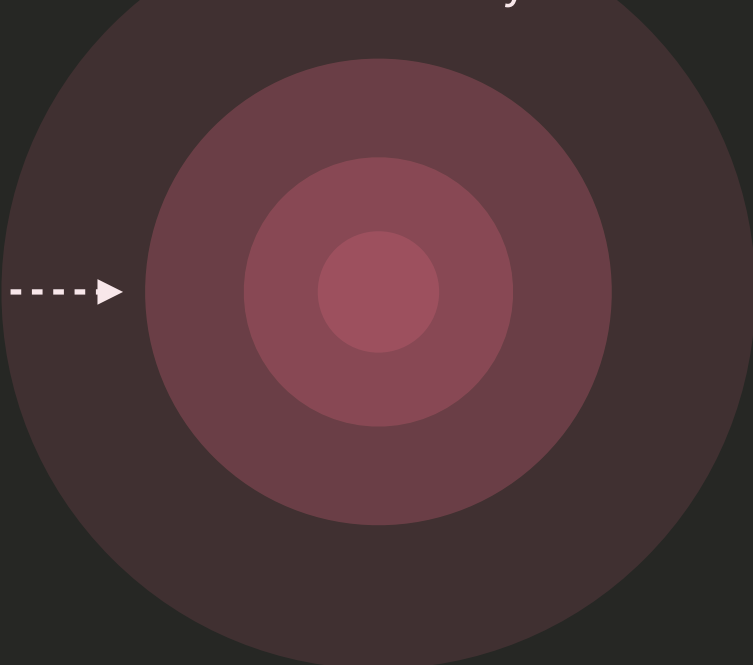
+100 / order

2nd Batch



+200 / order

3rd Batch



H&M ZARA



+500+ / order

Initial Batch

Initial batch size is often determined by how many SKUs 1 roll of fabric can produce.

Building a Supplier Ecosystem

Lightweight Digital Tools

SHEIN's supply chain management systems integrate with China's most popular messaging "super-app" — WeChat.

- The **GMP** (Give Me Products) system tracks the status of orders, inventories and sample production.
- The **MES** (Manufacturing Execution System) is an order-follow-up system that tracks every step of the manufacturing process in real time.



Financial Support

SHEIN's extends financial assistance to suppliers in order to help them keep up with the demands of "ultra-fast fashion".

- **Zero-Cost Onboarding**
Suppliers do not to pay a deposit or entry to begin working with SHEIN.
- **Low-Risk Production**
SHEIN offers suppliers subsidies to incentivize them to produce small-batch orders ([see page 8](#)). SHEIN also shoulders all inventory risk during early production cycles — i.e. SHEIN will not return unsold goods unless there is a quality control issue.
- **Convenient Logistics**
Suppliers only need to deliver goods to SHEIN's domestic warehouses. SHEIN covers all delivery costs if suppliers work with one of their logistics partners.
- **Friendly Payment Terms**
SHEIN is known for short payment cycle —normally only 7-10 days.
- **Loans**
SHEIN often extends credit to suppliers to upgrade their facilities.



Supplier Community

SHEIN provides resources and organizes events to teach suppliers how to improve sales in overseas market. They do this in a no-nonsense manner suppliers can understand.

- **Online Merchant Learning Center**
Platform with resources on annual operation plan, KPI improvement, new products development, quality control, and etc...

- **In-Person Workshops**
Guided training with industry experts;
- **Supplier Networking Events**
Opportunities for suppliers to form partnerships and exchange information;

- **Top Supplier "Field-Trips"**
Opportunities for all suppliers to observe how SHEIN's top suppliers run their businesses;
- **Supply Chain Summit**
Annual event where SHEIN shares business development strategy and direction with suppliers.

Each SHEIN buyer is in charge of communication for around 30 suppliers.

Thoughts for the Future

1. Faster by subtraction.

Less time to relay sales data and insights to suppliers. Shorter distance between suppliers and SHEIN's warehouses. Smaller initial order sizes. Fewer in-house designers. SHEIN's approach has succeeded by removing unnecessary steps in the production process.

Sometimes "subtraction" feels almost comical. Even today, SHEIN uses a simple SMS communication system to track orders and production. But that simplicity has allowed make faster adjustments to shifts in business than its competitors.

2. Suppliers are also SHEIN's users.

SHEIN's success depends heavily on their supply chain "engine". That's why, just as Uber began by prioritizing driver recruitment over passenger acquisition, SHEIN started by addressing the problems and needs of suppliers **first**. Put another way, empowering top-level suppliers was (and is) far more valuable than a few additional customers.

Suppliers are users too, and SHEIN has provided them with easy-to-use supply chain management tools, friendly payment terms and a host of other resources to help them sell better.

3. How might ultra-fast fashion also be sustainable?

SHEIN will never be Patagonia. If consumer markets continues to demand more products and lower prices, that's what SHEIN will provide. Where SHEIN *can* improve is by limiting inventory waste. Small batch-ordering helps to a certain degree, but there is still room for improvement.

As digital rendering technology improves, brands like SHEIN will be able to showcase new products that haven't even been produced yet. To the naked eye, these renderings would look like real clothing, not virtual mockups. (Feels like the metaverse, doesn't it?) SHEIN would only begin production if consumers place initial orders. Order quantities would also be more accurately mapped to demand, helping to limit material wastage.

4. What happens when AI starts doing design?

SHEIN is already experimenting with an AI-led design process. Imagine a world where AI is generating patterns and color pairings, enhanced by search engine data and SHEIN's own sales and user data. As soon as this technology reaches a viable level of accuracy, SHEIN will develop APIs that integrate directly with production management software used by suppliers.



None of us at the Perspective team own any SHEIN products...yet.

Wait...do you want to learn even more?

Well, as it turns out, we have a lot more stories to tell about SHEIN and ultra-fast-fashion. (Did you really think we could cram it all into just 10 pages?!)

To connect with us, just send us an [email](#), reach out on [LinkedIn](#), or do it like people do it in Asia—open up WhatsApp and scan the QR code below:



Our Team



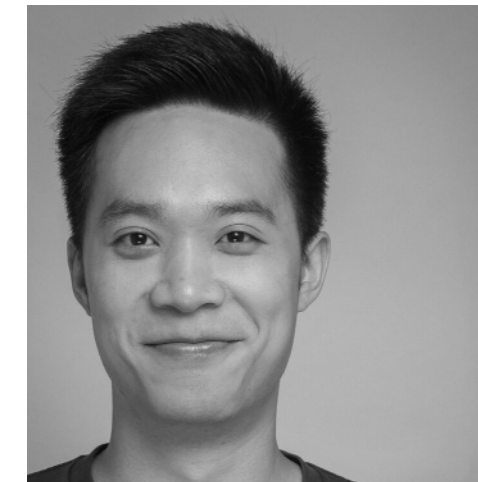
Jacob Lovén

- Former Head of Innovation at OMD;
- Former Klarna, MTGx, Omnicom Media Group, Schibsted Media;
- 15+ years experience in marketing, media and operation;



Tom Xiong

- Head of China at Klarna;
- Executive advisor for multiple corporates;
- Serial entrepreneur: founder of Move Shanghai, and THG.



Nick Young

- Former Head of AI Innovation at JD.com;
- Former designer at IDEO;
- Serial entrepreneur: founder of social media, crypto and NGO companies;
- Stanford MBA.

Our podcast:



Our podcast Den Digitala Draken explores tech in Asia through first-hand storytelling. This year, we are co-producing with Swedish newspaper, Svenska Dagbladet.

[Listen on Spotify](#)

the Perspective 上海