Analysis of Marketing Strategies of Cross-border E-commerce Platforms in the United States-Shein

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Abstract. The US has the largest economy in the world and possesses one of the largest e-commerce markets in the world. Many Chinese companies that are searching for greater space for development target the US market as new chances, derived from many successful digital marketing platforms like Tiktok, Temu, Shein, and so on. Among them, Shein has surpassed the local brand Amazon more than once for being the most downloaded App in the US. Shein has now been recognized as the top 1 fast-fashion digital marketing platform in the US market and its capital market validation has reached 300 billion RMB in 2021. This research selects Shein as a case study to analyze the key factors of Shein’s successful market plan in order to expand the advanced strategy into other Chinese companies, through the perspective of Shein’s brand positioning, C2M model, targeted audiences choice, DTC platform, SEO development, digital marketing strategy-inflencer marketing (micro-inflencer).

Keywords: Fast fashion industry, digital marketing, social media marketing, SEO development, cross-broad e-commerce, Generation Z.

1. Introduction

After reform and opening-up in the last 70s, china’s economy has entered a period of rapid development. China’s going abroad economy first appeared in 1999, which is also a response to China’s “Belt and Road Initiative” political policy initiative. The cross-broader economy also marks the cross-broader of Chinese culture. The whole idea frames China’s desire for international leadership and cooperation [1]. From the perspective of China’s domestic market size, enterprise market competition, the rising cost of traffic, and so on, many industry markets have gradually reached saturation. However, overseas is in the blue market. Thus, many brands regard this as a medicine to alleviate the weak incremental economic growth and look for stable long-persistence development.

The cross-broad business has become a trend, especially in the e-commerce area. With a matured long-chain system logic of the e-commerce industry-from manufacturing aspect, product selection, transportation to market campaigns, price promotion, and influencer marketing-Chinese technology, quality, and strategies utilization is not inferior to any other European or American country. As the global economy falls into an ice age during the pandemic, e-commerce has received rapid growth for its convenience and no-touch-based business model. Regarding Figure.1 with over 65 million users worldwide, Shein is, with no questions, the giant leading role of cross-broad e-commerce companies. With a special region focus on the United States, Shein has over 1.6 million download apps, outweighing the local app Amazon, becoming the top of the industry. With all these factors listed above, it is beneficial for us to analyze the key element during Shein’s rapid growth and how it could shape other China’s e-commerce companies to develop structures in the global business. This research focused on product positioning, supply chain management, digital marketing strategies, and so on.
2. Brand Positioning

2.1. Shein’s Basic Information

Shein is a cross-border e-commerce company in the fast fashion industry, founded in 2008, and has expanded its products to men's cloth, children's cloth, cosmetics, home appliances, and other fields. Fast fashion is a popular phenomenon built in modern society. The nature of its popularity is based on the fast speed and cheap price of its unique business model. In terms of price and time, the convenience of fast fashion deeply attracts customers [2]. Shein’s target customers are young women, Gen-Z, and also price-driven people. Such potential customers love to pursue beauty and fashion. As the leading role of global cross-border e-commerce, Shein provides a perfect shopping experience through cost performance and real-time flexible supply chain advantages, and refined operations. During the pandemic, it has developed and grown to be one of the most profitable DTC platform B2C cross-border e-commerce companies in the United States [3]. In terms of the business development model, Shein mainly promotes the use of large databases and analysis of customer behavior to define or create a trend explosion. Unlike traditional fashion companies that "predict" trends, Shein responds quickly to match users' fashion preferences by detecting changes in market trends and analyzing user feedback data. In regard to manufacturing, Shein mainly relies on cost-effective domestic manufacturing, thus generating a competitive price in comparison to the local brand.

2.2. Low Price and Customer to Manufacturer Model(C2M)

Shein places a rather hyper-competitive price that outcompetes other brands. Analyzing the average prices, Shein’s accessories occur at the lowest average price of $6.56. While all the other fast fashion companies remain about $10. In order to stimulate customer’s desire to shop online through web, shein even provide discount through their website and emails and do a point scheme for the consumers to check the full price review so that consumers could more money [4]. The reason for the sensitive price is the because of the manufacturing and its direct order from producers, acquiring this C2M (consumer to manufacturer) thus cutting off intermediate transit charges, logistics, inventory, distribution, and other intermediaries, thus enabling customers to buy higher quality products at lower prices. With a well-structured, plenty of product choices, and extremely low price, Shein quickly grasps the targeted customers-Gen Z (born after 1995).
2.3. Prospective Targeted Audience

Compared with other Generations, Gen-Z is considered to have grown up with social media and electronic devices and witnessed the most rapid development of digital technology in this era. Digital Marketing is also Shein’s main advertising method to discover fashion brands. Gen-Z is also driven by social media culture. They love to post good-looking outfits and change styles every day. They regard it’s an attitude toward aesthetic life, which impulses them to purchase clothes that are fast and cheap. That is the reason Gen Z is the major targeted customer for all fast fashion companies. With the inner desire that Gen Z always wants to follow the latest trend, but with little financial ability, they become the forefront audience for fast fashion consumption. United Nations Department of Economic and Social Affairs released data in 2020, stating that Gen Z will reach 2.4 billion in 2019 globally, which is 32% of the population, making it the largest group of people [1]. Gen Z is one of the largest age groups in the United States with strong purchasing power. They are digital natives who are sensitive to digital ads that could influence their purchasing logic [5]. Thus, it is a prospective landscape to target this group of people which will also provide broad business operation space for the industry to grow. The demand for fast fashion will not increase shortly in the next few years.

3. Growth Marketing: The Smooth Application of both Direct to Consumer(DTC) Platform and Search Engine Optimization(SEO)

3.1. DTC Platform Build-up

Unlike other brands that largely depend on the third party to enter the foreign market, Shein set up its website early on. In this way, Shein possesses a strong independence trait. With no high commission or platform restrictions from the third party, Shein can design a marketing strategy and use a variety of marketing means through the external internet and bring in more traffic. Also, it provides a large space for the brand to enhance its uniqueness through the website’s visual design. Currently, Shein’s website design is based on the popular trend idea: dopamine dressing. Dopamine, biologically a neurotransmitter that makes people feel good, is now an internet word used to describe bright and colorful dressing styles. The website design also attracts target customers more efficiently since it accords with the popular fashion aesthetics of young women today. With no limits of the strict rule or the third-party website style-for example, Amazon’s main theme is black and uniform product-the individual site adds credit to the brand and offers supplementary products and more comprehensive options for customers that fond a particular brand style. At the same time, the DTC platform enhances users’ stickiness while improving brand texture. The independent website can improve the authenticity and authority trust of users, rate consumer re-consuming, provide brand-exclusive services, and establish the private domain traffic pool.

3.2. SEO (Search Engine Optimization)

The DTC is one of the main reasons for Shein’s success, but the benefit of a website’s good features cannot be reached without SEO (search engine optimization).

SEO is the foundation strategy and one of the most important key elements for DTC growth, as well as Shein's business overall. Based on American users’ behavior, they prefer to search the companies’ websites after they spot an item on the shopping app. Shein once runs a large number of paid research, display ads, and video ads on Google. Therefore, optimize search engine marketing strategies to increase brand exposure to promote conversion. By analyzing data, Shein is able to predict and guide the operation and develop a set of consumer-driven approaches consistently [6]. The CEO of Shein, SEO specialist Tangtian Xu, takes advantage of this finding and keeps refining Shein's website quality and search frequency in order to get a higher ranking. In this way, instead of a customer acquisition and ROI (return on investment) optimization strategy like all the other e-commerce companies, Shein uses retention and extends the user life cycle model to gain customers.
3.3. Influencer Marketing

Deloitte's research report shows that although SEO is the most important channel for consumers to establish awareness of new brands, influencer marketing recommendations are the best source of traffic for DTC brands in the US market.

Shein partnered with KOC (Key Opinion Consumer). Social media influencer, a business model that has been proven efficient and profitable in the Chinese e-commerce market. Shein brings this micro-influencer marketing strategy abroad. When it comes to selecting influencers, Shein prefers those who acquire autonomy belief as Shein, someone who may not have thousands of fans or fame but is appropriate and qualified. Shein partnered with KOC instead of KOL (key opinion leaders). Compared with KOL, KOC could largely shorten the distance between the brand and the targeted customers. They could connect the company’s product with normal daily life events, provide authenticity of the brand’s core value, and make Gen Z believe that Shein is a perfect fit for their clothing choice. Shein effectively applied matured supply manufacturing chain for diverse demand and marketing sales strategy that has proven successful in China to deliver good quality cloth with less time and low prices overseas [7].

Targeting the Z-generation consumers with low prices and fashion ideas, Shein runs influencer marketing to the hilt, in cooperation with the KOC, and advertises through social media platforms like Facebook, Instagram, Twitter, and Google, inserting product links into any article related to a specific product. Get involved on TikTok and start fashion-related campaigns, shein utilizes the benefit of social media and the influencer economy to elevate the brand value and spread the name in a speedily viral way. Besides mainstream social media, in 2014, shein also partnered with Pinterest, which is a popular picture app keen for women users, to gain a large number of young women users and in a way expand their potential customers. The advertising is mainly in the form of pictures and videos, and the content is adjusted according to the category. Not to mention that all the influencers on TikTok have brought Shein exposure of 6.2 billion views. The reason that Shein could have such a viral spread through social media is because Shein's users are mostly young people, who prefer to fully express their opinions through social media, share their experience of clothing, and spread their value. They are strong opinion holders so they come up with hashtags or UGC content spontaneously.

For example, Shein promotes itself by utilizing UGC (user-generated content) and interacting with content creators and real-time consumers to create compelling stories about their products through blogs, articles, and videos [6]. Customers are happy to film them with the brand Shein and sometimes without pay. Because they truly agree with the dressing style of Shein and love to spread their good-looking outfits online. Shein applied this solid social media marketing strategy, collaborating with influencers on Facebook, Instagram, and Pinterest to introduce the brand and products to consumers. Shein, in this way, uses referrals and KOCs to serve as an effective marketing tool to spread the authenticity and the fame of the brand, bringing the brand to larger potential customers [8]. It is necessary to always notice the sudden spreading and further development of digital marketing are nature companions of the global digitizing process of people's life on all possible platforms [9]. Through this viral brand communication method, Shein began to build core competitiveness, accurately target the audience, and at the same time hit popularity overseas.

3.4. Digital Marketing Based on Big Data

A large part of the success reason for Shein’s GMV growth is attributed to its large use of data analysis. The inner idea of this company is not to have excellent fashion design but to take advantage of large sales columns and low product unit prices for the general consumer group [1]. This is the result because of this digital era and all the tracing cookies that the industry could construct an inner internet system that filters audiences and picks potential customers based on behavior analysis. Based on the retailer’s location and software technology, Shein established a concept called “retail in real-time” by analyzing the customer’s behavior data and predicting new designs in a short turnaround. [4] The commercialization of this model enables Shein to forecast the future based on big data, merging a leading behavior instead of providing a model. Also, unlike other local shopping apps like
Amazon, and eBay which entirely depends on the customer's search to show the product, Shein applies this prediction to recommend products that may attract customers. It is also recommended for other small-sized or start-up companies that try to explore the foreign market to study and observe the digital innovation ecosystem which includes suppliers, universities, political factors, targeted consumers, and the digital network environment [10].

4. Suggestions

Shein, as a cross-broad e-commerce company, builds up its unique and sole website instead of attaching to other already matured local apps, in this case, Shein is able to maintain its customer and design more stylish products that conform to the recommendation algorithm that fit the customer’s taste. However, it is worth suggesting that in future development, if Shein still wants to keep a high market share in the industry, it should delve into the inner core of the design and fashion industry. The usual term to describe fast fashion “cheap” represent the price but should not stand for the concept and value of a leading brand company. Shein is suggested to evolve creative design products with ideas and valuable heritage. This is the next question that Shein could take into consideration after obtaining a high proportion of the overseas markets.

5. Conclusion

Shein’s Marketing Strategy has shown a clear and feasible way of fast fashion e-commerce cross-broad, adapting low prices and plenty of product options to attract changeable tastes young people; developing SEO to build up brand appearance and develop unified brand belief; applying influencer marketing to spread the brand awareness so that Shein could connect targeted potential customers smoothly and diversely. The brand could self-observe traits and foster a series of strategies that better spread the brand and increase GMV. Shein’s success will not only be because of the factors listed above, it’s a long process of experience and optimization. Chinese e-commerce companies that currently try to find foreign markets such as Pinduoduo, Alibaba, and so on could learn from Shein who accurately discovered the digital native core in the current digital era and develop a mature and exponentially growing business model.

References