

Business Model Analysis of Cross-Border E-Commerce Based on Flexible Supply Chain -- Taking SHEIN as an Example

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Abstract: SHEIN, a global B2C fast fashion e-commerce company focused on women's apparel, has expanded its offerings to include men's, children's, and accessories. Founded in 2008, SHEIN has grown rapidly to become one of the world's most popular online fashion retailers, especially among young consumers. By utilizing its flexible supply chain and cross-border e-commerce model, it has achieved significant market share, recently becoming the most visited fashion brand globally in terms of online traffic. This popularity is attributed to a highly flexible, technology-driven supply chain that allows Shein to quickly respond to changing fashion trends through small-volume, high-frequency product releases to meet consumer demand for personalized fashion. In addition, Shein's cross-border e-commerce infrastructure enables it to efficiently deliver products to global customers at competitive prices. Based on the above background, this paper will elaborate on the current cross-border e-commerce environment through the literature analysis method and analyze SHEIN's business model strengths and weaknesses in depth on this basis. For its possible deficiencies in flexible supply chain management, this paper will also propose some feasible solutions, with a view to providing valuable references and lessons for SHEIN and other similar cross-border e-commerce brands.

Keywords: Flexible supply chain, cross-border e-commerce, business model analysis.

1. Introduction

With the continuous evolution of economic globalization and the digital economy, the cross-border e-commerce industry has shown vigorous development. In this era, Chinese cross-border e-commerce enterprises have seized the rare opportunity to stand out in the fierce competition in the international market by virtue of their own supply chain advantages as well as digital marketing methods. SHEIN was founded in 2008 as a B2C international fast fashion e-commerce company. Its main business items are women's products, but it also provides men's clothing, children's clothing, accessories and other fast fashion items. SHEIN has entered many markets in North America, Europe, the Middle East, South America, etc. By creating a flexible supply chains, SHEIN is able to respond to customer needs in a very short time, realizing the whole process of rapid advancement from design, sampling to product launch. At the same time, the use of digital marketing tools allows SHEIN to fully enjoy the traffic realization of the foreign social dividend period, and has accumulated a huge amount of

consumer data, thus forming a complete business closed loop from the supply side to the demand side. The synergistic drive of flexible supply chains and digital marketing together shaped SHEIN's unique business model and competitive advantages, and created a favorable synergy effect. These efforts have laid a solid foundation for SHEIN's success in overseas markets, enabling it to sustain its leading position in fierce competition. As one of the most representative cross-border e-commerce platforms in China today, SHEIN's successful experience in its supply chain management and digital marketing has far-reaching practical significance, which helps to enrich and develop the theory of flexible supply chain and digital marketing, and their synergistic effect and advantages of the two can help interdisciplinary and multi-dimensional understanding, and constantly enrich and expand the connotation of a business model, and its development experience can provide reference for other cross-border e-commerce companies and find appropriate solutions to the current problems.

With the enhancement of personalization and differentiation as well as the sales-oriented development trend of the terminal apparel industry [1], this paper analyzes the e-commerce mode of SHEIN enterprise and its flexible supply chain mode, based on the existing situation of the enterprise and the industry, provides a detailed description and analysis of the strengths and weaknesses of its business model, and puts forward corresponding opinions on the existing problems of SHEIN enterprise, such as plagiarism, contradiction with relevant policies, and difficulties in transforming market image. At the same time, it provides new ideas for other cross-border brands to solve their development difficulties.

2. Introduction of SHINE's Development History and its Environment

2.1. SHEIN's Development History

SHEIN is a fast-fashion cross-border e-commerce platform founded by Xu Yangtian, known for its technology-driven supply chain change. Its innovative model of production based on sales has subverted the traditional "futures" model of the apparel industry, effectively solved the problem of high inventory backlog, and significantly improved competitiveness. With keen industry insight, forward-looking decisionmaking, a precise grasp of the traffic dividend in the Internet era, Xu Yangtian has equipped SHEIN with agile supply chain management and Internet marketing thinking from the very beginning.

As a cross-border B2C Internet enterprise founded in 2008 and formerly known as Nanjing Dot Wei Information Technology Co., Ltd., SHEIN has now become a leading global fashion and lifestyle online retailer, providing consumers around the world with a wide range of fashionable products at cost-effective prices [2]. Initially, the company exported wedding dresses to Europe and the United States through cross-border e-commerce, taking advantage of the Search Engine Optimization (SEO) traffic dividend to achieve initial accumulation.

In terms of supply chain management and digital marketing, SHEIN has continued to make efforts to establish an industrial cluster centered in Liwan, Guangzhou, realizing supply chain flexibility and extensively using information technology upgrading and big data technology. At the same time, SHEIN has widely opened digital marketing channels through Netflix, social media and other methods to shape the brand's influence.

After completing the preliminary strategic planning, flexible supply chain building, brand precipitation and other work, SHEIN entered a new stage of development, and revenue showed double growth. During the years of the COVID-19 epidemic, the global supply chain system faced a huge test, but SHEIN, as a cross-border e-commerce leader, still maintains rapid development, showing its market adaptability and resilience, and the validity of its business model has also withstood the test of the epidemic.

2.2. Macro-Environmental Analysis

With the high popularization of information technology and intelligent terminal equipment in all regions of the world, China's cross-border e-commerce has shown a high growth rate at this stage and has gradually developed into one of the main channels for China's foreign trade [3]. Economic globalization and regional economic integration have deepened economic and trade exchanges between countries, and the implementation of national strategies has promoted factor flows and free trade. Under the new crown epidemic, China's market economy has shown strong vitality, and the increase in the scale of cross-border e-commerce users has attracted more enterprises to join in. The rapid development of cross-border transactions cannot be separated from the support of cross-border logistics, and domestic third-party logistics service providers are pushing high-quality services to overseas markets. China's huge scale of Internet users and Internet penetration rate are of great significance to the development of digital economy and the promotion of the Internet+ strategy. 5G and other communication technologies and the popularization of smartphones have pushed the increase in the scale of mobile Internet users, realizing cross-border online shopping at anytime and anywhere. The development of cross-border e-commerce is inextricably linked to investment in the information industry, digitalization of cross-border e-commerce enterprises and the global wave of informatization.

SHEIN operates in an industry environment with a large and dispersed number of suppliers. SHEIN has strong bargaining power by virtue of its scale advantage, and adjusts production and sales in real time through flexible and digitalized supply chain management. China's fast fashion market is highly competitive, with strong bargaining power of consumers, low barriers to entry in the industry, and intense competition in cross-border e-commerce business. There are many substitutes in the international market, but SHEIN's flexible supply chain has a competitive advantage. Taken together, SHEIN faces the challenges of weak bargaining power of suppliers, strong bargaining power of buyers and high threat of new entrants. However, SHEIN has established competitive barriers in the industry through its flexible supply chain and digitalization capability building, insights into consumer needs, and provision of high-quality goods and services, as well as strong bargaining power and channel control. SHEIN is a company with excellent market competitiveness, and will continue to leverage its strengths to consolidate its position in the market.

3. The Strengths and Weaknesses Analysis of SHEIN's Business Model

3.1. Strengths

3.1.1. Flexible Supply Chain

Based on traditional supply chain management, a flexible supply chain includes the whole life cycle of the product, which is a kind of mesh chain management with organizational and functional structure. Flexible supply chain is different from the supply chain management of mass customized production, with a high level of informationization and innovative operation mode [4].

SHEIN supports the C2M model through a flexible supply chain and uses digital operations to enhance brand power. On the front-end, SHEIN continues to iterate cost-effective products through trial and error, and after accurately accumulating users' demands, it adopts the small-order quick-response mode to realize rapid production. On the supply chain side, SHEIN cooperates with small and medium-sized factories, utilizing its strong voice and superior geographic location and IT system to integrate supply chain resources and realize multi-warehouse linkage, fast delivery and timely response to user needs. Relying on the advantages of Made in China, SHEIN has built competitive barriers that are difficult for competitors to surpass in the short term, and continues to expand its competitive advantage by outperforming its major rivals in terms of the number of new products,

cycle time, supplier security and delivery speed. Especially in China and the United States, economic and trade relations are getting closer and closer, but due to political factors and trade deficits and other issues, such as outstanding trade friction between the two countries, the two countries as the world's important economies, trade friction between the two countries affects the global economy. Coupled with the new crown pneumonia epidemic spreading around the world, the U.S.-China economic and trade relations are more difficult to move forward, and the foreign trade industry is deeply affected. Cross-border e-commerce industry in this context, by virtue of the supply chain flexibility advantage, shows a steady development trend, for China's foreign trade to add vitality [5].

3.1.2. Digital Marketing

In the market environment of the post-traffic era, the interactivity and brand influence of digital marketing have become the focus of attention of enterprises, and interactivity and brand influence are of key significance to enhance the market competitiveness of enterprises, strengthen consumer loyalty and promote the sustainable development of brands [6]. SHEIN, with its keen insight into the cross-border e-commerce market and prospective decision-making, has successfully grasped the dividend of Internet traffic and led the way in the ecological layout of traffic. SHEIN focuses on content and community marketing, expanding its brand influence through online KOLs, offline flash stores and fashion weeks, and setting up sub-accounts in multiple categories and regions to interact with consumers. The combination of its founder's background in search optimization, China's supply chain efficiency and digital marketing capabilities gives SHEIN a unique competitive advantage, with digital marketing becoming one of its core competencies.

3.1.3. Synergistic Effect

The development of digital supply chain finance realizes information sharing and collaboration among supply chain participants, and improves the efficiency and overall competitiveness of the supply chain [7]. The synergistic drive of flexible supply chain and digital marketing on SHEIN's business model is mainly reflected in two aspects: firstly, the synergy between flexible supply chain management and digital marketing based on social media and popular trends. The second is the synergy between supply chain flexible production and digital marketing based on big data, deploying production resources through user data to keep products in line with market demand, while product market feedback promotes digital marketing, and the two are mutually reinforcing.

3.2. Weaknesses

3.2.1. Copyist Controversy

SHEIN is at risk of litigation due to insufficient intellectual property protection, with several brands alleging trademark infringement, such as AirWair International, the maker of Dr. Martens, which has accused SHEIN's website of having several counterfeit products and directly using the corresponding photographs to lure consumers into purchasing them. In addition, other Western artists and designers have criticized SHEIN on social media for IP infringement.

3.2.2. Environmental Protection Policy

SHEIN is facing environmental protection issues. A survey by a Canadian consumer magazine shows that one fifth of its products contain elevated levels of chemicals, including lead, per-and polyfluoroalkyl substances (PFAS) and phthalates, which are harmful to children, pregnant women, etc [1]. At the same time, the production of low-quality, non-environmentally friendly products has

led to environmental pollution and ecological consequences, which have a serious impact on the brand's image.

3.2.3. Difficulty in Transforming the Low-priced Image

Social e-commerce to achieve traffic fission is the main means of social tools, but at the same time the product is also vital, excellent products can get consumers love, improve user loyalty [8]. Low price although help it quickly seize the market, but long-term price pressure suppliers affect their long-term cooperation and win-win, and low-end cheap sales strategy curing brand image, hindering the transition to high-end products. SHEIN need to improve the corporate brand image, improve product profitability and added value.

3.3. Disadvantages Revelations of SHEIN's Business Model and Recommendations

SHEIN's success in the cross-border e-commerce industry is attributed to its well-built flexible supply chain and C2M model. Relevant cross-border e-commerce enterprises can also reduce logistics and warehousing costs, improve the cost-effective through the flexible supply chain "small fast single reverse" mode with the rapid testing of Stock Keeping Unit (SKU), adjust the production according to the sales situation. C2M mode is a low-cost high-frequency on the new, small single fast return mode of trial-error iterative products, that helps cross-border e-commerce enterprises to reduce costs, and improve efficiency. Relevant enterprises can carry out content marketing through Professional Generated Content (PGC), User Generated Content (UGC) and other methods to establish brand image and convey brand concepts.

For plagiarism storm and intellectual property issues, first of all, enterprises should strengthen the protection of intellectual property rights, which can be achieved by setting up a specialized intellectual property protection team responsible for monitoring and responding to infringements. Establish a strict auditing mechanism to review the intellectual property rights of the goods on the shelves. While preventing infringement, it is also important to actively respond to lawsuits by hiring a team of professional lawyers to conduct legal defense, engage in settlement negotiations with the accusing party, and resolve disputes through compensation and removal of infringing products from shelves. At the same time, it is important to rebrand and issue statements through the media and social media to clarify misunderstandings and emphasize the company's respect for intellectual property rights.

For environmental protection issues, it is necessary to strictly comply with environmental regulations to ensure that products comply with environmental standards, improve the production process for relevant nonconforming products, reduce the use of hazardous substances, and improve product quality. It is also necessary to strengthen supply chain management, sign environmental protection agreements with suppliers, require suppliers to provide environmentally friendly products.

To address the difficulties in transforming the low-priced image, enterprises can increase investment in research and development, launch innovative and value-added products, such as cooperation with designers and artists, the launch of co-branded products or cooperation with the segment of the brand, at the same time optimize the pricing strategy, and through the media and social media to strengthen brand publicity, enhance brand awareness and reputation.

4. Conclusion

This paper focuses on the success of SHEIN, a Chinese cross-border e-commerce company that trades in the global apparel market through a highly flexible supply chain and digital marketing. Its "C2M" (customer-to-maker) model of small-lot, multi-style production realizes a quick response from design to market and greatly meets the needs of global consumers for changing trends. The paper points out

that SHEIN's success lies in its ability to accurately capture market demand and attract a large number of young users through digital marketing strategies such as social media and the Netroots economy. These operational strategies put SHEIN in a competitive international environment. At the same time, this paper also reveals some shortcomings in SHEIN's business model. For example, due to the high frequency of product updates, SHEIN often faces the risk of intellectual property lawsuits, including allegations of plagiarizing other design brands. In addition, although SHEIN's low price strategy helps to capture the market quickly, it also solidifies its low-end brand image, which hinders its development into the high-end market.

While analyzing SHEIN, this paper also puts forward some suggestions for improvement. First, in terms of intellectual property protection, it is recommended that SHEIN set up a specialized audit team to ensure the originality of product design and strengthen cooperation and communication with successful brands. In addition, in terms of environmental protection, the paper suggests that SHEIN needs to strengthen its supply chain management to ensure that its suppliers provide environmentally friendly products to minimize the impact on the environment. Finally, in order to enhance its brand image, SHEIN can improve its low-priced image by collaborating with high-end designers or well-known brands, launching co-branded products, and strengthening media campaigns.

This paper analyzes SHEIN's business model by synthesizing information from various aspects; however, there is room for mutation enhancement in the depth of the study, especially in the conceptual analysis of SHEIN's long-term market performance, which is not deep enough, and future studies can evaluate SHEIN's market adaptability and the sustainability of its business model more comprehensively by combining more target data. In addition, this paper does not provide detailed empirical evidence on consumer focus, and future research can add dimensions such as consumer satisfaction or brand loyalty to further enrich the evaluation framework of SHEIN's business model.

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