SHEIN

VS

ZARA

CONTENTS

INTRODUCTION

ABOUT ZARA

Zara is a Spanish multinational retail enterprise created in 1975, initially called Zorba.
One of the most profitable apparel enterprises in the market nowadays and one of the pioneers of the called fast-fashion.

ZARA

ABOUT SHEIN

SHEIN is a Chinese enterprise, B2C fast fashion e-commerce platform, focused mainly in women wearing.
SHEIN's concept is: "everyone can enjoy the beauty of fashion!".
SHEIN began as a wedding dress seller and rapidly expanded its products to general apparel in worldwide scale.
With a great business model, it quickly became profitable.

PROBLEM IDENTIFICATION

- Despite SHEIN's exponential growth in the previous few years, some problems have been raised lately:
  - Product quality, as well as receiving products that were the wrong size or the wrong fit;
  - SHEIN was also criticized for products that were culturally inappropriate and insensitive;
  - Given the affordable prices of products, how SHEIN could possibly make money?
  - Lack of transparency about its activities.
  - Concerns about environmental impact caused by the fast-fashion industry
  - Like other Chinese brands, SHEIN faced political risks in the international market.

- Taking that into account, the main question that we will explore and try to answer in the best way possible is: **What should SHEIN do in its future strategy in order to in order to solve and overcome the problems described above?**

QUESTIONS

SUPPLIER POWER

- Several suppliers;
- Have the power to influence price, as well as the availability of resources/inputs;
- Are most powerful when companies are dependent on them and cannot switch to other suppliers;
- Relatively small and insignificant force in apparel industry.

COMPETITIVE RIVALRY

- Large numbers of retailers who sell very similar products;
- Market is quickly becoming saturated with very similar products;
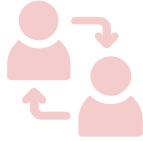
THREAT OF SUBSTITUTION

- There is little to substitute clothes with, but every brand has several competitors;
- There are substitutes that can make high-end styles available at lower prices.

THREAT OF NEW ENTRY

- High investment is necessary to adapt to the digitalization model;
- Low entry barriers, but it's difficult to build a great reputation.

BUYER POWER

- Buyers can choose to push down prices, not buy products, or switch retailers;
- Customers are well-informed, can choose from several alternatives, and can switch easily between the several brands in the market;
- Customers force brands the necessity to adapt to new trends;
- Websites and apps have become indispensable.

SECOND QUESTION

What is Zara's business model, and how did it evolve with digitalization?

KEY PARTNERS

- Factories in Spain (Although most are in Spain, there are also factories in Portugal, Turkey, Morocco, and some in Asia);
- Fashion Magazines;
- Textile Producers (Suppliers);
- Shop Centers/Malls;
- Delivery companies.

KEY ACTIVITIES

- Orders;
- Shipping;
- Customer Service;
- E-Commerce;
- Design;
- Manufacturing;
- Logistics;
- Trends and Forecasting;
- Sales.

KEY RESOURCES

- Shops;
- Online;
- Design Agencies;
- Fast Fashion;
- Excellent location of stores.

VALUE PROPOSITIONS

- Fast Fashion (takes two to three weeks);
- Affordable clothes;
- Premium store locations;
- Free shipping in some conditions;
- Free return.

CUSTOMER RELATIONSHIPS

- Free and fast shipping for orders above 30€;
- Shops always with new products;
- Diversified products;
- Customer feedback system to quickly alter and improve upon its existing clothing lines;
- Style variety.

CHANNELS

- Shops;
- Online Shopping;
- Social media.

CUSTOMER SEGMENTS
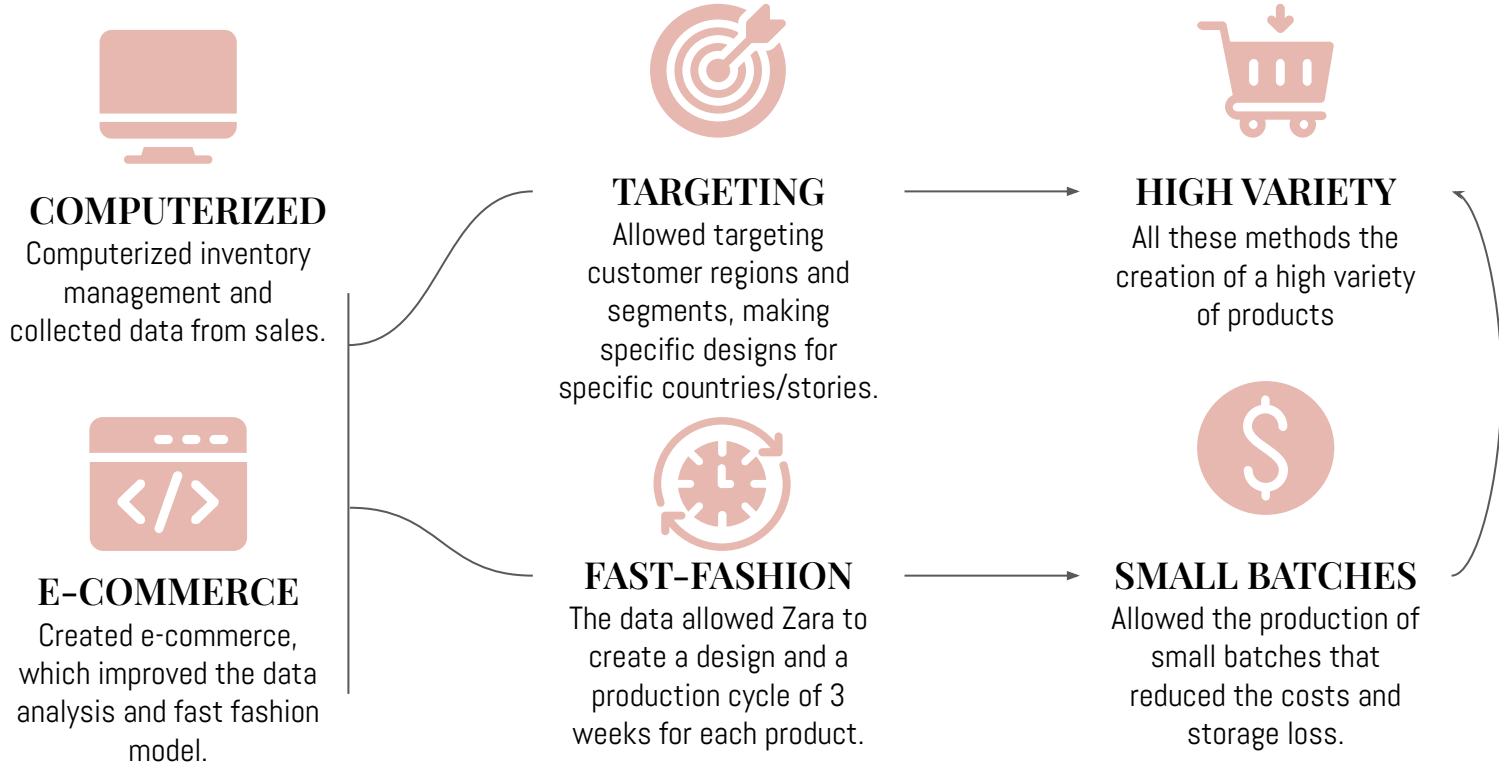
- Men;
- Children ;
- Women.

COST STRUCTURE

- Material (Cost of Goods);
- Design;
- Manufacturing;
- Logistics;
- IT;
- Employees;
- Human Resources;
- Demand Based Production.

REVENUE STREAMS

- In-Store Sales (Retail);
- Online Sales.

COMPUTERIZED
Computerized inventory management and collected data from sales.

E-COMMERCE
Created e-commerce, which improved the data analysis and fast fashion model.

TARGETING
Allowed targeting customer regions and segments, making specific designs for specific countries/stories.

FAST-FASHION
The data allowed Zara to create a design and a production cycle of 3 weeks for each product.

HIGH VARIETY
All these methods the creation of a high variety of products

SMALL BATCHES
Allowed the production of small batches that reduced the costs and storage loss.

KEY PARTNERS

- Customer web-design companies to develop the SHEIN website;
- Social Media Influencers;
- Well-known musicians;
- Resellers;
- Chinese and other factories.

KEY ACTIVITIES

- Dress manufacturing;
- Trending watching;
- Sales;
- Supply chain management;
- E-Commerce;
- Design creation;
- Orders and shopping;
- Point system.

KEY RESOURCES

- Online Website;
- Design Agencies;
- Fast Fashion.

VALUE PROPOSITIONS

- Providing Low-Cost apparel;
- Fast Fashion;
- Fast delivery;
- Online shop;
- Free shipping in some conditions;
- Free return.

CUSTOMER RELATIONSHIPS

- Attract, collect, manage and analyze consumer data through their E-commerce platform;
- Launching the website for different countries;
- Free and fast shipping and free returns;
- Discounts (e.g sign up discount);
- Point systems.;
- Style variety.

CHANNELS

- Online Shopping;
- Social media.

CUSTOMER SEGMENTS

- Price-sensitive Customers who looked for the latest fashion trends;
- Focused on Women's clothing;
- Expanded to include Men's apparel;
- Some of the Categories in 2019:
  - Women;
  - Curve Plus;
  - Kids;
  - Men;
  - Beauty;
  - Home.

COST STRUCTURE

- E-commerce platform;
- Delivery Channels;
- Factory ;
- Customer web-design companies to develop the SHEIN website;
- Launching the website for different countries;
- Hiring many experts from different areas;
- Marketing;
- Human resources;
- Designers.

REVENUE STREAMS

- Online Stores (E-commerce).

What is SHEIN's business model, and **what is the role of digitalization in SHEIN's business model?**

ONLINE-ONLY

Thus, the digitalization plays a major role, by reducing physical costs and allowing live analysis.

LIVE ANALYSIS

A "real-time" way to perform data analysis, which makes them predict and catch trends.

FAST FASHION

The live analysis allows the fast production of new design and therefore speed up the production cycle

FOURTH QUESTION

How would you compare the two business models, and how are the two groups successful in the market?

CUSTOMER SEGMENTS

- SHEIN focuses on **women's clothing**, although they have expanded to also provide apparel for men and kids;

- SHEIN aims at Gen Z, **young people that look for affordable fashion** in order to keep up with their peers and social media trends;

- Zara has a **less price-sensitive customer** base, also aiming at medium-high income consumers that wish to keep up with fashion.

VALUE PROPOSITION

- Both companies uses fast-fashion, but SHEIN adds more diversity by performing the fast-fashion cycle in less time;

- Free shipping under certain conditions;

- Both companies have free return policies;

- Zara stores are accessible at a premium location;

- SHEIN manages to be 3 or 4 times cheaper than Zara;

- Both companies have fast delivery.

How would you compare the two **business models**, and how are the two groups successful in the market?

CHANNELS

- Both companies can bring their products through an online delivery service after purchasing a set of items on their **E-commerce platforms**;

- Zara has **physical stores** in premium locations to display and sell its products;

CUSTOMER RELATIONSHIPS

- SHEIN has **free shipping** on orders above 9.90 €, while Zara does it on orders above 30€;

- **Both companies are cheap**, but SHEIN manages to be 3 to 4 times cheaper than Zara;

- SHEIN provides more **variety of styles**;

- SHEIN offers **discounts** for new users, making the adhesion easier, and also a point system;

- Zara's **shipping** takes 2-4 working days, while SHEIN shipping takes 12-18 days.

FOURTH QUESTION

How would you compare the two **business models**, and how are the two groups successful in the market?

REVENUE STREAMS

- Both companies profit from **selling apparel**;

- SHEIN does it **exclusively online**, while Zara has physical stores.

KEY RESOURCES

- SHEIN only uses its online store to sell its products, while Zara also has physical stores.

KEY ACTIVITIES

- Both companies approach the market with a **fast-fashion business model**;

- Given that SHEIN is fully digital, they have almost a **"real-time" way to perform data analysis** with access to more information than just "what people bought at what store";

- Therefore, SHEIN's new designs can be crafted within as little as 3 days, while in Zara, the process takes 2 to 3 weeks;

- The main difference is that SHEIN is exclusively **Digital with its E-commerce** platform, while Zara also has physical stores.

FOURTH QUESTION

How would you compare the two business models, and how are the two groups successful in the market?

KEY PARTNERS

- Zara has partnership with shopping/malls to have their stores in a **premium location**, while SHEIN doesn't;

- SHEIN cultivates relationships with **Chinese factories** and manufacturing. **Zara has its own factories**;

- SHEIN approaches partnership with **influencers.**

COST STRUCTURE

- Both companies have costs associated with manufacturing, clothing and web design, delivery channels, and platform maintenance;

- Zara has additional costs associated with its physical stores and owns their own factories, while SHEIN does not have them.

FOURTH QUESTION

How would you compare the two business models, and **how are the two groups successful in the market?**

High variety of products due to the fast-fashion
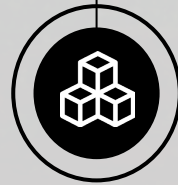
Accessible prices and available discounts

Customer data analysis, to catch and understand the late trends

Fast delivery and easy access to the clothes (online and premium locations)

What should SHEIN do in its future strategy?

Improve the marketing and investment regarding cosmetics, by using the social network to promote their products. Recently, the enterprise has increased the number of purchases in this area, as they went viral due to having a good quality while maintaining low and accessible prices.

Include higher quality products to reach customers with higher standards. The main reason for this is that most of the actual clients are from an early generation that could improve their spending standards over time.

Expanding its presence in the Chinese market might not be a lucrative alternative to the enterprise. Clothes that might seem cheap to Europe, for example, don't look so attractive to the Chinese population, due to over-saturated cheap apparel marketing, that are present not only online, but also with physical stores. Also, it would be necessary to compete with well established enterprises in China, such as Uniqlo.

FIFTH QUESTION

What should SHEIN do in its future strategy?

SHEIN could work on strategies to increase its transparency to improve customer perception, since one of the most outlined problems is its deficit in transparency. For instance, SHEIN did not give details about the manufacturing process of its products. Investing in a more positive customer perception could also be a way to try to mitigate sabotage campaigns that are more common nowadays in social media.

Still, a way to improve the brand image of the company, would be to approach the sustainability concerns related to the enterprise. This not only would ease the criticism, but also would decrease the impact of future sanctions to be imposed by the government of the biggest markets, such as the US.

THANK YOU!

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