

Exploring Shein's Merchandising Strategy and Business Model¹

By Sheng Lu
University of Delaware

Learning Objectives

The case study aims to help students:

- Understand the fast fashion business model, particularly from a merchandising perspective
- Analyze the impact of data science and digital technologies on fashion companies' merchandising strategies and supply chain management.
- Critically assess the future of the fast fashion industry as Gen Z consumers emerge.

Background

In 2024, Shein's market value exceeded \$66 billion, more than H&M and Zara combined (Statista, 2025). By leveraging data science and its unique e-commerce business model, Shein quickly became a top clothing seller in the competitive U.S. fashion market in less than five years. So, what has driven Shein's quick emergence? How is Shein's business model, especially its merchandising strategy, different or similar to conventional fast fashion giants such as Zara and H&M? What are the opportunities and challenges facing Shein's business?

Business Issues

The Rise of Fast Fashion

Fast fashion is a distinct business model of quickly producing and selling inexpensive clothing to keep up with the ever-changing consumer demand for trendy items (Dzhengiz et al., 2023). It was a common belief that fast fashion started with the launch of Zara in 1975. Headquartered in Spain, Zara introduced a model to quickly adapt to changing fashion trends and offer a constant stream of new designs in its stores (Aftab et al., 2018). Zara revolutionized the retail market by making runway designs accessible to mass consumers within a few weeks, significantly reducing the industry's average waiting time of months (Chen, 2023). Since then, an increasing number of brands and retailers, such as H&M and Forever 21, have sought to embrace the fast fashion business model, aiming to provide fashionable items at accessible prices, with a particular focus on catering to the preferences of young adults.

Two additional factors also contributed to the booming of fast fashion since the 1970s. One factor was consumers' growing demand for trendy and affordable clothing, driven by their desires to regularly refresh wardrobes and stay in step with the latest fashion trends without straining budgets. The rise of social media, in particular, created a "fast fashion culture" that encouraged instant gratification and constant showcasing of new outfits on platforms like TikTok and Instagram (Buzzo & Abreu, 2019). Another factor was the development of polyester as a lower-cost textile material, making it easier for fast fashion retailers to lower production costs and offer inexpensive clothing (Niinimäki et al., 2020). Polyester's physical characteristics, such

¹ This teaching case study follows the following License: Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International. This license requires that reusers give credit to the creator. It allows reusers to copy and distribute the material in any medium or format in unadapted form and for noncommercial purposes only.

as wrinkle resistance, ease of washing, and fast drying, have made it a favored choice among fast fashion companies and consumers.

Fast fashion business model

From a merchandising perspective, fast fashion is a distinct business model that includes several unique practices.

First, concerning product assortment, fast fashion retailers typically offer a more extensive range of products but with a relatively shallow assortment. For example, based on the case study method, several studies found that regular retailers commonly introduce between 2,000 and 4,000 new clothing designs yearly during the spring and fall seasons (Aftab et al., 2018). In comparison, fast fashion giants like Zara and H&M could release 11,000 to 200,000 new styles annually, achieving 20-40 mini-seasons each year (Camargo et al., 2020). The broader range of product options available to the market enables fast fashion retailers to increase store traffic, entice consumers, and increase sales volumes. On the other hand, fast fashion retailers prioritize rapid turnover and introducing new merchandise to the market. Consequently, they often offer a relatively limited selection of choices, such as sizes and colors, for each style. This strategy aims to minimize the financial impact of excess inventory and mitigate market risks (Zhang et al., 2019).

Second, fast fashion retailers replenish their merchandise more frequently. Unlike conventional clothing retailers, which usually prepare an entire season's stock in advance with limited in-season replenishment, fast fashion retailers typically replenish their merchandise weekly or even daily to keep it fresh. Such an approach offers fast fashion retailers more opportunities to respond quickly to changing consumer preferences and adjust their product assortment accordingly (Sellitto et al., 2022). Nevertheless, fast fashion retailers, by design, would keep limited quantities for each clothing style and frequently adjust their product assortment in response to real-time market trends (Camargo et al., 2020). As a result, specific clothing SKUs offered by fast fashion retailers may go out of stock more rapidly than those offered by regular retailers.

Related, fast fashion retailers often leverage near-sourcing to achieve more frequent in-season replenishment. For example, fast fashion companies such as Boohoo, ASOS, and Zara have developed production facilities near their core and critical consumer markets to facilitate rapid product delivery (Montero Bressán, 2023). In contrast, many traditional retailers historically favor Asia as their primary sourcing destination, especially those focused on cost efficiency. On the other hand, fast fashion retailers invested heavily in advanced design, raw materials, sourcing, and logistics management systems to speed up the product development process and ensure a flexible and agile supply chain (Gahletia, 2021).

Third, fast fashion retailers are known for their affordability, appealing to price-sensitive consumers (Niinimäki et al., 2020). Behind their competitive pricing, fast fashion giants often work with small factories, allowing them to leverage their buying power to negotiate favorable deals and reduce sourcing costs. As another strategy, fast fashion retailers use lower-quality but cheaper textile materials to minimize production costs and remain profitable. For example, studies found that fast fashion clothing items are more likely to use polyester, a synthetic fiber

that costs less than natural fibers like cotton (Bick et al., 2018). However, fast fashion retailers' low-price and low-cost strategies often raise controversies. For example, studies repeatedly show the poor working conditions and social responsibility practices of garment workers making products for fast fashion retailers, which is concerning (Nguyen et al., 2021).

Shein as an ultra-fast fashion retailer

Number of Clothing Styles Launched to the U.S. Retail Market in 2024

unit: Stock Keeping Unit (SKU)

Retailers	Total product offerings	Sustainable apparel	% of sustainable apparel in total product offerings
Gap	10K	5K	46.6%
H&M	25K	18K	75.1%
Shein	3.3 million	16K	0.5%
Zara	46K	12K	25.4%

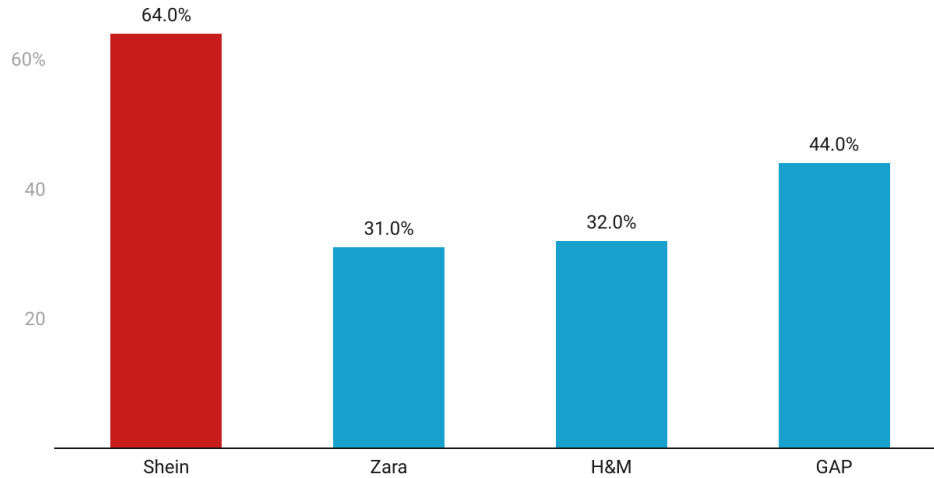
Table: "Sustainable apparel" refers to clothing item that explicitly mentioned one of the keywords in label or description: sustainability, sustainable, eco-friendly, organic, and recycled • Source: EDITED (2025) • Created with Datawrapper

Despite being a relatively new entrant, Shein enjoyed rapid market expansion and emerged as one of the largest U.S. clothing retailers in 2024 (Euromonitor, 2025). In particular, Shein's merchandising strategies are similar but not necessarily the same as conventional fast fashion retailers such as Zara and H&M.

First, Shein offered a considerably greater variety of products at even more competitive prices than most apparel retailers, including fast fashion giants like Zara and H&M. For example, according to EDITED which tracks retailers' product offers, Shein launched over 3.3 million Stock Keeping Units (SKUs) of clothing items in 2024, far more than H&M (about 25,000 SKUs) and Zara (about 46,000 SKUs) (EDITED, 2025).

Second, in contrast to Zara and H&M, Shein tended to carry more clothing items with non-plain design, such as floral, graphics, and stripes, indicated by a higher value of Pattern. For example, in 2024, about 64% of Shein's products were non-plain, much higher than only about 1/3 of Zara and H&M's. The result reflects Shein's merchandising priority of appealing to young consumers seeking stylish and trendy-looking clothing.

Percentage of Non-plain Design Patterns in the Total Clothing Product Offers in 2024



"Non-plain" design patterns include patterns such as floral, graphics, and stripes.; Count based on stock keeping unit

Chart: • Source: EDITED (2025) • Created with Datawrapper

Third, Shein exhibited distinct replenishment strategies compared to conventional fast fashion retailers. For instance, unlike Zara and H&M, which relied on frequent replenishment to optimize inventory and ensure sufficient stock of market-popular items, Shein had a much lower replenishment rate of its products. It was likely that Shein's practice of consistently introducing brand-new products to "excite" the market diminished the significance of replenishment in its merchandising strategies.

Percentage of Clothing Products Replenished in 2024

unit: Stock Keeping Unit (SKU)

Retailers	Percentage
Gap	27.7%
H&M	37.6%
Shein	4.3%
Zara	53.7%

Table: The percentage = number of clothing items replenished at least once in 2024/number of total clothing offerings • Source: EDITED (2025) • Created with Datawrapper

Fourth, Shein priced its products even lower than conventional fast fashion retailers. For example, in 2024, Shein priced its clothing about 30% lower than that of Zara and H&M. Shein's average selling price could be even 40-50% lower than Zara and H&M in categories such as polo shirts, sweaters, and underwear. However, on the other hand, Shein offered a relatively lower markdown percentage than Zara and H&M.

Average Retail Price in the U.S. Retail Market in 2024

Categories	Shein	Zara	H&M	Gap
Trousers	\$14.2	\$18.0	\$25.0	\$34.0
Jeans	\$20.4	\$20.0	\$25.0	\$35.0
Shorts	\$10.3	\$12.7	\$15.0	\$15.0
Skirts	\$11.5	\$15.0	\$22.3	\$30.0
T-Shirts	\$13.5	\$10.0	\$10.0	\$17.0
Polo Shirts	\$12.3	\$25.9	\$19.2	\$24.0
Shirts	\$12.9	\$18.0	\$21.0	\$35.0
Blouses	\$9.0	\$13.0	\$20.0	\$40.0
Sweaters/Jumpers	\$15.0	\$27.9	\$22.8	\$35.0
Dresses	\$14.8	\$18.0	\$25.0	\$35.0
Coats	\$24.9	\$50.0	\$65.0	\$95.0
Jackets	\$20.4	\$30.0	\$30.0	\$50.0
Swimwear	\$9.3	\$13.0	\$15.0	\$29.0
Underwear	\$6.1	\$12.9	\$17.7	\$11.0
All apparel	\$12.5	\$17.9	\$18.1	\$25.0

Table: • Source: EDITED (2025) • Created with Datawrapper

Discount Strategy for Clothing in 2024

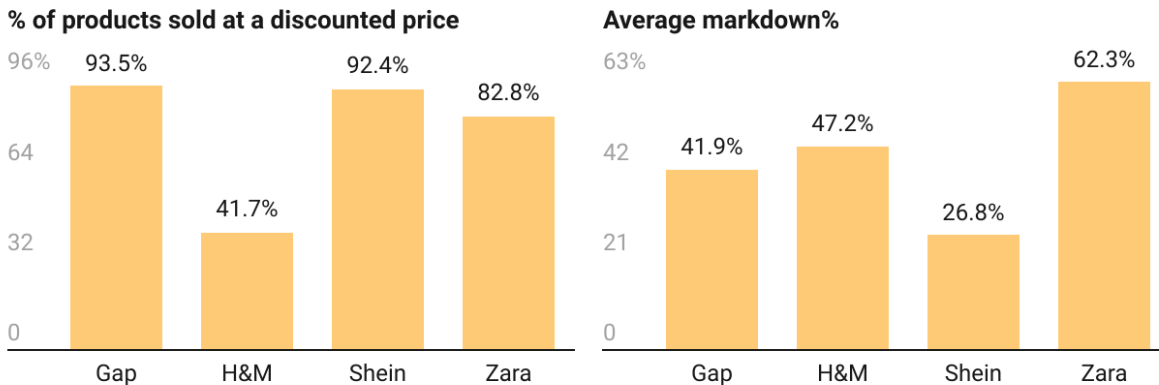


Chart: • Source: EDITED (2025) • Created with Datawrapper

Looking into Shein's future

Despite Shein's notable growth and business success, its business future is not without challenges. Specifically, under its current business model, Shein has consistently introduced millions of new clothing styles yearly to achieve sales growth. However, this approach has exerted considerable pressure on Shein's design and product development capabilities, depleting original ideas and increasing the likelihood of controversial copycat designs. Notably, Shein has faced a surge of lawsuits against its imitation of other fashion companies' original designs, posting a significant risk to Shein's brand reputation and business operations (Palladinetti, 2023).

On the other hand, increasing consumer awareness regarding sustainability and the environmental impact of clothing production and shopping also casts a shadow on Shein's growth prospects. Recent studies suggest that consumers begin to grapple with "shopping fatigue" induced by fast fashion, prompting a shift towards embracing fewer new clothing purchases and opting for renting or buying secondhand clothing (Hwang et al., 2023). This contradicts Shein's business model revealed by this study, which emphasizes quantity over quality, rapid turnover of trends, and low prices. Likewise, Shein lagged behind other retailers in carrying clothing made from recycled or other sustainable textiles, hindered by the higher production costs of such products and Shein's low-cost-and-low-price business model (Botwinick & Lu, 2023; EDITED, 2025). Thus, the compatibility of Shein's merchandising practices with the sustainability movement raises a significant question.

Discussion questions

1. What defines the fast fashion business model, and how does Shein take this model further into the "ultra-fast fashion" territory?
2. How does Shein's product assortment and replenishment strategy differ from Zara and H&M's, and what are the merchandising implications of these differences?

3. How might Shein's merchandising strategy conflict with growing consumer interest in sustainability? Can Shein realistically align its business model with environmental goals?
4. What ethical concerns arise from Shein's ultra-fast fashion model, and how might they impact brand loyalty among Gen Z consumers?
5. Should Shein continue to prioritize rapid trend turnover and extreme price competition, or shift toward a more balanced strategy? Justify your recommendation.

Reference material

- Aftab, M. A., Yuanjian, Q., Kabir, N., & Barua, Z. (2018). Super responsive supply chain: The case of Spanish fast fashion retailer Inditex-Zara. *International Journal of Business and Management*, 13(5), 212-227.
- Bick, R., Halsey, E., & Ekenga, C. C. (2018). The global environmental injustice of fast fashion. *Environmental Health*, 17, 1-4.
- Botwinick, A., & Lu, S. (2023). Explore US retailers' merchandising strategies for clothing made from recycled textile materials. *International Journal of Fashion Design, Technology and Education*, 16(2), 131-140.
- Buzzo, A., & Abreu, M. J. (2019). Fast fashion, fashion brands & sustainable consumption. *Fast fashion, fashion brands and sustainable consumption*, 1-17.
- Camargo, L. R., Pereira, S. C. F., & Scarpin, M. R. S. (2020). Fast and ultra-fast fashion supply chain management: an exploratory research. *International Journal of Retail & Distribution Management*, 48(6), 537-553.
- Chen, Y. (2023). Analysis of marketing strategies of cross-border e-commerce platforms in the United States-Shein. *Highlights in Business, Economics and Management*, 19, 478-483.
- Dzhengiz, T., Haukkala, T., & Sahimaa, O. (2023). (Un) Sustainable transitions towards fast and ultra-fast fashion. *Fashion and Textiles*, 10(1), 19.
- Euromonitor (2025). *Brand market shares*. Retrieved from <https://www.euromonitor.com/our-expertise/passport>
- EDITED (2025). Market intelligence platform. Retrieved from <https://edited.com/>
- Fleck, A. (2025). Shein's Meteoric Rise. Statista. Retrieved from <https://www.statista.com/chart/33884/e-commerce-net-sales-of-shein-zara-and-h-m/>
- Gahletia, K. (2021). An efficient supply chain in fast fashion through iot. In *Functional Textiles and Clothing 2020* (pp. 205-212). Springer Singapore.
- Hwang, J., Tung, T., & Cho, H. (2023). Why do consumers leave fast fashion stores? Role of shoppers' confusion. *Journal of Fashion Marketing and Management: An International Journal*, 28(1), 186-207.
- Li, J. (2025). Fast fashion under fire: Shein's trump strategy. Euromonitor. <https://www.euromonitor.com/article/fast-fashion-under-fire-sheins-trump-strategy>

- Montero Bressán, J. (2023). Capitalist crisis and the geography of the clothing industry. *Human Geography*, 16(1), 45-59.
- Nguyen, H. T., Le, D. M. D., Ho, T. T. M., & Nguyen, P. M. (2021). Enhancing sustainability in the contemporary model of CSR: a case of fast fashion industry in developing countries. *Social responsibility journal*, 17(4), 578-591.
- Niinimäki, K., Peters, G., Dahlbo, H., Perry, P., Rissanen, T., & Gwilt, A. (2020). The environmental price of fast fashion. *Nature Reviews Earth & Environment*, 1(4), 189-200.
- Palladinetti, E. (2023). When imitation isn't the sincerest form of flattery: combating fast fashion design piracy through enhanced copyright protection. *Drexel Law Review*, 15, 453.
- Sellitto, M. A., Valladares, D. R. F., Pastore, E., & Alfieri, A. (2022). Comparing competitive priorities of slow fashion and fast fashion operations of large retailers in an emerging economy. *Global Journal of Flexible Systems Management*, 23(1), 1-19.
- Zhang, Z., Cheang, B., Li, C., & Lim, A. (2019). Multi-commodity demand fulfillment via simultaneous pickup and delivery for a fast fashion retailer. *Computers & Operations Research*, 103, 81-96.