

# The Briefing

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## THE BIG STORY

# The march of Shein

The Chinese etailer is making headway in the UK with a possible acquisition of Missguided. What does this mean for the fashion market?

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**C**hinese fast fashion giant Shein has been growing its share of consumer spending since it launched in the UK in the mid-2010s with its quick-turnaround on-trend designs, and cheap prices that undercut homegrown and European competitors. Now it could become an even bigger threat to UK businesses as it mulls its first acquisition of a British fashion brand.

Shein is reportedly in talks with Frasers Group to acquire Manchester-based womenswear etailer Missguided. The deal is likely to include Missguided's brand and other intellectual property, while its head office will be retained by Frasers, which bought the etailer out of administration for £20m in June 2022.

Shein was founded in China in 2012 but is now based in Singapore, and has built a sizeable business in the UK in a relatively short space of time: sales reached £1.12bn in the 16 months to 31 December 2022. Pre-tax profits were just under £12.2m. Its share in the UK's fashion market is expected to reach 2.2% in 2023 - up from 1.7% in 2022 - catapulting it into the top 10 fashion retailers for the first time, GlobalData reported. It overtook Zara as the most Googled fashion retailer in the world last year, price-comparison website money.co.uk reported.

Its burgeoning market share is a concern for UK pureplays and multichannel retailers alike:

Shein x Paige Thorne  
September 2023





“I think Shein is probably discussed quite a lot in boardrooms in fashion companies,” the chief commercial officer at one womenswear high street retailer told Drapers.

“There is a certain amount of spend in the UK and a big engine like Shein coming to the UK – especially with the [Missguided] acquisition – is probably going to make it a bigger threat to a lot of different companies.”

The managing director of one UK fast fashion retailer added: “It’s very hard to compete with Shein’s made-to-order model, which requires very little inventory.”

Shein uses algorithms from web search and social media within specific markets to establish the latest trends, which its worldwide design team use to create new products. It told Drapers in an exclusive interview last year that the designs are automatically pushed to its “extensive network” of suppliers, to be manufactured and sold at limited volumes (100-200 of each style). Popular styles can quickly be reordered. Total production time, from concept to final product, takes between two and three weeks.

Most of its orders, which are shipped directly from its distribution centre in Guangzhou, China, fall under the £135 threshold for import duty set by HMRC.

**SHEIN HAS BEEN** taking steps to increase its visibility in Europe with the opening of its EMEA (Europe, the Middle East, and Africa) headquarters in Dublin in May, as well as pop-up stores in Barcelona, Antwerp, Turin in March, and in London’s Oxford Street, between 15 and 17 September.

If the Missguided deal is agreed, it could help the fast fashion giant deepen its penetration of the UK market and reach a wider customer base, industry sources told Drapers.

“Shein is pushing hard [on its UK expansion] and it wants to be better known in the UK. Its pop-up on Oxford Street looked fantastic and the queue was massive. It is definitely investing in the UK market,” said one former Missguided supplier.

The managing director of one UK fast fashion retailer added: “If Shein wants to compete with the likes of [PrettyLittleThing] and Asos, Missguided is a name that resonates well with UK customers. If you look at Boohoo Group, there are 13 brands. The focus for fast fashion retailers has always been to capture the broadest width of demographic possible. Missguided would allow it to target a [more mature] customer that it currently doesn’t have.”



West End whirl: Shein opened a pop-up on Oxford Street in September

Industry sources are hoping Shein’s UK expansion will open up opportunities for UK manufacturers. Rumours were circulating this summer that Shein had been exploring moving some of its production base to Leicester to improve its speed to market, which the company denied. Suppliers believe the Missguided acquisition could accelerate these conversations.

One Missguided supplier said: “There is a possibility that it could onboard some Missguided’s suppliers, including those based in the UK, which could be positive.”

The director of one UK fast fashion retailer agreed: “There have been some rumours that it is potentially looking at UK manufacturing but that would be positive if it did back up its UK sales with UK manufacturing.”

Shein has started working with manufacturers closer to its growth markets in recent years, such as Turkey, Brazil and Mexico. In Europe, it opened a small fulfilment centre in Belgium in 2015 and is currently building a new logistics facility in Poland, set to open later this year.

Retailers argue that Shein’s opaque operations have made it difficult to compete on a level playing field when it comes to supply chain transparency and accountability.

In recent years, Shein has come under increasing criticism over labour practices in its supply chain, including accusations of underpaid and overworked workers, and allegedly falsely claiming to comply with international labour standards. Shein has not published its supplier list, unlike rivals Asos (in 2017) and Boohoo Group (in 2020).

Shein’s own sustainability and social impact report 2021 discloses that 14% of its suppliers’ factories violated working hours and 8% violated general working environment. The retailer said it will reduce violation rates through on-site management and worker training.

The director of the fast fashion retailer said: “We can’t do anything about the competition we face from Shein or from anybody else, but what we want is a level playing ground in terms of ESG [environmental, social, and governance] credentials.”

Retailers told Drapers Shein will face greater regulation if it were to acquire a British brand.

“One of the main concerns with Shein is that it might not be playing by all the rules that UK retailers have to abide by in terms of supply chain, sourcing and ethical compliance,” argued the chief commercial officer at the womenswear retailer. “If it were to acquire a UK brand, there will be a lot more eyes on it, and a lot more questions and expectations [about supply chain governance].”

The CEO of one UK fashion marketplace agreed: “If Shein acquires an UK asset, [it will need to be ready for] the scrutiny that its UK asset would come under.”

As Shein continues to acquire new customers and opens operations closer to these shores, UK retailers will no doubt face rising competition from the fast fashion giant. However, the acquisition of its first British brand, if it goes ahead, could force greater compliance and disclosure in its supply chain, leading to a more level playing field with its UK counterparts. **D**