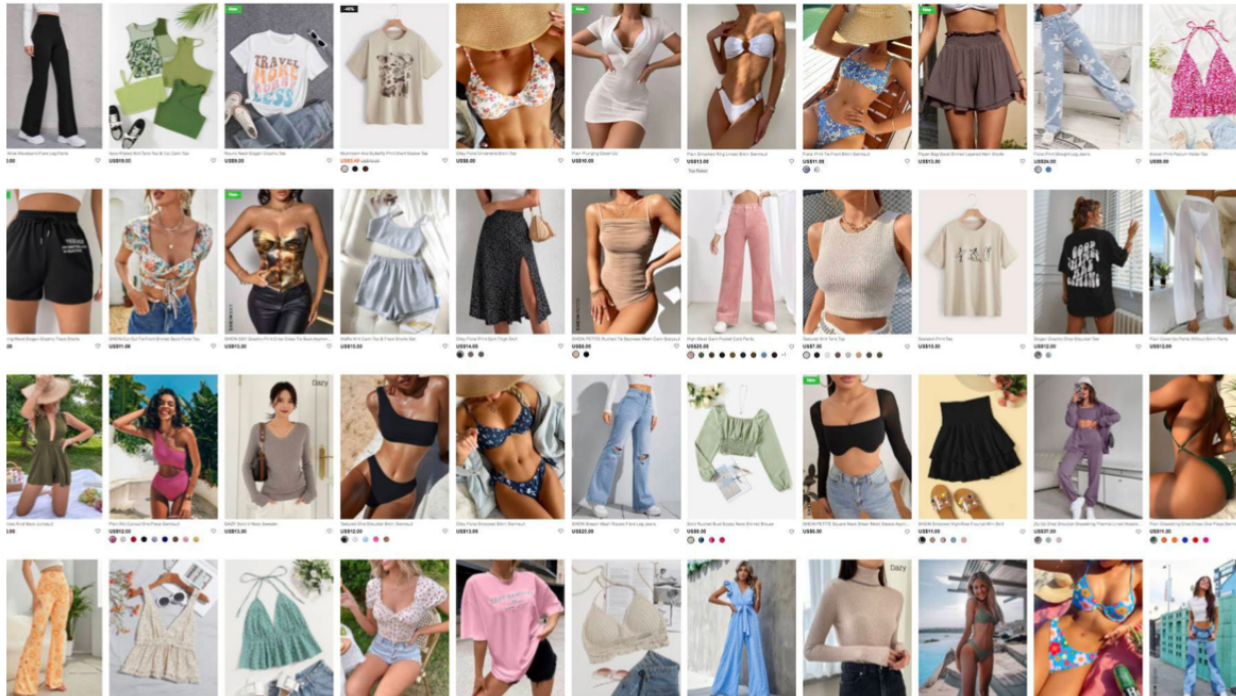


Case Study: Shein's Impact on Fast Fashion through Shopper Behavior Data



After Shein grew from an upstart DTC brand to the market leader, a fast fashion company wanted to know:

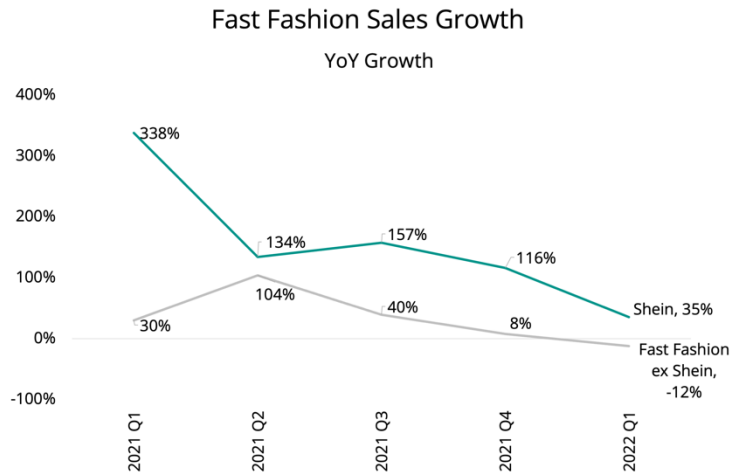
- How does Shein's performance benchmark against all Fast Fashion competitors?
- Are Shein's customers new to Fast Fashion or taken from competitors?
- Does Shein have a negative impact on competitors' sales?

They turned to **Earnest Research Direct Feed data**. The Direct Feed product includes sales records for individual, anonymous households across their credit and debit card accounts that can provide a holistic view of shopper purchases. The data is ideal for customer cohorting based on shopping behavior to gain a full understanding of what is driving market dynamics.

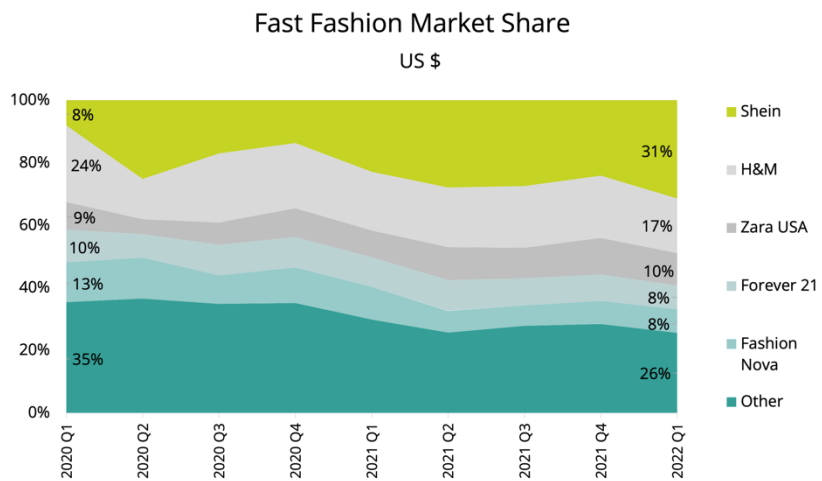


Step 1: Highlight market dynamics

We selected only brands in the Fast Fashion subcategory in the Direct Feed data table to isolate panel sales growth and share by brand. We then cohorted shoppers by the brands at which they shop to construct a full view of their Fast Fashion wallet. Even with the FF marketing growing double digits in 2021, Shein still outpaced category growth. Both Shein and the broader industry are facing decelerating sales growth in recent quarters.



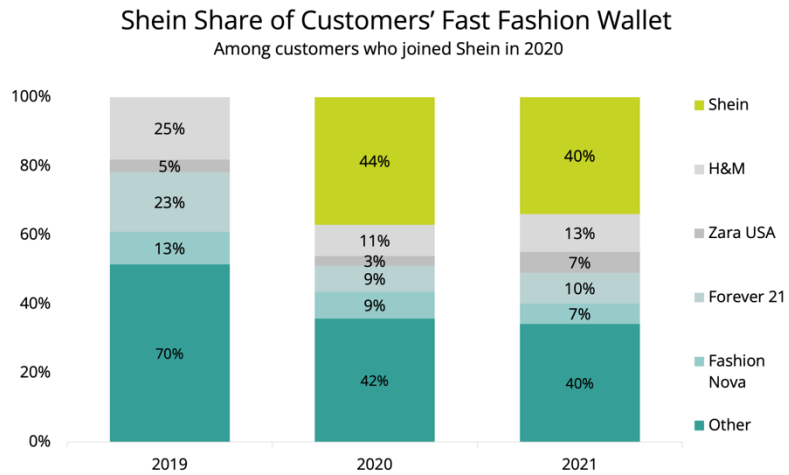
That outsized growth propelled Shein’s takeover of [overall Fast Fashion market share](#) throughout the year. Shein controlled 24% of the Fast Fashion market by the end of 2021, rising to 31% in the first quarter of 2022.



Other includes Asos, Boohoo, Charlotte Russe, Charming Charlie, Cotton On, Hot Topic, Missguided, PrettyLittleThing, Primark, Romwe, Rue21, and Topshop

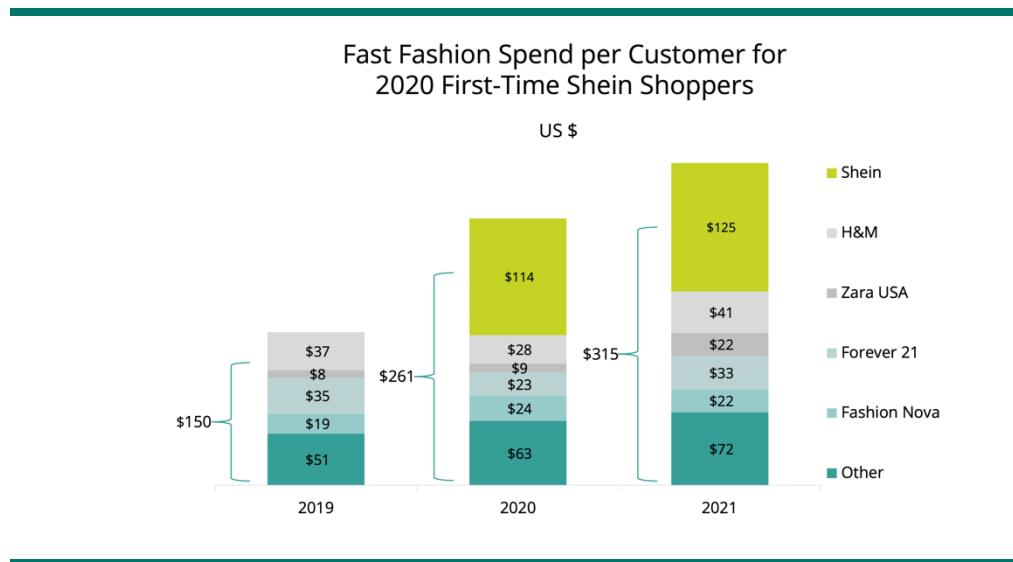


Moreover, Shein customers acquired in 2020 spent 40% of their fast fashion wallet with the retailer in 2021, suggesting that the brand has an outsized share of its own customers, Fast Fashion spend. For comparison, in 2021 H&M controlled 29% of their customers' Fast Fashion wallet among customers added in 2020, while controlling 20% of market share.



More importantly, new Shein customers did not uniformly lower their spending at other merchants when they started shopping at Shein. Shoppers who first made a purchase at the brand in 2020 only reduced their Fast Fashion spending at H&M and Forever 21 during their first calendar year shopping at Shein, while increasing spend at competing brands.

In the second year after they started shopping at Shein, customers' spend across all major Fast Fashion brands was up double or triple digits YoY with the exception of Fashion Nova. Total Fast Fashion spending by new Shein customers grew 74% YoY in 2020 and 21% YoY in 2021 to \$261 and \$315, respectively.



Overall Shein outperformed competitors in recent years in terms of sales and market share growth, as well as wallet share. The broader Fast Fashion industry still grew in most recent periods. In fact, Shein customers acquired in the first year of the pandemic grew their Fast Fashion spend faster at most other brands than at Shein in the first two years post acquisition, despite spending the bulk of their wallet with Shein.

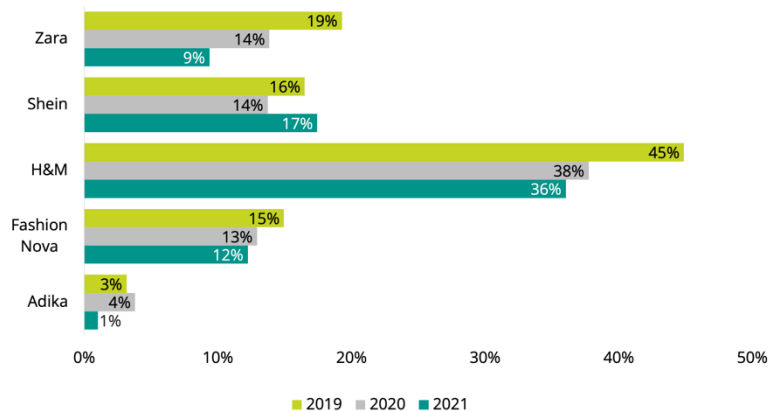


Step 2: Identify customer origins

We cohorted shoppers by brand and the year they first started shopping at that brand using individual shopper level data in the Direct Feed data table. Then we calculated the percentage of new shoppers who previously transacted at any Fast Fashion brand to quantify how many were both new to the category and to the brand.

17% of new Shein customers added in 2021 had never shopped at another Fast Fashion brand, while 83% of customers had made at least one purchase at a Fast Fashion retailer since 2017. H&M customers tend to have the least amount of experience buying Fast Fashion, with over a third of new customers in the last three years having no Fast Fashion buying experience. This suggests that Shein’s rise was in large part due to the company taking customers from Fast Fashion competitors. Smaller brands like Adika and Fashion Nova also had relatively low percentages of new Fast Fashion shoppers in each cohort.

New Shoppers without Fast Fashion History



Shein was the only major Fast Fashion brand that grew their share of new Fast Fashion customers between 2019 and 2021, suggesting that they succeeded in introducing new customers to Fast Fashion. Conversely Zara had a much lower percentage of new Fast Fashion customers in 2021 than in 2019, suggesting it was less successful in attracting new Fast Fashion customers. H&M remained the brand with the most new Fast Fashion customers each year, pointing to its appeal to a more broad swath of shoppers.

Shein increasing its percentage of new Fast Fashion customers would be good news for the Fast Fashion industry at large as it means stealing less share from existing brands in order to grow.



Step 3: Measure competitive impact

We isolated panelists who shopped at H&M and Zara during at least one quarter of 2020 and made their first purchase at Shein in one of those quarters using Direct Feed tables. We then compared those cohorts' spending growth at H&M and Zara over the next 6 months with cohorts of shoppers who did not shop at Shein during or before the quarters listed.

Existing Zara and H&M shoppers who started shopping at Shein during the pandemic spent slightly more at Zara and H&M after their first Shein transaction in most quarters. For example, in the 6 months after 2Q 2020, first time Shein customers' spend grew 42% YoY at H&M, significantly more than non-Shein shoppers, which grew 9% YoY. Shein customers outspending non-Shein customers was even more dramatic at Zara in the 6 months after 2020 Q2, up 68% YoY compared to non-Shein shoppers, up 1% YoY.

More recent data suggests that shopping at Shein could have a negative impact on spend at other Fast Fashion brands. Over time the gap between the spend growth for Shein and non-Shein customers shrank for both H&M and Zara. In the most recent 6-month period begun 2021 Q3, non-Shein customers slightly outperformed Shein customers at H&M. Shein customers at Zara only barely outperformed non-Shein customers in the same period.

6 Month Spend by New Shein Customer Cohort



Conclusion

Shein's unique online only and social media forward appeal energized shoppers during Covid-19 disruptions in 2020 and 2019. The company grew sales by both bringing existing Fast Fashion customers onto its platform as well as introducing new customers to the business model. The result was a brand that came to dominate its own customers' share of Fast Fashion sales. Those customers also increased their spending at competing brands in the early days of quarantine, but the story is changing now that Fast Fashion customer spending is slowing.

Shein customers appear to be consolidating their Fast Fashion spend in the past 6 months, with Shein posting a sharp share of wallet increase and spend among overlapping customers falling to near or worse levels than non-overlap customers. Competitors will have to double down on their efforts to retain the most avid Fast Fashion customers and grow their own share of wallet among existing customers.



About Us

Earnest Research works with world-class data partners to transform raw data into actionable insights for business, consulting and investment professionals. As a leading provider of real-time consumer spend and foot traffic data, Earnest offers insight into consumer behavior trends and an unbiased look into competitive market dynamics, with a high degree of accuracy against company-reported metrics. Additionally, Earnest's platform provides views into CPG Scanner, Retail Pricing, and Healthcare insights.

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