**How China’s ‘Soft’ Brands Are Going Global**

Sixth Tone

2022-03-02 John D. Van Fleet

**Following in the footsteps of manufacturers like Haier and Huawei, Chinese fashion, gaming, and media companies are shaking up global consumption patterns.**

Three decades ago, pioneering Chinese brands started reaching out to overseas markets. These pioneers were largely in durable consumer products — home appliances, computers, even pianos. But developed-economy consumers, boardrooms, and pundits turned their noses up at the “Made in China” label, which they saw as shorthand for poor quality and intellectual property theft. Consequently, many Chinese brands instead pursued their global ambitions as niche players, or as original equipment manufacturers for established foreign brands.

As a result, the developed world widely under-appreciated the global potential of brands like Haier and Huawei — at least until they couldn’t ignore these upstart rivals anymore.

More recently, Chinese “soft” brands — encompassing fields such as fashion, digital media, and video games — have started capturing global market share, causing international brands to take cues from, or even imitate outright, Chinese innovations. These brands’ ascendance is boosting China’s “soft power” — and the developed world is once again under-appreciating the country’s potential.

A powerful example of this is the ultra-fast fashion brand Shein. Last year saw Shein beat not only H&M, Nike, Uniqlo and Zara, but also Amazon, to become the most downloaded app in the shopping category in the United States.

Downloads are nice, but ultimately sales are what matter. The Financial Times reported in December that Shein had “surpassed H&M and Zara to become the largest fast fashion retailer by sales (in the United States).”

Shein has won over Generation Z consumers in more than 100 countries by taking advantage of China’s world leadership in mobile e-commerce trends. The company offers far more variety than their competitors for young global consumers, precisely where the consumers prefer it: on their mobile screens. According to a December profile of the company by digital magazine Rest of World, “Shein tests thousands of different items simultaneously. Between July and December of 2021, it added anywhere between 2,000 and 10,000 SKUs — stock keeping units, or individual styles — to its app each day.”

Retail tech research house Edited asserts that Shein’s aggregate number of products in stock in July 2021, at more than half a million, was greater than ASOS, Fashion Nova, H&M, and Zara combined.

The company also retains consumer attention by increasing interactivity. Doing so requires both tech and consumer savvy. In addition to leveraging Chinese best practices for “stickiness,” such as offering coupons and points for consumer engagement, integrating games and recommendations, and leveraging the collection of personal data to build consumer profiles, Shein has fostered a cohort of “key opinion customers” more than “key opinion leaders.” According to the Financial Times, these KOCs post “short clips of ‘Shein hauls,’ parading an array of outfits to their online fans.” Ideally suited to youth-skewing short video apps like TikTok, viral clips of Shein hauls showcase the company’s remarkably cheap yet up-to-the-minute attire and accessories.

Inditex, Zara’s parent company, pioneered fast fashion a few decades back, dramatically reducing the time it took to design and deliver products. This allowed the company to be faster to market with fresh fashion looks, while also reducing inventory costs, making Inditex billions and turning it into a darling of the business school and consulting worlds. (Dell did something similar for personal computers in the 1990s.)

Now, Shein has updated the model, coordinating disparate supply chain opportunities — some of them global, some of them China-specific — into one Zara-beating whole.

Shein’s supply chain is defined by the following features: First, the suppliers’ factories are primarily in Guangdong, the world’s manufacturing center, with best-in-class upstream suppliers, on-the-ground logistics, and international airports, boosting overall system efficiency and thus reducing cost. Ironically, these factories learned how to supply developed-economy consumers by working with companies like Amazon and eBay. Now they’re using the market savvy and nimbleness they acquired over more than a decade of partnering with international firms to fuel Shein’s rise.

The entire ecosystem is integrated within Shein’s cloud-based supply chain management system, which allows Shein’s supplier factories to understand, in real time, which consumer trends are lighting up the TikTok world, and to adjust product lines accordingly. This model, commonly called consumer to manufacturer (C2M), was pioneered in part by Chinese e-commerce behemoth Pinduoduo. For its part, Shein invests plenty of time and money incessantly “seeding” its app with new product images, keeping customers coming back.

Shein supplier factories typically start by manufacturing unusually small quantities of a new product, with the potential to scale up, rapidly, to meet any increase in demand. They are willing to do this in part because Shein pays suppliers faster than the industry standard while also providing them access to the efficiencies of its ecosystem.

With airfreight to global customers now plausibly cost-effective, Shein’s suppliers deliver to customers directly, and by doing so avoid not only the cost of maintaining and running physical stores, but also the duties levied on commercial shipments to physical outlets.

Shein’s detractors suggest that this tax advantage might more accurately be called a tax dodge; that the company’s attitude toward IP rights is deplorable; and that their business model damages the environment and exploits workers. The charges of egregious waste pertain not only to the manufacturing side: Critics complain that Shein’s prices and the ephemeral nature of fast fashion are encouraging a “wear it once or twice, then toss it” attitude toward clothes.

The sportswear industry has faced similar challenges over the years – Nike and others have been accused of outsourcing production to sweatshops, for example. Such accusations often have merit and deserve our attention, but they are not necessarily fatal to a company, and it remains to be seen whether Shein’s challenges are teething pains or a terminal diagnosis.

Suggesting the former, the success of Shein has already encouraged a host of imitators. A 2021 Sixth Tone investigation found “at least 10 Chinese fast-fashion companies similarly chasing global consumers, including Cider, Urbanic, ChicV, Doublefs, Cupshe and JollyChic.”

The rise of Chinese “soft” brands isn’t limited to fashion. In recent years, we’ve seen Facebook and Google copying ideas from Tencent, and Amazon getting schooled by Alibaba. Snapchat and Instagram have also looked east — and particularly to the example of TikTok — for clues on how to better engage “digital natives.” Internet hosting site Cloudflare found that TikTok was the most popular domain site in late 2021, passing not just Facebook, but Google.

In the cultural sphere, Chinese authors and companies are rising stars in the world of science fiction and video games. In a recent SupChina essay titled, “Are Video Games China’s Next Cultural Export?” journalist Che Chang noted that, “Two months after its release in September 2020, (video game Genshin Impact) won the ‘game of the year’ award on both Apple and Google Play. In its first year, Genshin became the fourth-highest grossing game worldwide, generating $3.7 billion in revenue and surpassing legendary titles like Fortnite and Pokemon Go.”

Anyone who notices all these soft brand achievements and still isn’t connecting the dots is missing the bigger picture. In a now-famous quip, the sci-fi author William Gibson suggested that “the future is already here — it’s just not evenly distributed.” China’s mobile e-commerce ecosystem is the future of retailing, and Chinese consumers’ preferences have already become market movers globally. As China’s soft brand innovations become more evenly distributed, their fans around the world will evolve from key opinion customers to key opinion leaders. That leadership will, in turn, form a cornerstone of Chinese soft power in the 21st century. The world would do well to pay more attention, starting now.