

Shein vs. Uniqlo: Will the Winner Take it All?

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Abstract

A lot has changed in the business of making fashionable clothes during the last two centuries. The world has witnessed a handful of fast fashion companies capturing majority of the market share and continuously winning, some of whom are as young as fifteen years old. This has been made possible due to the way these companies have designed and deployed their business strategy, especially the choices around different aspects of their business model. But will the winner take it all applicable in the fast-fashion business? Using secondary data from over seven decades and adopting the business model framework, we compare and contrast the strategies of the two fastest-growing fashion retailers in the world today.

Introduction

The business of telling customers what kind of clothes would suit them dates back about two centuries. It was in 1826 when Charles Frederick, one of the first fashion designers in the world, set up his fashion house in Paris.¹ During this period, an opportunity was provided to the customers to “make to order” designer dresses and made Paris the “Fashion Capital of the Western World.”² A lot has changed over the last two centuries. For example, countries like Spain, Sweden, the US, Japan, and China have become the major suppliers of fast fashion garments across the world and the companies born in these countries i.e., Zara, H&M, Gap, Fast Retailing (Uniqlo), and Shien respectively have captured the majority market share and dominate the market place.³ The increased focus on experiences, less influencer-driven consumption, sustainability, and adoption of technology including AI have

also been the key trends and drivers for growth and profitability.^{4,5} There is a race to be the market leader and the two companies that have been making news recently are Shein from China and Uniqlo from Japan. In this article, we take a deep dive to study these two companies from a strategic positioning and business model standpoint. We raise an interesting question about who is winning and why. What are the key components of their business model triangle? In what ways the business models of these two companies are different? Finally, we raise the question - will the winner takes it all in the fast-fashion business?

What is a Winner-Take-All Market?

A winner-take-all market is a phenomenon where a small number of companies tend to dominate the industry. The core principle is that the one who wins gets it all and that too at the expense of the losers.⁶ A winner-take-all market is also seen as a zero-sum game.⁷ This game is evident in athletics. For example, an Olympic gold medalist takes away all the fame and recognition even if she is just microseconds ahead of her closest competitor. Similarly, in politics, the winning party decides whom to select and reject in local bodies, and most of the time the opposition party has no say. In the business world, this phenomenon is quite frequent and evident when one company receives the majority of available profits in a given market (for example, companies like Apple, Google, Amazon, Walmart, Facebook, Microsoft, etc.). Under the winner-take-all market economy, there is an unequal distribution of resources and the winning company gain extraordinary power to influence outcomes and has market control.⁸ Top performers tend to get exponential payoff and with the newer technology, they are able to leverage better and create a feedback loop that reinforces their dominance leading to what is popularly known as the “Matthew effect” (the rich get richer and the poor get poorer). The Matthew effect is derived from a verse in the New Testament (Matthew 25:29) that translate to – *“those who are successful are most likely to be given the special opportunities that lead to further success, and those who aren’t successful are most likely to be deprived of them.”* This is found to be true not only for individuals where there is evidence of accumulative advantage but also for firms, who formulate and execute strategies to win and to be successful.^{9,10}

The Global Fashion Industry and its Value Chain

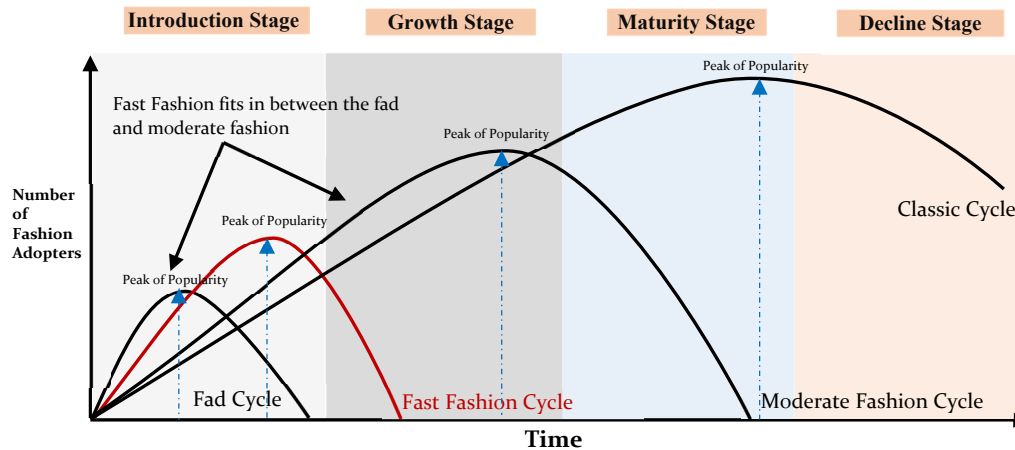
The global fashion industry has progressed from the traditional four seasons of the year: summer, spring, winter, and fall, to having fifty-two "micro-seasons" or one new "collection" every week.¹¹ This transformation is due to multiple reasons. For example, the emergence of global competitors

like Inditex (Spain), H&M (Sweden), Uniqlo (Japan), and most recently Shein (China), cross-border intermediation, technological advances in the supply chain, social media penetration, low prices, and the ever-growing demand of the “fast fashion” segment among customers, which is expected to further fuel growth to \$39.84 billion by 2025.¹² This high attention-seeking buyer-driven industry is also growing at an impressive CAGR of 21.9%, even during the pandemic.¹³ The fast fashion market is expected to grow to \$184.96 billion in 2027 at a CAGR of 10.7%.¹⁴

The competition for brand awareness and quick turnaround time among leading global brands such as Inditex and H&M has been intense. With its iconic brand Zara, Inditex has historically dominated the market capitalization of the apparel market, whereas H&M is charting more sustainable growth and future prospects.¹⁵ However, with the rise of Asian giants like FRG's Uniqlo, which recently claimed the title of “the world's most valuable retailer,” and China's mysterious Shein, which aced as “the most downloaded” new application in the US, provides a clear indication that the competitive battle is far from over.^{16,17} Only time will tell if the Chinese brand will be able to overtake the Japanese brand, both in their home country and globally. A cursory look at both Shein and Uniqlo suggests that strategically they have positioned themselves quite differently and seem to be the two different sides of the same fast-fashion coin. However, to investigate this further and arrive at an informed conclusion, we closely examine the fast-fashion global value chain data, understand the competitive landscape, and unravel the competing brands' business models and strategic milestones achieved over the last decade. In doing so, we also attempt to identify the secret recipe for their success.

Fashion, like fast fashion, has its own life cycle. The latter has a shorter life cycle because it follows trends and is quickly consumed.¹⁸ The general cycle of innovation, general acceptance, and trends decline happens much faster than in other fashion cycles. Fashion Cycles like “classic” have a highly long acceptance period and are adopted by the masses in the long run, but “fad,” on the contrary, is short-lived and is adopted by relatively few. Fast fashion gets placed between “fad” and “moderate” fashion cycles.¹⁹ It is adopted by a more significant mass than the fad cycle but significantly lower when compared to the moderate fashion cycle (see Figure 1). Thus, as the trends are short-lived and the competition is high, the brands in the fast fashion industry try to maintain a competitive advantage over others by scrambling for resources for “quick response time” so that products from the ideation stage can be quickly brought to stores while the trend is at peak along while maintaining a low cost.²⁰

Figure 1. The Fashion Cycles and Growth Stages



Fashion brands have used a variety of global sourcing strategies, which generally fall between the extremes of complete vertical integration and outsourcing.²¹ In the former, companies carry out production, logistics and sourcing, and sales and branding to end customers via their internal vertically integrated supply chain. The use of external suppliers is minimal as most processes are handled in-house, which allows regular quality checks. In comparison, the latter strategy involves using contracts and external partners. The production takes place in emerging markets, where a significant cost advantage is gained. The low-value addition production work involves labor-intensive work such as sewing, and knitting is outsourced to developing countries.²²

The logistics and sourcing segment, which includes downstream activities, like distributing final products from production houses to warehouses via different channels, is handled via the overseas retail office. The most value-additive segment, i.e., design, sales, and branding, is performed in-house. The apparel global value chain comprises tangible, increasing value-added, and intangible activities.²³ All these value chain activities and the strategic choices made by the different global brands to compete in the global fast fashion industry, for example - adopting practices like just-in-time and quick response, have made the supply management system lean and responsive. This has led to a significant reduction in lead time and has also resulted in extensive and complex apparel supply chains across the globe. These strategic choices have helped the brands achieve economies of scale and fulfill global demand.

Competitive Advantage, Strategic Positioning, and Key Resources

From a competitive standpoint, the top three aspects for gaining competitive advantage are related to either offering quick-response services (initially developed by Zara and later followed by H&M and others) or reducing the cost to increase affordability (as evident in the case of H&M), or to focus on quality across the value chain (e.g., The Gap).^{24,25} Out of these three historic strategic choices to compete in the fast fashion industry, the rising Asian giant Uniqlo has adopted a more nuanced strategic option of value-innovation that requires simultaneously working towards reducing cost and simultaneously improving quality parameters.^{26,27} Thus, offering its customers unique and high-quality fashion clothes at an affordable and competitive price. However, on the contrary, Shein has focused on technology and quick-response time by using real-time data and brought its product ideation to store time down to just 5-7 days with low prices to increase affordability.²⁸ Our data analysis suggests that Shein offers 27.5 times more product offerings to its customers than Uniqlo. Therefore, speed to market, higher product offerings, and lower prices are key differentiators of Shein, whereas high quality and innovation have been significant differentiators for Uniqlo. Thus, different brands have charted a very different path for profitability in the Fast Fashion industry. The comparison of financial performance, product portfolio, key capabilities (with respect to the number of stores, in-house designers, geographical spread, distribution channel, workforce, fashion transparency index, average monthly website visits), use of different technologies and social media presence (Instagram, TikTok, YouTube, and Twitter) provide some interesting insights about the resources and capabilities of the major fast-fashion brands in the world (see Table 1).

In the next section, we take a closer look at both companies from a business model perspective. Within the two business models, we examine and compare the different elements (who, what, how, and value), and draw meaningful insights and key takeaways from a strategic standpoint. We also, highlight and examine the strategic milestones of the two brands since inception.

Shein vs. Uniqlo

Table 1. The Comparison of Key Strategic Performance and Capabilities of Shein, H&M, Zara, and Uniqlo (as of 2022)

Sr. No.	Key Strategic Parameters	Brands			
		Shein	H&M	Inditex (Zara)	FRG (Uniqlo)
A Financial Performance					
1	Type of company	Private	Public	Public	Public
2	Revenue (\$ Billion)	23.00*	22.54	34.19	16.59
B Product Portfolio					
3	Customer Segment	Generation Z	Conscious Progressives (18-30)	Carpe Diems (18-30)	(18-34)
4	Product offerings at retailer's home website	165,000+	20,000+	9,000+	6,000+
C Key Capabilities					
5	Total Brick & Mortar stores	1	3,875	2,314**	2394
6	Number of In-house designers	800+	250+	700+	not disclosed
7	Geographical Spread (no. of countries)	150+	77	94	25
8	Distribution	Only Online	Omni Channel	Omni Channel	Omni Channel
9	Workforce	25000+	106,522	164,997	57,576
10	Fashion Transparency Index 2023 score (Transparency of the company)	7	71	50	51
11	Average Monthly Website visit (2020)	59.49	112.06	85.13	57.88
D Technology & Innovation					
12	Use of Different Technology	Google Trend Finder, Real-time SCM software	Forecasting via Worth Global Styles Network	Automation in the distribution center	RFID, Big Data, IoT
E Social Media Presence					
13	Instagram followers (millions)	52.30	38.30	60.90	under 10.0 ⁽¹⁾
14	Instagram Influencer mentions (1000s)	57.20	46.10	66.40	undisclosed
15	TikTok followers (millions)	8.40	0.36	9.20	under 1 ⁽²⁾
16	TikTok user likes (millions)	61.60	1.10	34.50	under 1 ⁽³⁾
17	YouTube subscribers (1,000s)	562	447	114	under 100 ⁽⁴⁾
18	Twitter / X followers (millions)	0.62	8.00	1.40	under 2.0 ⁽⁵⁾

* Estimated via the Wall Street Journal (WSJ.com), as no annual reports are published. ** Total figure includes only ZARA and ZARA homes stores. ⁽¹⁾ summation of different country-wise Uniqlo Instagram page followers. ⁽²⁾ summation of different country-wise Uniqlo TikTok followers. ⁽³⁾ summation of different country-wise Uniqlo TikTok user likes. ⁽⁴⁾ summation of different country-wise YouTube Channel subscribers. ⁽⁵⁾ summation of different country-wise Uniqlo twitter / X page followers. Source: Compiled from different sources, including the company's annual reports, library data, reviews, and website.

China's Shein: A Real-Time Retailer

Shein, also known as “TikTok for e-commerce,” traces its roots back to October 2008 amid the global financial crash.²⁹ It started as “Nanjing Dianwei Information Technology Co” under the leadership of the founder and present CEO, Mr. Chris Xu, an SEO and brand marketing expert working prior for an online marketing company in Nanjing, China. Chris discovered a potential business opportunity in the cross-border e-commerce industry for wedding dresses. Along with geographical closeness to “Suzhou,” Asia's largest wholesale and retail distribution bridal city, he shifted his focus for the venture entirely to the drop shipping business.³⁰ For the next three years, the company continued sourcing its products from China's wholesale market to overseas shoppers.³¹ The year 2012 changed the direction and future growth of the business with the domain registration of sheinside.com (renamed to shein.com in 2015). With a focus on building a cross-border women's global brand, Chris had to quit the wedding dress business segment.³²

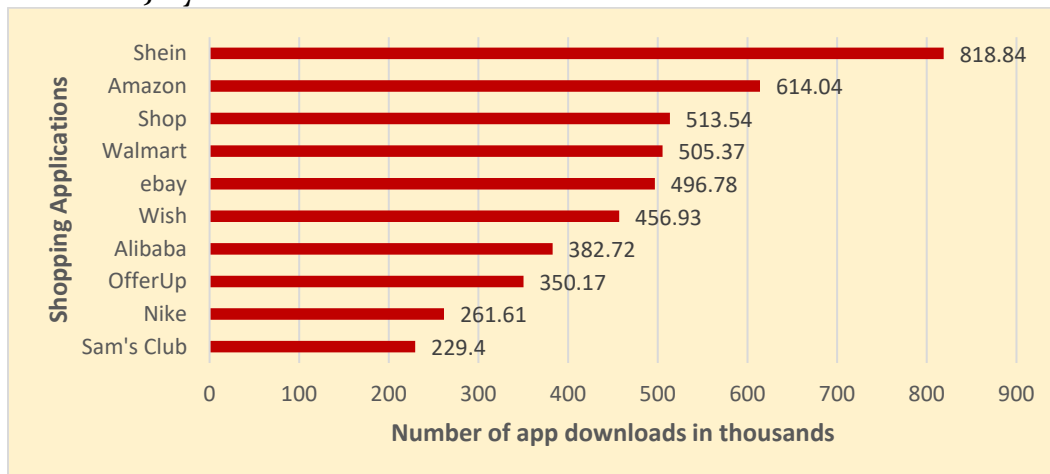
Shein was also one of the first companies to focus on social media marketing, collaborating with fashion bloggers for giveaways and promoting its products on platforms such as Instagram, Facebook, and Pinterest.³³ The company hit its first bottleneck by the end of 2014, i.e., the inability to stock items due to a lack of supply chain, despite clocking revenue upwards of 3 - 4.5 million USD per month. With high traffic and sales volume, they had no time to launch new products, and the old products had already got sold out. Senior management claims that this resulted in a poor purchasing experience, a low return rate, and increased marketing expenses.³⁴ Thus, founder-cum-CEO then solved the problem by setting up Shein's own supply chain and also assembled 800 designers with a primary focus to design and prototype for ultra-fast production.^{32,35} As it moved its supply chain operations center from Guangzhou to Panyu (a global apparel manufacturing hub) in 2015, almost all partner factories relocated.³⁶ With the rebranding and leaner website, its footprint reached the Middle Eastern markets, and the sales skyrocketed. The loyal suppliers received 7.7 million USD orders or more each year and achieved large-scale profitability. The sales continued to climb and, by 2017, reached a massive 1.5 billion USD, a 2.5 times growth compared to the previous year.

Shein's success can partly be attributed to the US-China Tariff War. During the trade war, China's tax code dramatically reduced the cost for its local companies and suppliers. Also, waiving export taxes for direct-to-consumer companies as retaliation from the Chinese administration immensely benefited Shein. It was shipping its products to warehouses in the US duty-free for under \$800 from 2016 onwards.^{37,38} The 2020 COVID-19 pandemic became a boon for Shein as it grew exponentially in revenue and

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application downloads. It even toppled Amazon and became the 'most newly downloaded' shopping application in the U.S.¹⁷ (see Figure 2). Also, the hashtag #Shein garnered over 6.2 billion views on TikTok.³⁹ However, Shein has been under heavy criticism and accused of copying designs by independent designers and has failed to make legally required disclosures in the UK and Australia.^{40,41} Its recently launched "Shein X 100k Challenge" reality show is also being termed a rebranding gimmick for the brand.⁴² In 2022, the firm in a surprising move, opened its first brick-and-mortar location in Tokyo, Japan, bring it in direct competition with Uniqlo.⁴³ In 2023 amid stiff competition, the firm further raised \$2 billion in its latest funding round, with plans of building its manufacturing hubs in Mexico and Brazil, which would shorten shipping time and cut distribution cost.⁴⁴

Figure 2. Shopping Apps Downloads (in 1000s) in the Google Play Store in the US in July 2021



Source: Statista Leading shopping application in Google Play Store in the US in July 2021 by number of downloads

Shein's Business Model Triangle

The brand with the tagline of "She in, Shine out" has registered a 250% year-on-year increase in revenues.⁴⁵ Such phenomenal growth can be attributed to its customer's overconsumption and the business's asset-light (consumer-to-manufacturer) business model, where it serves its customers in different geographies via its online store operations directly via its manufacturers.^{46,47} The finer aspects of the business model are further explained via the *magic triangle* business model (hereafter referred to as the business model triangle), which focuses on four central dimensions: the who, the what, the how, and the value.⁴⁸

Who: The brand, despite being based in China, primarily targets consumer markets in America, Europe, the Middle East, and Australia. It sells a variety of clothing and home accessories but primarily caters to the demand of the females of the *Gen Z* customer segment, which possess limited buying power and extensive social media usage.⁴⁹ The brand is also trendy among individuals and households with lower incomes in the United States.⁵⁰

What: Shein offers a wide variety of low-cost products, focusing primarily on womenswear followed by kid's wear and menswear. It understands the ever-changing demand and thus chases different trends daily by releasing a local fashion portfolio with an average of 3,000 new designs every day, about 20,000 every week, and about 170,000 SKUs of women's clothing and accessories instead of representing a specific style as a fashion brand.^{51,52} Shein's share of plus-size garments in its range also outperforms its competitors, indicating that it is aware of the opportunities in the size-inclusive market. It also sells pet wear, homeware, beauty products, and stationery in addition to fashion.⁵³

How: The huge portfolio released daily on Shein's platform is managed due to its highly automated consumer-to-manufacturer (C2M) process. It employs real-time design testing to monitor and follow different trends closely. It integrates analytical tools like Google Trend Finder to find rising trends and search volumes of different colors, fabrics, and styles in different geographies.⁵⁴ It then combines its user's in-app and on-site user behavior with its backend systems to forecast future demand for particular designs or trends and adjusts the inventory in real time.⁵⁵ The production houses are located strategically in Guangzhou, the world's largest fabric market with large built-in Chinese-style industrial concentration complexes.⁵⁶ The suppliers are located within a two-hour drive from Shein's headquarters and convert the design to production in seven days, much faster than industry standards.⁵⁷ The team constantly performs A/B testing (also called split testing, wherein the two versions are tested to figure out the better-performing variation) on different products with a minimum batch of 100 pieces, unlike Zara, whose minimum production volume is 500.⁵⁸ This allows it to produce a wide variety of small quantity products and mass-produce only the successful products that hit the trend and customer's demand. This approach provides the production team with real-time data and reduces its risk of failure and the inventory stocking period.

Shein's marketing team heavily advertises on YouTube and Facebook, which has placed the brand at an all-time high in Google clothing searches.^{59,66} Influencer marketing via *key opinion consumers* helps create content, such as TikTok hashtag #shein hauls which has over 4.5 billion views, or share discount codes by giving them free clothes or shop credits. This

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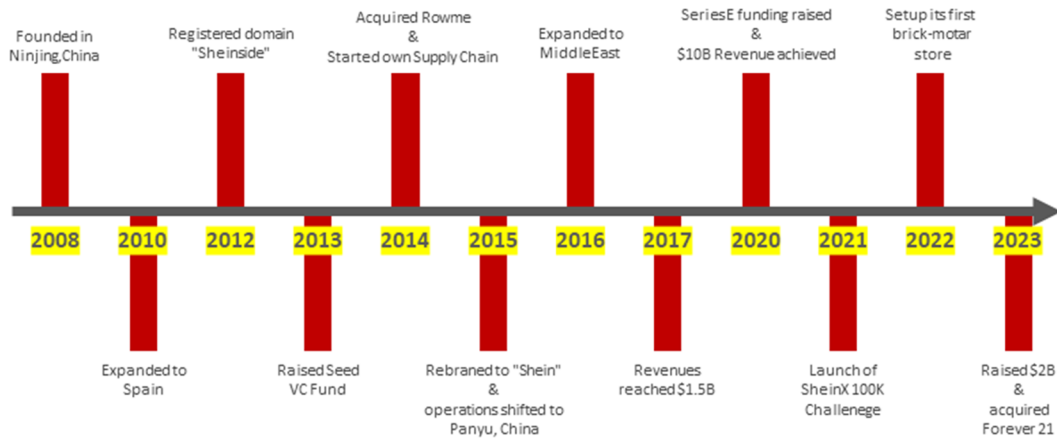
approach has helped the brand reach out to new customers and save high costs.^{60,61} To maintain constant engagement with its customers, Shein gamifies their purchase experience by rewarding them for cumulative daily logins, playing its in-app mini-games, participating in outfit competitions, and writing reviews.⁶² These tactics take retailtainment (i.e., the use of sound, ambiance, emotion, and activity to get customers interested in the merchandise and in the mood to buy) a step further,⁶³ as they significantly boost retention, first-party data collection, and sale conversion.⁶⁴

Value: Shein mainly uses two value-creation methods: low cost and differentiation via trends and gamification. This has helped it gain a substantial competitive advantage in foreign markets, contributing to profitability and growth.⁶⁵ By virtue of low cost, wholesale Chinese manufacturing, supply chain, and labor advantages cannot be ignored. The low price with trendy designs has helped crack the international market and win the favor of middle and lower-level consumers despite well-established competitors. The brand has also focused on a differentiation strategy by producing various design portfolios and its gamification purchase experience. It encourages users to turn into the brand's *key opinion consumers* or micro-influencers, thus developing more User-Generated Content (UGC), which builds trust and tempts new users further to try their products.⁶⁶ This indeed helps further establish its foothold in the international fast fashion industry. Further, its complete alienation from the physical retail stores has helped eliminate physical retail and operations costs and thus kept the business asset-light. This has also helped the brand focus and upgrade its logistics, warehousing, and digital presence.⁶⁶

Over the last decade, Shein has achieved multiple strategic milestones (see Figure 3). It expanded its footprint to Spain within two years. It acquired Rowme to expand and acquire new product categories and built its own supply chain within five years of its existence. It rebranded itself and shifted operations from Guangzhou to Panyu in 2015. Interestingly, all of the factories that worked with Shein also relocated with it to Panyu. This was quite unusual for factories, but it worked because Shein garnered a reputation for timely payment, something of a rarity in China.⁶⁷ In 2016, Shien entered the Middle East and by 2017 its revenue reached \$1.5 Billion within a span of three years the revenue crossed \$10 Billion. In 2021 Shien announced the first-ever Shien X 100K Challenge that provided an opportunity for emerging designers to win a grand prize of \$100,000. Through the competition, Shein has partnered with over 3000 designers and launched more than 25,000 original creations. It has further ventured into physical store in Japan and pop-up stores around global fashion capitals. In 2023,

Shein further expanded its offering, with the one-third acquisition of Sparc Group, which owns “Forever 21.”

Figure 3. Shein’s Key Strategic Milestones



Source: Compiled from different sources, including the company's annual reports, library data, reviews, and the company's website.

Japan’s Uniqlo: Towards Diet Fast-Fashion

Uniqlo has a rich history that dates back to March of 1949, with the establishment of “Ogori Shoji” in Japan's Yamaguchi prefecture as the first men's clothing store. With the onset of the “Japanese Economic Miracle” over the following decades,⁶⁸ the Japanese businesses prospered, and “Ogori Shoji” also expanded to 22 outlets.⁶⁹ In 1985, under Tadashi Yanai's leadership, an offshoot of the parent company named “Unique Clothing Warehouse” opened its door in Hiroshima. Riding on momentum and excellent response, a large roadside outlet with great publicity was soon opened in Yamaguchi prefecture for catering to bulk buying and customers arriving by car.⁷⁰ To transform and turn Japanese retail into a brisker business, the parent company was renamed Fast Retailing Co. Ltd.⁷¹ In 1994, the company went public, and in 1999 its shares got promoted to the first section (for large companies) of the Tokyo Stock Exchange. During this period, the Japanese economy suffered a significant economic crisis, which led to the closure of multiple businesses. However, the company could sustain and cut down its prices as its production houses had already shifted to China in 1993, years before the recession.⁷² With the launch of its iconic ¥1,900 or (about \$15) fleece jacket product line, which was less than the average \$40 Japanese men's shirt and one-fifth of other Japanese retailers' price, the sales skyrocketed.⁷³ The product line turned out to be a massive hit as it was low on price but high on quality. At the height of the demand, the company offered 51 different color shades of fleece-jackets. Due to the successful campaign, the brand could also breach \$2 billion in sales for the first time.

The company soon shifted its headquarters to Tokyo in 2000 and started transforming its stores into large-format stores. The stores started generating sizable sales in heavy footfall areas and spacious facilities. The brand turned to international expansion to continue its growth trajectory as the Japanese apparel market was near its saturation point, and it experienced a fall in sales in the recent financial quarters. Thus, in late 2002, Uniqlo expanded its footprint to China, with two large retail outlets in Shanghai. Met with strong demand, the store count grew exponentially and surpassed the Japanese store count in 2020.⁷⁴ It subsequently expanded to other major markets in the US, Europe, and major South Asian countries. Fast Retailing also acquired strategic foreign brands like J Brand, Princess Tam Tam, Comptoir des Cotonniers, and Theory to strengthen its market position in different global markets.⁷⁵ To maintain quality control, Uniqlo stations a textile professional team at each partner factory called “*Takumi*” to oversee production and lend their expertise with sewing and material production techniques.⁷⁶ To respond adequately to global refugee requirements, the company formed a global partnership with the United Nations High Commissioner for Refugees (UNHCR) in 2011.⁷⁷ Thus as a part of the partnership in 2019 during the COVID-19 crisis, Uniqlo donated 3 million masks to refugee families via UNHCR.⁷⁸ In the same year, Uniqlo also expanded to India with mega-stores in the bustling cities New Delhi, Lucknow and Chandigarh. The strategic expansion experienced overwhelming demand among Indian customers, which soared sales as well as catapulted its Indian operations to profitability within 3 years of establishment.⁷⁹ In 2021, Uniqlo further partnered with Doraemon as its global sustainability ambassador and launched product made from 100% recycled polyester fibers.⁸⁰ In 2023, the firm achieved record profits, with resurgence in both domestic and international demands, which has enabled store and manufacturing expansion in North America and India respectively.⁸¹

Uniqlo’s Business Model Triangle

Uniqlo has charted a different course than its competition. The brand's business model focuses on the customer at its center and plans its design, production, and sales where quality and innovation are prioritized. The more nuanced aspects of this are further explained via the *magic triangle* business model that helps bring the technologists and business people on the same page as they focus on four central dimensions: the who, the what, the how, and the value.

Who: With the tagline “Made for all,” the brand positions its private label offering as casual and trend wear for all age groups, i.e., men, women, and children.⁸² The emphasis on the quality, durability, and affordability of its

products indicates excellent value for its customers. This is further demonstrated by the production of formalin-free baby products (formalin – a garment adhesive that might cause rashes and allergies in babies) and machine wash-resistant (15-times) merino wool products.^{83,84} Thus, allowing even working-class, middle-class, and upper-class segments to be under its purview.⁸⁵ The brand unlike Shein caters to customer demand from its home country i.e., Japan where it offers “photo booth” and “coffee” services to enhance the customer store experience and key international markets such as the United States and Europe, with “3-D fit” features designed to meet the clothing needs of local obese people.^{86,87}

What: Unlike its competitors, Uniqlo foregoes selling the hottest, flash-in-the-pan trends and instead focuses on value innovation and releases a limited number of its private-label SKUs via its flagship stores and e-commerce channels year-round. It combines its products with technology and minimalistic designs to distinguish itself by providing functionality, ease, and usefulness complemented via various color choices. Popular and functional clothing lines like AIRism, Heattech, Blocktech, and Kando are prime and bestselling examples of fabric innovation.⁸⁸ It has also timely introduced limited collections via collaboration with famous designers like Jil Sanders and JW Anderson, further increasing its popularity and reach.⁸⁹ Uniqlo also offers accessories that are marketed by practicability.

How: Uniqlo's product design is centered around functionality and minimalism; thus, with its R&D teams stationed worldwide, it does not follow trends and instead plans production designs a year in advance based on longevity, customer feedback, and market research, which accounts for staggering 70%.^{90,91} Then the merchandising team takes forward the product creation process by deciding the product lineups and volumes and monitors the increase or decrease in the production during the season. Advanced production planning and utilizing economies of scale help the material development team procure high-quality materials at a low cost. Thus, the production is outsourced to its partner industries in China and other South Asian countries under its SPA business model, which helps control the business process and drastically reduces its cost.⁹² With a high focus on quality, it forces competition between its suppliers and potential “partner factories” to maintain high standards by building advanced production capacities via technological upgradation and thus requires a defective rate to be maxed at 0.3%, way more stringent than the industry standard of 2-3%.⁹³

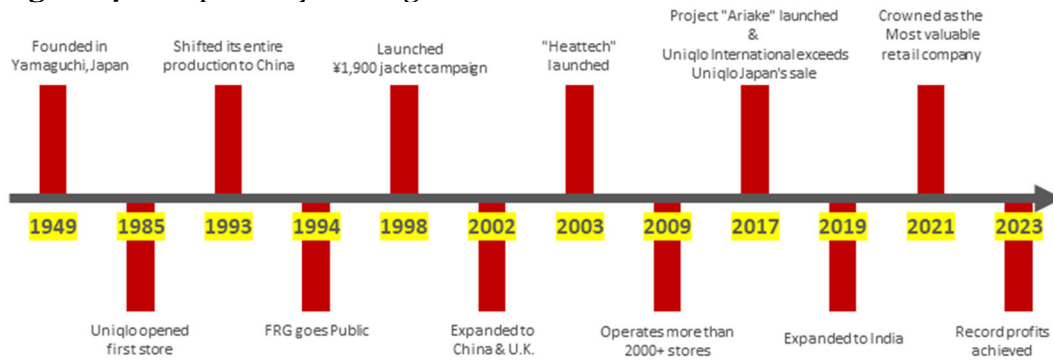
The sales division of Uniqlo is a synergy of e-commerce and physical stores i.e., promoting sales via the latter. It follows the company tagline “simple made better” and provides a quality in-store experience through wide-open isles, massive LED screens, neatly stacked shelves, and self-service

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checkouts. Also, the staff, which is considered an extension of the brand, is rigorously trained in developing an etiquette-driven atmosphere and provides superior customer service by micro-managing all its touchpoints.⁹⁴ The integration of AI-powered “Uniqlo IQ” assistant with brick-and-mortar retail store provides a personalized shopping experience.⁹⁵ It maps the customer's geographical location, shows the nearest Uniqlo retail store, and promotes exclusively available in the brick-and-mortar store. Special digital tools such as “price tag scanner functions” and the same day “Click & Collect service” have also been instrumental.⁹⁶

Value: Uniqlo's value creation depends upon its low cost and differentiation via comfortable shopping,⁹⁷ practical, quality-for-money products, its unique store experience, and top-notch customer experience. Under its SPA (Specialty Store Retailer of Private Label Apparel) model, the brand outsources its production to “partner industries,” encompassing all stages of the business from design to production to final sale. This highly vertically integrated model allows Uniqlo to have a more significant price advantage due to removing intermediaries and higher channel control.⁸⁷ It further deploys a team of expert textile professionals, known as “Takumi,” to the partner industries to provide technical guidance and supervision, as well as to implement standardized quality control across production by adhering to the three quality management system standards of emphasis on partnership quality, business process quality, and social quality.^{87,98} The ongoing “Ariake Project” offers further digitalization and automation of Supply Chain Management (SCM) in reducing the “lead time” and helping generate accurate production volume predictions. The importance of product availability at the right time and the right place was the utmost priority as late ordered products lead to loss of sales.⁹⁹

Uniqlo has been in existence for the last seven decades. In fact, it is seven times older than Shein and has achieved multiple strategic milestones since its inception in 1949 (see Figure 4). It took 35 years to set up its first store in 1985 and shifted its entire production to China in 1993. It went public in 1994 and focused on bringing multiple first-to-world clothing products through strategic partnerships and collaboration. For example, in 2003 it launched Heattech in collaboration with Toray Industries. By 2009 it had more than 2000 stores and in 2017 launched the Ariake project to become a digital consumer retailing company.¹⁰⁰ In 2021 Uniqlo was crowned as the most valuable clothing company. It reached \$103 billion in market cap, surpassing Zara's market cap of about \$99 billion.

Figure 4. Uniqlo's Key Strategic Milestones

Source: Compiled from different sources, including the company's annual reports, library data, reviews, and the company's website

Discussion: Who is Winning and Why?

To answer this question, one needs to define what winning stands for. Whether it is based on financial outcomes (revenue, growth, market share, wallet share, etc.) or non-financial outcomes (e.g., customer satisfaction, brand image, mind share, etc.). Also, to examine from whose standpoint the firm is trying to win. Whether it is more from an internal (employees, investors, shareholders) or external (customer, suppliers, community at large) standpoint. With the current emphasis on Environment, Sustainability, and Governance (ESG) measures, it is equally important to examine how these two companies are faring to win the sustainability battle (impacting the community at large). By looking at the growth performance of both Uniqlo and Shein (especially during the Covid-19 times) it seems that both are winning in the fast-fashion industry. However, a closer look at the different aspects of positioning, business model selection, strategy, technological adoption, focus on ESG, and strategic investments to build capabilities suggest that both companies have chosen a very different path to success (see Tables 2 and 3). The different paths that these two companies have taken across different aspects of running the business will lead to winning in a few areas and losing in others. The key question is if the winner will take it all. What do you think?

Closing Remark

The case study highlights the key strategic performance and capabilities of the top two fast-fashion retail chains of the world in addition to explaining what a winner-take-all market and the value chain of the global fast-fashion business is. The deep dive into the different elements of the business model triangle of both Shein and Uniqlo explains why these two companies are the fastest-growing retailers across the world and also uncovers the secret recipe of strategic positioning that avoids price wars and direct competition. In the

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end, it raises an important question - if the winner takes it all in the fast-fashion industry?

Table 2. Key Aspects of Business Strategy of Shein vs. Uniqlo

	Shein	Uniqlo
<i>Customer segment</i>	Generation Z	Clothes for all kinds of people
<i>Business model</i>	Asset light (only as an online platform)	Circular (Omnichannel presence)
<i>Strategy</i>	Me-too	Value-innovation
<i>Technology adoption</i>	Very high	High
<i>Focus on sustainability & environment</i>	Low	Very high
<i>Funding requirements</i>	High	Low
<i>Strategic focus</i>	Intangible activities	Both tangible and intangible
<i>Quick-response capability</i>	Few days	Takes months

Source: Compiled by authors based on secondary data

Table 3. Comparison of the Key Elements of the Business Model: Uniqlo vs. Shein

Magic Triangle Dimension	Key Elements	UNIQLO Made for all	SHEIN Shine In, Shine Out
Who	<i>Customer segment</i>	<ul style="list-style-type: none"> · Male & Female between age between 18-40 years. 	<ul style="list-style-type: none"> · Particularly for women under 25, offers products for men and children as well.
What	<i>Value propositions</i>	<ul style="list-style-type: none"> · Prepares product designs in advance (1 year before production). · Focus on “fabric innovation” through constant (e.g., functional clothing lines like AIRism, Heattech, Blocktech, and Kando) R&D and collaboration · Offer low cost and differentiation (value innovation) via comfortable shopping 	<ul style="list-style-type: none"> · Spots trends via user’s real-time data. · Offers a very high SKU of different designs and bulk orders items in real-time based on customer preference. · Provides the customer with low price and trendy clothes, not focusing on quality.
Value	<i>Revenue streams</i>	<ul style="list-style-type: none"> · Earns revenue mainly via the sale of private label clothes via brick-and-mortar and online sales. · High Revenue countries - China, South-East Asia, and Australia, trailing behind in the US. · Earning through accessories that are marketed by practicability. 	<ul style="list-style-type: none"> · Earns revenue via the sale of online products. · High Revenue countries – US & Middle East. · Profit from partnering with other brands and featuring them on its platform.
	<i>Cost structures</i>	<ul style="list-style-type: none"> · Asset-heavy model (Both channels including brick and mortar). · Public Limited Company. 	<ul style="list-style-type: none"> · Asset light model (Online Channel only). · Private Limited Company.
How	<i>Channels</i>	<ul style="list-style-type: none"> · O2O Model (Online to Offline model). · Integrating Online and offline purchases for better store experience. 	<ul style="list-style-type: none"> · Online model only. · No brick-and-mortar stores, thus less investment.
	<i>Customer relationships</i>	<ul style="list-style-type: none"> · Feedback is constantly taken into design and production on a weekly basis. · Conducted a customer feedback survey and achieved a 96% satisfaction response. 	<ul style="list-style-type: none"> · Feedback is taken when controversial designs are promoted. · Multiple cases of using stolen designs from independent designers.
	<i>Key resources</i>	<ul style="list-style-type: none"> · Outsourced entire production to China. · Regional distribution system and deployment of Takumi’s team for quality Check. 	<ul style="list-style-type: none"> · Production in China. · Shein’s supply chain management (SCM) software
	<i>Key activities</i>	<ul style="list-style-type: none"> · Use of advanced analytics for logistics & and supply chain. · Marketing via - Flyers & Television Advertisement. · Lacks unified social media presence. · Relatively weaker social media presence compared to Shein 	<ul style="list-style-type: none"> · Heavy Real-Time Analytics for order placement and production. · Constant monitoring of User behavior for trend finding. · Marketing via - Reality Show, TikTok, Micro-Influencers, Heavy dominance upon TikTok (Social App.) via #Shein hauls, and via Micro-influencers who get 10-20% commission on each purchase.
	<i>Key partners</i>	<ul style="list-style-type: none"> · Toray Industries - Chemical Partner. · Akhara Corporation - Fabric Partner. 	<ul style="list-style-type: none"> · Klarna - Alternative Payment Partner, and Spotii - Buy Now, Pay Later Payment Partner. · Syte - Visual Search Engine Partner.

Source: Compiled by authors based on secondary data

Discussion Questions

- *Who is winning in the global fast-fashion Industry? Why?*
 - *What are the different sources of gaining a competitive advantage in the fast fashion business?*
 - *What are the different elements of Shein's and Uniqlo's business models? How have these two companies positioned themselves and how have they innovated their business model?*
 - *Can Shein overtake Uniqlo in terms of market share and overall revenue in the next five years? Why? Why not?*
 - *Is the "winner-takes-all" applicable in the global fast-fashion market? Why? Why not?*
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