What is super retail?

And what do Temu and SHEIN
have to do with it?

Contents

What is super retail and how did we get here?

By now, you must have heard of SHEIN and Temu. You may have even made a purchase from them. Recently, I asked a friend for recommendations on where to buy holiday outfits and they told me "I just buy mine off SHIEN." Similarly, when I needed to start shopping for bridal shower decorations, a colleague suggested I buy them in bulk from Temu because it'd be the most cost-effective option.

We explored why SHEIN and Temu are growing so rapidly. For this research piece, we didn't take the view of interrogating any of the ethical aspects of these emerging e-commerce giants, which are numerous. Instead, we focused on finding out what strategies super-retailers are using to put them on rapid growth trajectories. Our work to uncover this involved desk research, as well as interviews with consumers to identify the different shopper intents that drive decision-making and influence customer mindsets.

What has influenced the design patterns of SHEIN and Temu?

Established in China, and harnessing design patterns reminiscent of "superapps" or "everything apps" like WeChat and AliExpress, these online retailers have seen rapid expansion globally. Eating into the market share of well-established competitors, the trajectory and design language of SHEIN and Temu has earned them the monikers of "super-retailers" and "everything stores".

As a starting point, we looked back at WeChat's influence over the design and technical directions of the super-retailers. Since it launched in 2011, WeChat has gained over 1.3 billion active users. What's driving these users to keep returning to this app? Starting off as a messaging app before expanding into payments and commerce, WeChat capitalised on the convenience of having multiple services in one space, while catering to a spectrum of different needs from sending money to chat, to commerce and beyond. Whereas, in Western regions, mobile users still typically use disaggregated apps to complete a variety of tasks. Temu and Shein have followed this model, by going deep into a specific category. However, they still harness design and merchandising tropes common to China into these experiences available to global markets.

Design: it's not all the same

As we interviewed participants to gather insights on the rise of the super-retailers, it became apparent that there's a growing familiarity with the way that SHEIN and Temu represent themselves. By adopting different design patterns and accommodating an ever-expanding range of retail use cases, super-retailers are appealing to Western shoppers as one-stop-shops. In doing this, they have found a way to focus on a single-entry point: retail across markets around the world. By expanding out of China, super-retailers have successfully introduced super-app-style design and technology-enabled shopping to new audiences.

Of course, based on 'Western' design standards, you could argue that Temu and SHEIN's homepages look busy, perhaps verging on 'unusable'. In a previous report called Design - it's not all the same, we shared that "Chinese superapps house a variety of mini apps...the home screen is designed as an entry point to different key services [that] all exist within one superapp ecosystem."

If we apply this thinking to the super-retailer's homepages, which are inspired by superapps, it's no surprise that a SHEIN customer shared with us that there are "Too many small icons. Too much going on. For example, there's a mix of categories and sub-categories together: women, kids and dresses."

However, it's important to note that this participant had shared that they're a regular SHEIN customer. The design language had not stopped them from using the platform. This person is just one example of a shopper who consistently buys from a super-retailer outside of China.

So, what is underpinning the super-retailer's success as they expand across global markets?
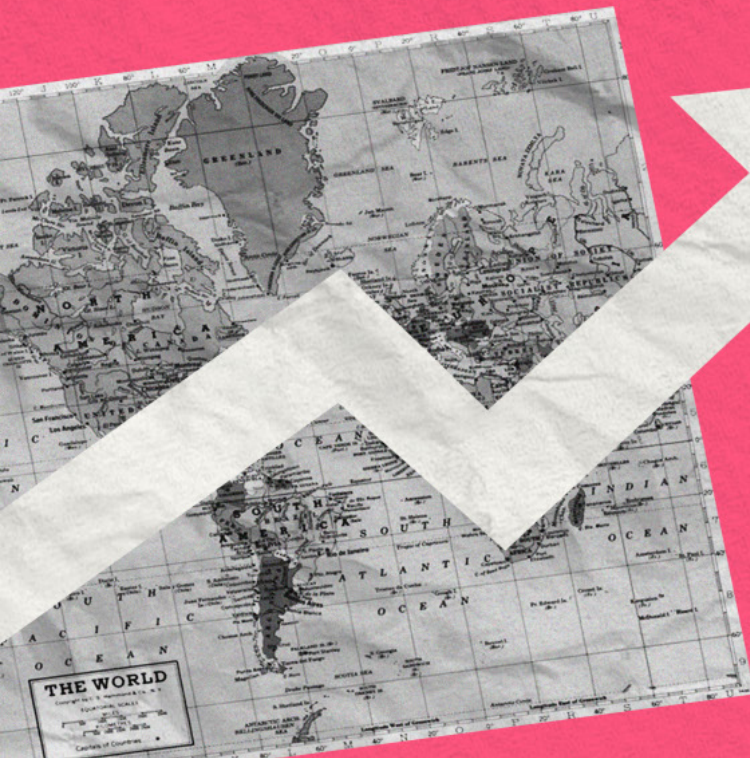
The customer mindset is not binary

Many customers do not have fixed buying mindsets. I have a friend who once gifted me a luxury Baies candle, but this is the same person who bought a chicken nugget keyring off Temu and raved about it. Anecdotally, I still haven't finished burning the candle because it feels too precious and exclusive. Whereas, if my friend were to lose the chicken nugget key ring, she'd be gutted but quickly able to replace it from Temu without even thinking about the cost.

Leading their advertising with the tagline of "Shop Like a Billionaire", Temu is using its unbeatably low-price points to capitalise on its universally accessible appeal. The tagline is deliberately evocative, giving the everyday consumer a sense that they too can feel the joy of unrestrained spending on infinite products. Thus, giving them a glimpse into the shopping style of the super-wealthy.

Adding to the universal appeal of their platforms, neither Temu or SHEIN claim to be exclusive. They continuously add new products from a massive range of manufacturers - manufacturers who they work directly with, with no intermediary. They also match customer needs and respond to, or even create, needs customers aren't even yet aware of. Together the range of products and response to needs constantly strengthens their something-for-everyone appeal. Moreover, they're also tapping into the aspirations people have for clothing, and other items, as worn or promoted by those that they admire in real-time.

After conducting in-depth interviews with 20 Temu and SHEIN customers, we validated our hypothesis that every person can embody different shopper intents – many within the same browsing session. We summarised these mindsets as "cost-conscious", "quality-conscious", "speedy" and "inspiration". These mindsets are often not binary. They are in a decision-making tension with one-and-other, based on the situation, motivation and desired outcome.

Of course, depending on what's driving your situation, motivation and desired outcome, you may be more disposed to one mindset or another. You may also have competing motivations and desires. In this instance, other elements do not simply stop showing up; they may be of lesser importance, but they do remain.

Due to their accessible price points and enhanced product discoverability, Temu and SHEIN tap into cost-conscious, speedy and inspiration mindsets. They also offer a vast range of items across a wide range of prices, which allows people to self-select when it comes to quality-consciousness. Again, the shifting shopper mindset depends on what might be purchased and for what reason. Therefore, categorising Temu and SHEIN as destinations that purely appeal to cost-conscious shoppers is not entirely correct, although it is a factor, especially given the current economic climate.

Navigating these four quadrants of intent and showing up across different possible purchase motivations and contexts means that super-retailers can maximise the amount of mental availability people have when it comes to people considering a purchase from them.

When matching shopper intent to real-life scenarios, it's helpful to think of these mindsets through the Jobs To Be Done framework. In a previous blog we outlined how JTBD encompass situations, motivations and outcomes. Using this handy JTBD template, "When [___] [I want to ___] [So I can ___]", I thought back to what I needed to buy for the upcoming bridal shower.
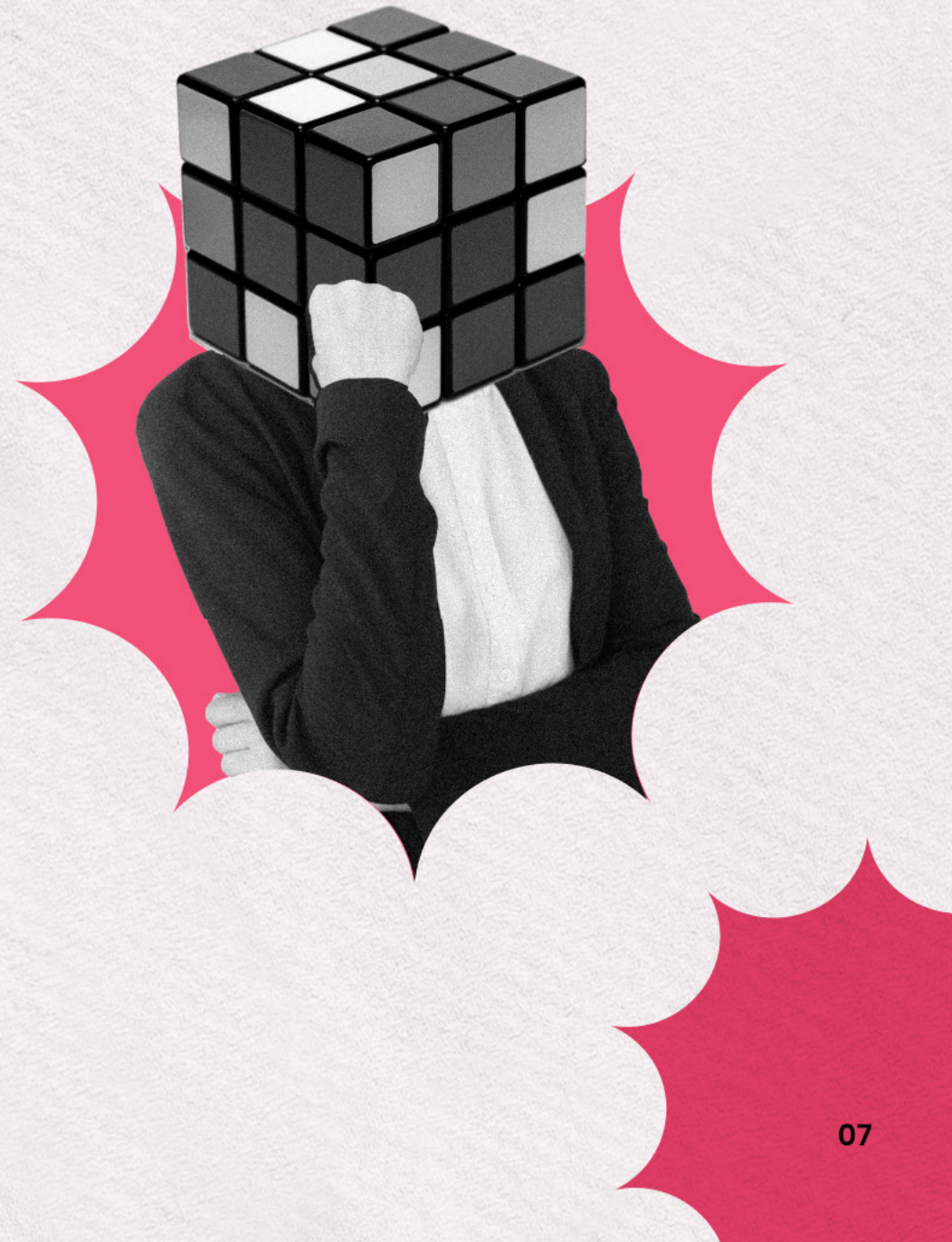
"When I need to buy the decorations, I already know the exact aesthetic I'm looking for and I want to keep costs low, so I can stay within budget and not feel guilty for recycling them at the end of the weekend."

In this scenario, the JTBD was most heavily influenced by knowing exactly what I was looking for, the likelihood of not re-using the decorations and staying within budget. This meant that, when making this purchase, my shopper intent was a mix of the cost-conscious and speedy mindsets. Therefore, opting to buy them from Temu fitted my situation, motivation and desired outcome.

Now we've got ourselves into the right headspace by describing what a super-retailer is and how customer mindsets work in relation to them, let's explore how they're competing with the likes of Amazon and Zara, plus the tactics they're using to further incentivise and retain customers.

Super-retailers are disrupting the digital-department-store space and are now seen as direct competitors to Amazon

In 2023 Benedict Evans shared that in the US, "Department stores dominated retail for a century. Now they've almost disappeared. On a GMV basis," the report continued, "Amazon has now overtaken Walmart's revenue." But given the phenomena we're describing will Amazon maintain its 38% market share of ecommerce in the United States? After pumping millions of dollars into advertising internationally, Temu was more talked about than ever. According to Forbes, by January 2024, the app had gained "50 million monthly active users" in the US.
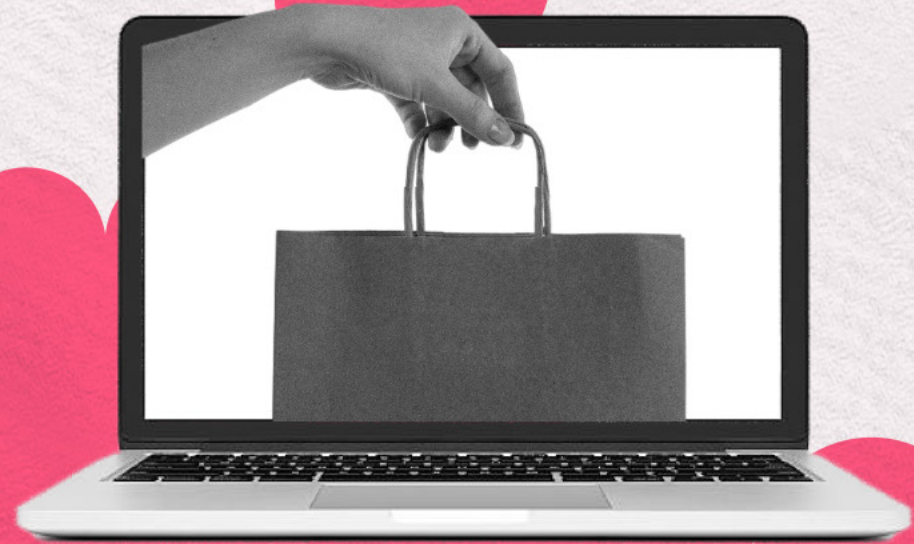
Meanwhile, when Benedict Evans published his latest report, with figures accurate as of May 2024, he shared that SHEIN had overtaken both H&M and Zara in global retail revenue. Speaking on SHEIN's increasing success, he commented "If, as reported, SHEIN had $45bn of GMV last year, that would make it a top-25 global retailer." The figures speak for themselves, super-retailers have seen big growth across the world markets. So, what learnings can be taken from SHEIN and Temu?

Leveraging large data sources is not unique to super-retailers, but they're able to hyper-personalise shopping experience because of smart technology and design choices

What is contributing to super-retailers leading the pack by providing a hyper-personalised shopping experience? For a start, their data-fuelled search results are highly dynamic. If you interact with just one product page, the search results instantly shuffle round; on returning to search you're shown similar items in the top rows, while dissimilar items are moved down the listings.

As product ranges grow across SHEIN and Temu's platforms, the super-retailers have had to overcome the challenges that come with text-search functionality. Users expect searches to understand their localised, natural language, including misspellings, voice searches and acronyms and still deliver relevant results. By investing in Large Language Models (LLMs) and semantic search, super-retailers address these challenges by understanding user intentions and resolving queries that may be ambiguous.

Looking further into search optimisation trends that super-retailers cater for, we found research from ViSenze which stated that 62% of Gen Z and Millennial consumers said they want visual search capabilities on websites and apps. Far from being a nice-to-have feature, visual search is now an expectation. A participant we spoke to shared how their daughter makes use of Temu's visual search functionality

"She sees something on Pinterest or Instagram, screenshots the picture and uploads it on Temu. Then, she gets suggestions of pretty similar styles."

To show users near-matching items, Temu uses AI-powered visual search to analyse images and make the search results more accurate than if a search was conducted with text alone. This tooling uses visual cues to provide product recommendations that are almost 100% accurate, which increases the likelihood of conversions for super-retailers.

Super-retailer's supply chain and hyper-fast manufacturing is making it tricky for competitors to keep pace

With the means to manufacture at a huge scale and pace, in China and around the globe, due to buying up local production and working directly with manufacturers, super-retailers have set a new standard. They stay on top of trends by answering consumer demands for the latest styles in a matter of days, across price points that are accessible to everyone.

According to a report by WIRED, Temu is said to lose an average of $30 per order by keeping its prices so low. However, this is part of the super-retailer's strategy: while they keep their discounts deep, they can build up more market share with parent companies to support them. Maintaining these low-price points also takes advantage of a trade rule - known as minimis in the US - that allows the super-retailers to avoid paying duty and taxes on shipments that are valued below $800.

Unsurprisingly, this way of operating has had an impact on worldwide freight. Reuters shared that "SHEIN and Temu together send almost 600,000 packages to the United States every day...boosting air-freight costs from Asian hubs...making off-peak seasons almost disappear." We've also seen reports of freight carriers being approached directly with craft being bought outright. Thinking in terms of what could slow the super-retailer's trajectory down, we should consider that government agencies are already making noises about SHEIN and Temu's share of global freight channels and usage of tax loopholes.

In 2023, as documented in a Benedict Evans report, SHEIN overtook Zara and H&M in worldwide relative search interest. It also overtook H&M in global retail revenue. In his report, Benedict Evans asked "What does internet-native fast fashion mean?" and defined this by drawing a direct comparison between Zara and SHEIN. They shared that, at the time of writing, Zara produced 20-25k new products per year, while SHEIN produced 5-10k new products **per day.**

In recent years, generative AI has accelerated and automated fashion business capabilities. Unsurprisingly, Temu and SHEIN are leaders in this type of innovation and use the data to ensure that they have the supply to match the demand. With SEO that's bolstered by Enterprise Resource Planning (ERP) software, they can respond to customer demands in real-time.

For example, a user is tracked searching for sheer, bodycon dress. As the person is searching, the ERP system is sending the parameters of their search to the manufacturing system. The style is then queued to be manufactured, with turnaround times as low as three days. Responding to demand in real-time sets super-retailers apart from their competitors, whose turnaround times tend to be at least two weeks.

Of course, this opens a whole host of ethical questions about materials and sourcing, worker's pay and treatment, global air freight and beyond.

SHEIN and Temu are driving customer retention through gamification across the SHEIN VIP loyalty programme

Gamification is now to be expected from most online retailers and we're used to interacting with these features – think about how many brands want you to sign up, or download an app in exchange for points that you use towards payment. Their own gamification tactics nod to the omnichannel appeal of superapps, where loyalty programmes are fully leveraged across industry categories, promoting collaboration.

When investigating SHEIN's loyalty programme "SHEIN VIP", we found that there are three main ways for members to earn points. Predictably, the first way is by making purchases. For UK users, 100 points is equal to £1 and to incentivise new users to make their first purchase, SHEIN offers up to 100 points when a user verifies their email.

The second way is by submitting reviews, especially ones that provide clarity around sizing and include pictures of real customers wearing the garment. This is an example of SHEIN turning a problem into a solution. During our discussions with customers, a few of them pointed out that SHEIN's sizing wasn't always accurate

and lacked localisation. So now we know why SHEIN offers a tiered range of points, based on how detailed the review is. The following breakdown is taken directly from SHEIN's US website:

"Points for posting reviews are earned as follows:

- A review alone earns 5 Points
- A review with a photo of the product being reviewed earns 10 additional points (15 total Points)
A review with size information earns 2 additional points (17 total Points)."

During our research, 89% of the customers we spoke to shared that they check reviews before making purchases. Therefore, by incentivising their customers to leave comprehensive reviews with photos and sizing information, SHEIN is maximising the "earn and burn" model of a loyalty programme that benefits both the customer and the business. The more points customers earn, the more they'll spend across SHEIN's vast array of items. The more accurate the reviews are, the less returns they'll get – all resulting in increased revenue.

Moreover, this tiered system of points indicates the kind of behaviour they want people to exhibit. This information, in the form of text and images about sizing at scale, is being fed back into their manufacturing process to improve how items fit over time optimising cost in the process.

The third way customers can earn SHEIN VIP points is through non-transactional activities across the app, such as joining in-app underlined livestreams and interacting with them, a common trend originally seen on super apps. By offering livestreams within their app, SHEIN is setting a new standard for the digital shopping experience and capitalising on attention economics.

What can the super-retail competitors do to keep pace?

By using design interaction patterns from social media and superapps, super-retailers are acclimatising more and more customers to aesthetics and design patterns that may seem overwhelming at first. As our research suggested, a growing familiarity with superapp elements, features and up-to-date product range is already pivoting what customers expect from online retailers, shaping the evolution of 'what good looks like'.

As the super-retailers continue to capitalise on strategies that have seen them take a sizeable chunk out of global ecommerce revenue, their competitors can take learnings to keep up. They could look to leverage their existing data sets to further optimise product discovery, recommendations and turnaround times to get products-to-market. Or, they could focus on social-selling tactics and enhanced gamification, especially if they're able to do this within their own platform.

However, it wouldn't be realistic to expect SHEIN and Temu's competitors to "do what they do" in order to keep their market share. Instead, based on the research we conducted, we recommend that super-retailer

competitors should be encouraged to gain a more intimate understanding of their customers. This would involve investing in data that can bolster. With this type of enhanced data analysis, they'll be able to assess what value they're offering their customers and judge how well they're responding to the shifting mindsets.

If they want to continue to eat up market share of global ecommerce, super-retailers should shift focus towards experimenting with customer policies to make it an easy and positive experience to swap or return items. To cut down on the cognitive overload that can come with their marketing and loyalty campaigns, they should also look to further personalise every customer's incentivisation and communication preferences.

Certainly, there are ethical standards they can improve. A good way to begin would be to demonstrate transparency of products, i.e. where have they come from and how have they been manufactured? By being fully accountable for their supply chains and improving workers' conditions, SHEIN and Temu would start to move away from allegations that prevent many shoppers from using their platforms.