

Research on the Development of Fashion Brands Under the Trend of Digital Economy: Taking Shein and Zara as Examples

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Abstract:

With the emergence of the digital economy and the shift in consumer buying patterns, the global fashion industry is undergoing significant changes. This study aims to explore how two fast-fashion brands, Shein and Zara, have leveraged the digital economy trend to create effective and efficient fashion branding strategies and to analyze the differences in their approaches to provide success lessons for other fashion retailers. The study first evaluated the impact of the digital economy on the fashion industry, especially fast fashion, and then used case studies to identify similarities and differences between Shein and Zara and to explore lessons that can be learned by fashion brands that have succeeded in the digital age. The research focused on comparisons of technology, data analytics, and innovative supply chain management, as well as analysis of business models and critical success factors. The study found that Shein and Zara have successfully adapted to the digital economy through different strategies. Shein relied on data-driven product development and a flexible supply chain, while Zara maintained its competitive advantages through a vertically integrated system that responded quickly to market trends. Both emphasized the importance of online marketing and social media in brand promotion. The study also points out that there are negative social and environmental impacts of the fast fashion model despite its commercial success, therefore fashion brands need to find a balance between digitalization and responsible fashion.

Keywords: Fashion Brands; Digital Economy; Shein; Zara.

1. Introduction

Presently, the global fashion industry is undergoing significant changes due to the fast-paced development of related technologies and new customers' buying patterns. However, the incorporation of AI coupled with the advancement of online marketing and social media networking has dramatically shifted the existing dynamics of Fashion brands. New strategies have been developing in many companies that are associated with the fashion industries and such factors are majorly surrounding digital information. Two key actors in this industry, Shein and Zara, have leveraged digital information to embrace different strategies that embody their distinctive responses to this age of digitalization.

Fashion firms benefit from the global digital economy because it drives the adoption of digital technologies, data, and online media to support their activities. It is, therefore, imperative to examine how such successful brands as Shein and Zara are operating in this transitional environment, both in terms of rigorous knowledge acquisition and practical application. This research can help to fill the

identified gap by offering an understanding of the specific strategic approaches and the business models that underpin companies' success in the context of the digital era in fashion.

The use of big data in the fashion business has been analyzed in the past years as the application will revolutionize the fashion retail business through the use of knowledge and analysis. It can be used in analyzing and understanding the customers' needs, the supply chain, and the strategies used in marketing [1]. However, some challenges are associated with implementing big data analytics; these include, data privacy and data talent [1].

Other uses of big data in fashion also include usage of demand forecasting and product recommendations. The fashion retailer can be more efficient in estimating the demands and the stock with the help of machine learning algorithms and the large amount of data from the customers [2]. However, as it was stated, using data science to make conclusions is beneficial; however, the human factor and knowledge of the fashion industry should also be taken into account.

Fast fashion is a business model that focuses on the quick

production of clothes and the release of new products to satisfy consumer's desire for novelty and cheap accessories, and it has been a topic of discussion in literature. Although fast fashion has transformed the fashion industry by reducing the manufacturing cycle time and product differentiation, it has social and environmental drawbacks including; fast fashion is associated with excessive use of pollutive material, and low wages paid to workers in developing countries [3].

The approach used by different fast fashion retailers including Zara has been looked at in their global sourcing strategies. Zara's fast and integrated supply chain involves local suppliers who are easily accessible around the headquarters in Spain so that the company can easily adapt to the market trends effectively [4]. However, this strategy may also have limitations which include the fact that there are fixed sources of supply from several suppliers that have been chosen [4].

An analysis of Zara and H&M has also revealed different aspects of the firms and how they handle their supply chain and marketing. The operation strategy of Zara which is the fulfillment model of a fast-paced vertically integrated company and the QRM strategies help deliver the products faster and maintain the competitive advantage for the company [5]. Nevertheless, it has some imperfections, for instance, it requires significant costs to support the vertically integrated system, and there can be a problem of stock reserves [5]. Nonetheless, in the case of H&M, outsourcing is a very comprehensive procedure that involves a fairly large number of suppliers that may be easier to negotiate and quickly adjust to the changes in the production line and growth. However, this approach is not without some risks such as disruption of the supply chain and the question of how ethical employment standards can be policed in distant locations [6].

Digital transformation has also been an interesting topic in the fashion industry concerning its effects on consumer behavior. The future of retailing and the impact of technology in enhancing the retailing business reveal that the use of omnichannel strategies and the creation of unique customer experiences are crucial [7,8]. The combination of online and offline touchpoints together with the application of artificial intelligence and mobile technology will help improve customer interactions and sales [8]. However, while using these strategies has its benefits, their implementation is not without some challenges, for instance, increased investment in technology and issues of data privacy.

The growing trend of fashion businesses being conducted through online platforms, due to heightened consumer expectations and the impact of COVID-19, has been further emphasized [8]. As such, the use of digital media is cru-

cial for fashion retail businesses to operate effectively and prosper in the modern business environment [8]. However, the competition has shifted to the online platform, and therefore it becomes important that firms seek to offer customers distinctive value propositions.

Although these studies offer some insights into the fast fashion industry and the effects of digitalization, it is still unclear about the exact approaches that digital economy leaders such as Shein and Zara are taking [9]. Especially, Shein has become one of the leading brands in the sphere of fast fashion, which adopts a data-driven strategy in developing products and promoting brands. Nevertheless, there is still a lack of published articles that discuss Shein's business model and its consequences for the business sector.

This research seeks to fill this gap to some extent by undertaking a comparative study of Shein and Zara, in terms of their technology, data analytics, and innovative supply chain management. As such, by comparing and analyzing these two successful digital economy players, this study aims to offer useful recommendations for fashion retailers who want to succeed in the new environment. However, it is crucial to be critical when engaging in this analysis and admit the weaknesses of their strategies, as well as the negative impacts of fast fashion on society and the environment.

The primary research question guiding this study is: In what ways and to what extent have Shein and Zara adopted the digital economy to create effective and efficient fashion brand strategies and what can be learned from the differences in their approach?

To answer this question fully, the specific research objectives are:

- (1) To evaluate and identify the main features of the digital economy and its influence on the fashion industry, especially fast fashion.
- (2) Identifying the similarities and differences between Shein and Zara to conduct a case study analysis of the factors that led to their success.
- (3) To examine and discuss the lessons that can be learned by fashion brands seeking to succeed in the new digital age.

Therefore, by providing a detailed description of the two major market players with different strategies, this work contributes to the existing knowledge of the fashion brands' possible evolution to be effective in the context of the ever-evolving digital landscape. The study will meet the following objectives: to help fill the gaps and make suggestions to the industry to aid in the development of literature and practice. The purpose of this research is to investigate Shein and Zara's successful digital economy strategies and to disseminate the findings from these cases

for future research and reference in the fashion industry. In this respect, the present research aims to identify several recommendations that may facilitate fashion brands' evaluation of their competitive position based on the comparison of their business models and key success factors, as well as the identification of how technology, data, and innovation can be leveraged to create value. The purpose of the research is to contribute to the existing literature and offer recommendations that may aid fashion brands and businesses in developing better and more sustainable strategies in light of the ongoing digitalization process.

2. Characteristics of the Digital Economy and Its Impact on Fashion Brands

2.1 Characteristics

The digital economy, which can be described as the economy that is dominated by the use of digital technologies and the internet, has become a new means through which organizations conduct their operations and engage with customers [10]. It is described as an economy that is facilitated by digital computing technologies, and it is commonly used to describe the interconnected global network of business, financial, and professional transactions and services supported by information and communications technologies [10]. New forms of commerce, goods, and services have emerged due to the digital economy and so have consumers' behaviors and expectations [11].

Fast fashion, which is a popular concept in the current fashion system, has greatly benefited from the digital economy. Fast fashion is defined as the process of delivering fashionable garments quickly at relatively cheap prices [12]. This business model incorporates aspects such as the operation based on the principles of quick response manufacturing, supply chain management as well as the ability to effectively exploit trends in the market as it is today [13]. The fast fashion players like Zara and H&M have integrated digital technologies to enhance their business processes, ranging from product development to distribution [14].

Today, fast fashion brands are in a position to collect and analyze a vast amount of data regarding customers, markets, and supply chains [1]. This approach has been very useful in assisting organizations to make the right decisions, meeting dynamic needs, and enhancing effectiveness [15]. Moreover, the development of technology has made the concept of e-commerce and social media platforms significant in marketing techniques for fast fashion brands, which in turn helps in the cycle of fashion [16].

2.2 Influence

Influence as a factor plays a significant role in today's

fashion industry. It is one of the most important aspects of human behavior that can be observed in daily life. It relates to the power to persuade or encourage; the power to affect or control; sway or impact. Due to the effect of the digital economy, the fast fashion industry has been greatly influenced. It is thus possible to note that the implementation of digital technologies has facilitated fast fashion brands to attain a new level of velocity, adaptability, and productivity in their operations [17]. This form of intelligence allows organizations to understand patterns, create goods, and get them to the market in record time [18].

Fast fashion is arguably among the leading industries that have benefited from e-commerce. Social media has made it easy for brands to access the customer directly without the intervention of the retail middlemen [19]. This has enabled companies to obtain important information on the customers concerning their needs and actions, which can be useful in product design and promotion [20]. It has also allowed fast fashion brands to go international to reach out to new markets and customers [21].

Zara and Shein are two fast-fashion enterprises that have experienced the impact of the digital economy. Currently, Zara has adopted advanced digital technologies in its supply chain management to increase supply chain flexibility [22]. Real-time data and analytics also help Zara to be responsive to the changing trends and make the necessary changes to its production and distribution as soon as possible [23]. The firm has also adopted e-commerce which has enabled it to provide a unified and smooth shopping experience to the customers [24].

Shein, which entered the fast fashion market more recently, has relied heavily on the use of data in its operations. The company similarly uses big data, other analytical techniques, and artificial intelligence to study the consumers' data to be able to develop appropriate products and set reasonable prices for them [25]. Shein has also embraced social media and influencer marketing as part of its strategy to market its products and increase sales [25]. The company also has the advantage of being able to adapt to consumer trends and provide a large variety of cheap and fashionable products [26].

This has made it easier for companies such as Zara and Shein to penetrate deep into the fast fashion market and provide clothes to consumers at a very fast rate. As technology advances further, the changes are expected to increase in the fashion industry and bring new shifts in the competitive environment as well as new opportunities for the development of new business models and approaches.

2.3 Similarity

Both Shein and Zara adapted to the impact of digital transformation in the fast fashion industry. They utilize

advanced digital technologies to swiftly adapt to the changing digital economy. They are quick to adapt to not only fashion trends but also changes in the market environment, shifts in consumer shopping patterns, or technological advancements. They are both recognized for their rapid speed to market, they started as regular stores and became fast fashion giants engaging in producing low-cost variations of expensive clothing. Shein and Zara quickly transformed social media and street fashion into their product lines, constantly refreshing their offerings to keep their customers engaged.

2.4 Difference

Business models of companies are crucial especially in the fashion industry due to the increasing competition in the market, and it is essential to understand that firms' business models are complex and involve a combination of factors that determine the success of operations in the market [13]. This paper seeks to compare and analyze the business models of two fashion firms, Shein and Zara,

Shein and Zara are two key players in the fast fashion industry, both of which have different models to provide competitive advantages in the digital economy. Concisely, although Shein and Zara are in the same business of selling fashionable clothes to consumers at cheap prices, they differ in many aspects in the way they design their products, manufacture, and supply them to the market.

This strategy is evident in Shein's business model, which is driven by the advanced use of data and a very flexible supply chain. By leveraging the internet and artificial intelligence, the company is capable of garnering data from its online outlets and products, and in the process, making excellent patterns that enable it to develop new products that meet the needs of consumers [25]. Another factor is that Shein's supply chain is very flexible and comprises many small factories, which allows the company to manufacture small quantities of clothes and explore the market before making larger orders [27]. This approach drives efficiency and ensures Shein can sell a diverse range of products at relatively low prices [9].

Zara on the other hand has a model that has extensive vertical integration and provides services in a very speedy and swift manner. This company has its supply chain right from designing and manufacturing the products through distribution and retailing [22]. This level of control enables Zara to adapt to the market demands by responding to the consumers' demands effectively and most importantly, Zara can operate flexibly [4]. Zara's clothing designers are always analyzing sales data and consumer responses in order to develop fresh looks and adjust current lines [23]. The firm has a well-developed supply chain mechanism that allows it to supply new products to vari-

ous stores across the globe in not more than a week [28].

A significant difference between Shein and Zara is that the former targets millennial and Gen Z consumers while the latter targets middle-aged customers and charges premium prices for its products. Shein mainly focuses on the young generation customer base with a high sensitivity to price and aims at providing very low prices with many of its products being sold at below \$10 [9]. This can help the company capture a large and dedicated customer audience and ensure high sales turnover. Zara, for its part, aims at consumers who are older and of higher purchasing power than Shein's audience, yet its garments are slightly more expensive than Shein's but cheaper than most fashion clothing brands [29]. Pricing is another factor of the 4Ps, and Zara uses the perceived value of its products in pricing since its products are relatively expensive compared to its close competitors, though they are quality products with updated fashion designs.

However, it can be challenging for other companies to emulate Shein and Zara's business models despite having a lucrative fast fashion market. As a data-driven company, Shein's operation is highly dependent on technological strengths and understanding the consumers' purchasing habits [30]. It is also a strategic advantage that the company has a wide network of relationships with many small-scale manufacturers, thus the company can be very sensitive to the changing market forces [31,32]. Likewise, Zara's vertical integration and fast-paced fulfillment mechanisms are the outcomes of long-term investment and improvement [3]. Other factors specific to the business include corporate culture and company structure, including innovation, teamwork, and learning, which are also challenging to imitate [33].

3. Revelation

The two case studies of Shein and Zara provide insight into the strategies that other fashion brands should employ to be relevant in the digital landscape. This is especially important for the decision making part where reliance on data is emphasized. Two of the three aspects that dictate a firm's product; price and promotion strategies are driven by data analysis for both firms [34]. Shein and Zara use big data to collect large amounts of consumer data and based on this data they can identify trends so that they can change their products in a short period [1]. This way they can remain competitive and attend to the new trends and requirements of the fashion-sensitive consumers [35].

Another insight that can be learned from this case is the general importance of supply chain flexibility and adaptability. Shein and Zara have successfully created a very sensitive and effective supply chain that ensures that they

offer the market new products [14]. This agility is crucial in the fashion industry which is characterized by rapid changes in consumer demands, which could be a fleeting phenomenon in the fashion industry [2]. Advanced technologies and proper supply chain relationships assist fashion brands in delivering the speed and flexibility that is essential for fashion brands in the digital economy [17]. The case of Shein and Zara also shows some of the important factors aimed at customer acquisition and brand building in the digital age. Currently, both firms have implemented efficient online marketing communication strategies, and they have widely incorporated social media and influencer marketing to reach the targeted consumers [16]. Thus, Shein and Zara were successful in expanding the client base and encouraging consumers to interact with their brands by offering relevant and engaging content and a strong sense of community [36]. Other fashion brands should also follow the same by improving their online position and using the right digital marketing and customer relations strategies to be able to succeed in the increasing online shopping sector [37].

Moreover, the appearance of Shein and Zara shows that the fashion industry requires more attention to the quality of its impact and the practices it offers. A factor that fashion brands have to consider is the pressure from consumers who are becoming increasingly conscious of their purchases and their impact on the environment and society [37]. Both Shein and Zara have been deemed to have had bad business models because they have fast fashion, which entails the making of clothes in a short span and cheap human labor [5]. This means that to be able to survive in the long run, fashion brands cannot avoid having to negotiate between the two demands of – digitalization and responsible fashion [38]. This may include using green materials, improving the welfare of the suppliers, and promoting people to recycle the product [39]. It also shows that eco-ethical actions are not a mere extravagance but a means through which fashion brands can enhance their public image and meet the growing demand of consumers who are becoming more conscious of the need for sustainability [40].

4. Conclusion

Therefore, it can be concluded that Shein and Zara have managed to adapt to the digital economy in various ways. Shein focuses on collecting data for its products and having a very adaptable supply chain, while Zara sustains its competitive advantages through a vertically integrated system that adapts promptly to market changes. While working on the development of their brands, both companies pay significant attention to the use of online mar-

keting and social media tools. But the study also reveals that the fast fashion model, as profitable as it is has undesirable social and environmental effects. As such, fashion brands should explore a middle ground between the adoption of advanced technology and sustainable fashion. The case studies of Shein and Zara, therefore, serve as a pointer to other fashion brands about how they can continue to transform and adapt to the changing fashion industry in the face of technological advancement.

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