

A once-obscure Chinese startup overtakes Shein In US

June 15 2023, by Bloomberg News, Bloomberg News



Credit: Unsplash/CC0 Public Domain

This time last year, hardly anyone in the U.S. knew what Temu was. Now, as American consumers grapple with runaway inflation, the bargain shopping app backed by a Chinese tech company is on a tear, with sales exceeding rival Shein.

Spending on Temu—an e-commerce marketplace backed by China

heavyweight PDD Holdings Inc.—was 20% higher than more established fast-fashion retailer Shein in the U.S. in May, according to Bloomberg Second Measure, which analyzes billions of credit and debit card transactions.

This online marketplace with Chinese origins has been Apple Inc's top iOS app in America during most days in 2023—based on metrics including downloads, engagement and retention, according to mobile app researcher Apptopia—as flash sales and bargain-basement prices on everything from kitchenware to shoes draw in new customers.

It's had more global iOS downloads than any other shopping app in the six-month period after launch, Apptopia data show.

The data makes Temu's initial North American sales target look modest: Report at least a single day of gross merchandise value topping Shein by September 2023, to mark the anniversary of entering the U.S. market.

Temu is the latest in a slew of Chinese-backed brands seeking to woo price-conscious American shoppers, despite tension between Beijing and Washington on everything from spying allegations to human rights, along with the U.S.'s desire to shift [global supply chains](#) away from what it sees as over-reliance on China. With Temu, PDD is hoping to replicate a formula of low prices and a social media marketing blitz that's been successful in the mainland with the app's Chinese twin, Pinduoduo.

But cracking the U.S. won't be easy. Chinese-owned brands are dwarfed in the American market by Amazon.com Inc., with [consumer spending](#) on the platforms still only a fraction of the western giant, according to Bloomberg Second Measure.

At the same time, there's growing skepticism as to whether simply copying and pasting its Chinese formula—and a reliance on the vast

supply chain built by Pinduoduo—will reward Temu with sustained success on the other end of the Pacific. Long work days—often stretching to more than 12 hours a day and already a source of widespread complaints back in the mainland—are also common to maintain the pace of expansion, according to people familiar with the matter.

And unlike Shein, which produces its own branded fashion items, Temu is a third-party marketplace similar to Amazon and only a fraction of customer spending ultimately translates into its own revenue.

Still, in the same month Temu topped Shein in U.S. spending, the fast fashion retailer launched its own online marketplace in the country, allowing other merchants to sell their products.

The brand's app store ranking is likely due to downloads triggered by app install campaigns or advertising, said Adam Blacker, Apptopia's director of content and communications.

"The current economic environment is certainly helping Temu as consumers are looking to get the same things they need for less in order to combat inflation," he said. But "will the music stop when the paid ad machine shuts off?"

Representatives for Temu didn't respond to a request for comment.

U.S. concerns

Just months after its U.S. debut, Temu is battling scrutiny from American officials who fear potential data security risks, after Google's Android app store suspended Pinduoduo, citing malware concerns. Montana—the first state to outlaw ByteDance Ltd.'s Tiktok—has also moved to ban several other apps with Chinese origins, including Temu,

on the basis they may "provide personal information or data to foreign adversaries."

Shein also moved quickly to stem a threat to its dominance, suing Temu in a U.S. court in December and claiming the app "willfully and flagrantly infringed" on its trademarks and engaged in "[unfair competition](#) and false and deceptive business practices," including using Shein's copyrighted images as part of its own product listings.

To reduce costs, Temu demands suppliers offer ultra-low prices and the ones with the lowest bids win orders, increasingly angering some Chinese factory owners who say they're forced to sacrifice quality to score contracts.

One Guangzhou-based apparel factory owner who asked to be identified only by his surname, Ye, said his usual practice when working for Temu was to take photos of the app's most popular items and look for suppliers who can provide the cheapest raw materials. The practice is leading some parts of China's supply chains into price wars, he said.

Still, those concerns haven't deterred U.S. shoppers. In arguably its biggest move into the U.S. mainstream, Temu made its Super Bowl ad debut in February, running 30-second spots featuring a shopper dancing in an array of cheap, glamorous outfits.

"Temu's app performance is almost unprecedented," said Apptopia's Blacker. "But it's too new and we don't know the outcome for Temu yet."

©2023 Bloomberg L.P. Visit [bloomberg.com](https://www.bloomberg.com). Distributed by Tribune Content Agency, LLC.

Citation: A once-obscure Chinese startup overtakes Shein In US (2023, June 15) retrieved 23

February 2024 from <https://techxplore.com/news/2023-06-once-obscure-chinese-startup-shein.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.