As governments crack down on fast fashion's harms, could Shein lose its shine?

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Fast-fashion brand Shein expressed interest last year in listing on the New York Stock Exchange (NYSE). But, having met some opposition from US politicians, including Republican Florida senator Marco Rubio, it has now reportedly turned its attention to London.

While this would be a boost for the London Stock Exchange (LSE), which has lost several organizations to other international exchanges over the last five years, it raises the question of why Shein has not been successful with its application to the NYSE.

Shein has gained a significant global market share in online fast fashion since launching in China in 2008. It found success accelerating the already lucrative fast-fashion business model to become an ultra-fast fashion retailer.

That Shein is the second most popular fashion retailer for American generation Z is unsurprising, given the vast choice of up to 10,000 new garments uploaded daily at significantly lower prices than fast-fashion competitors like Zara and H&M.

Yet those strategies that have enabled Shein's international expansion are now likely hindering its application to the NYSE. The low cost of fast fashion in general has long been linked to potential labor exploitation, and the precariousness of outsourcing fashion production to the cheapest supplier within a global supply chain was evident during the pandemic. And as awareness of unethical and unsustainable practices in the wider industry grows, activists may yet have the power to disrupt Shein's growth.

Swiss NGO Public Eye has reported on alleged exploitation at factories said to be used by Shein, which itself recently issued a comprehensive response saying it has made "extensive progress" in improving conditions. In the US, Rubio introduced a law in 2021 blocking imports made by Chinese Uyghur slave labor and has since ordered an investigation into Shein and fellow Chinese low-price retailer Temu to see if their goods fall foul of the law.

Climate emergency

The US is going further in regulating the fashion industry. In New York, the Fashion Sustainability and Social Accountability Act will, if passed, legislate that fashion and footwear brands with more than US$100 million (£79 million) in revenue must map 50% of their supply chain to ensure transparency. They will also have to develop plans to reduce their social and environmental impact.

Similarly, in 2019 the European Parliament declared a climate emergency, and the European Commission responded by developing the European Green Deal. This includes planned legislation forcing the fashion industry to address sustainability issues, meaning that by 2030 fashion and textiles will have to become more durable, repairable and recyclable. Businesses will also need to have strategies in place from the design process through to the end of life to maximize resources and avoid contributing to landfill.

French politicians are also "legislating to limit the excesses of ultra-fast fashion," with a surcharge from 2025 of €5 (£4.29) per item, rising to €10 by 2030. This is recognition that ultra-fast and fast fashion does not only exploit labor, but also the environment. In being seen as disposable, fast fashion has been shown to encourage constant consumption.

While listing Shein on the LSE could improve the company's respectability and profits, it could backfire for the brand in the long term. Shein could become more visible to a wider audience and with more understanding of sustainability and business practices that contribute to the climate emergency, activists could begin targeting shareholders and other organizations and people with connections to the company.

There is precedent for this—activists who targeted museums and galleries over their sponsorship from energy companies, as well as campus protests in the US and Europe calling for universities to divest from Israeli companies over its war in Gaza.

This trend of publicly criticizing brands for exploitative or unethical practice has been levied at fast fashion retailers on social media for years. In particular, influencers who promote "fashion hauls" have been criticized for encouraging unsustainable fashion consumption.

The fashion industry may appear to be unfairly scrutinized for failing to address sustainability. After all, it's hardly the only industry that damages the environment. But the scrutiny appears to be valid; the United Nations now believes that the fashion industry is the second largest polluter in the world.

What's more, as an industry it makes an overt display of its cheap prices and rapid turnover, with marketing tactics claiming "last chance to buy" or "low in stock," along with discounts that encourage frequent impulsive purchases. Our research has found that fast fashion marketing on social media is "in your face" and encourages mindless consumption of clothing that often languishes in wardrobes with the tags still on.

Fast-fashion retailers frequently make sustainability claims to alleviate consumer "eco-guilt," which are often ambiguous and can't be readily substantiated. But fast and ultra-fast fashion can never be sustainable due to the speed of turnover and items that are often binned after one wear.

So, although the marketing entices customers through social media, the messages consumers see as they scroll are increasingly competing with stories of activism and protests about fast fashion's harmful effects.

As moves to regulate the fast-fashion industry spread to more regions, the effects will almost certainly affect the profits of those in the sector. While a London listing for Shein might be a shot in the arm for the LSE, it could spell trouble for the retailer as it finds itself—and its practices—under increasing scrutiny.

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