

Temu and Shein face considerable regulatory headwinds despite popularity

Article

The overview: Temu and Shein made considerable strides worldwide in 2024 as their ultra-cheap products won over penny-pinching shoppers. But they also faced a considerable

number of challenges—including government scrutiny over their [labor practices](#), use of tax loopholes, and product safety.

Temu soars while Shein matures: While both firms quickly won over US shoppers—particularly Gen Z and millennials—[Shein's momentum has slowed](#) as it struggles to keep pace with its deep-pocketed rival.

Temu's gross merchandise value (GMV) reached \$20 billion in the first half of 2024, surpassing last year's \$18 billion, per a Chinese media report.

- Its app was the most downloaded among Gen Zers ages 18 to 24 in the first 10 months of the year, beating out TikTok and Threads by a considerable margin, per Appfigures data cited by [Business Insider](#).
- More than 52% of marketplace buyers between the ages of 15 and 42 made a purchase on Temu in the past six months, according to an April [EMARKETER](#) survey.

Temu and Amazon muscled in on Shein's territory. Amazon is winning over shoppers with lower apparel prices, while Temu's ad blitz is forcing Shein to spend heavily on marketing at the expense of profits.

- Shein's revenues rose by 23% YoY in the first half of 2024, a considerable deceleration from last year's 40% growth, per The Information.
- Profits fell over 70% YoY in that time due to rising marketing expenses and additional costs like air freight.
- Still, Shein remains a heavyweight in the US and [UK fast-fashion](#) scenes as younger shoppers snap up its cheap, trendy products.

The headwinds: The new wave of Chinese ecommerce marketplaces may be popular with shoppers, but mounting pressure from regulators could curb their growth—particularly as more governments do away with tax loopholes that made it possible for Shein, Temu, and others to offer goods at rock-bottom prices.

- The US government is [overhauling the de minimis tax exemption](#), which lets companies avoid import duties on shipments valued at less than \$800.
- Closing that loophole could force Shein and Temu to raise prices by as much as 20%, according to an estimate by Republicans on the House Select Committee on the Chinese

Communist Party. That would eliminate their primary advantage over competitors.

- Other governments have imposed similar restrictions: Brazil, South Africa, and Turkey have all cracked down on duty-free imports, and the EU is preparing to do the same.

Regulators are also taking a closer look at [product safety](#). Both Shein and Temu are now subject to the EU's [strictest rules for online marketplaces](#) by virtue of their size—which means tougher scrutiny into their measures for preventing the sale of counterfeit or unsafe goods—and steep fines should they be found to be in violation. The two companies are also under fire for selling products containing toxic chemicals and items that pose a danger to child safety.

With regulators quick to seize on Shein's and Temu's every misstep, the two will have to invest resources to police their marketplaces more effectively, which could limit growth.

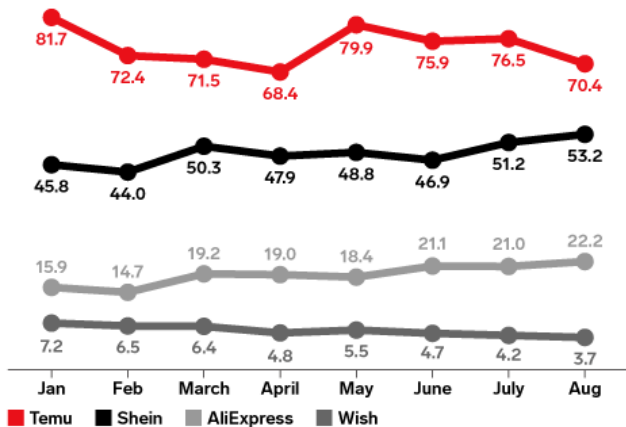
Looking ahead: Going forward, Chinese ecommerce platforms face a much more difficult path to growth.

- Without the advantage of de minimis, Shein and Temu would lose their price advantage relative to players like Amazon and Walmart.
- The two also face growing competition from Amazon, which is challenging Shein and Temu on their own turf with its own [low-cost marketplace](#), Haul, where all products sell for \$20 or less.

That said, moves to expand their [local seller base](#) and woo Amazon sellers could help them weather the changing regulatory landscape—although tariffs could throw a considerable wrench into their plans.

US Unique Visitors to AliExpress, Shein, Temu, and Wish, Jan 2024-Aug 2024

millions



Note: includes desktop 2+ and mobile 18+
 Source: Comscore Media Metrix Multi-Platform, "Total Digital Population - AliExpress, Temu, Shein, Wish, Jan-Aug 2024, U.S.," Sep 18, 2024

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