Analysis of the Reasons for Cross-Border Companies' IPO Failures: A Case Study of Shein

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Abstract. From 2022 to 2024, the global IPO market experienced a significant decline due to escalating geopolitical tensions, environmental, social, and governance issues, as well as valuation pressures. Due to various challenges, Shein's attempts to go public in the United States, United Kingdom, and Hong Kong have all failed. This article takes the failed IPO of Shein as a case study to analyse the multidimensional risks faced by cross-border companies in global IPOs. The research findings indicate that in the United States, geopolitical risks such as tariff policy adjustments directly harm supply chain interests; In the UK, environmental, social, and corporate governance issues (high carbon emissions and labour concerns) have raised concerns among regulators and investors; In Hong Kong, the contradiction between income growth and profit decline has led to valuation setbacks. Research shows that cross-border enterprises need to establish geopolitical resilience, deeply integrate environmental, social, and governance strategies, optimize dynamic valuation management, to manage the contradiction between global compliance and growth. Shein's case provides a practical framework for emerging market enterprises to reduce political, environmental, and economic risks, while also offering a new perspective for academic research on risk management in cross-border enterprises.

Keywords: Cross-border companies, Geopolitical risks, ESG, IPO failure, Sustainable growth.

1 Introduction

Against the backdrop of escalating geopolitical tensions, environmental, social, and governance (ESG) issues, and increasing market valuation pressures, many companies engaged in cross-border business have been forced to postpone or abandon their initial public offering plans. One of the world's largest online retailers, Shein is a representative case of analysing the failure of an initial public offering, providing valuable information for other cross-border companies.

Existing research has extensively analysed the reasons for the failure of initial public offerings by Chinese cross-border enterprises. Qian et al. believe that institutional constraints, especially strict pricing regulation and investors' preference for short-term returns, greatly affect the success of initial public offerings [1]. Eccles and Klimenko

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pointed out that an increasing number of investors prioritize the sustainable development of enterprises in their investment decisions, and enterprises that ignore this aspect may face market resistance [2]. Despite these contributions, there are still few case studies on emerging companies such as Shein, as they operate globally, rely on complex supply chains, and face regulatory controversies. Therefore, this article explores how multinational corporations can develop adaptive strategies in the current international economic and political environment, especially when facing environmental, social, corporate governance pressures, and compliance challenges, through the study of the failed listing of Shein.

This study aims to provide practical recommendations and policy insights for other multinational companies planning IPOs by analysing the main obstacles encountered by Shein during the IPO process in the United States, United Kingdom, and Hong Kong, and drawing on global political risk trends and theories of corporate strategic adjustments. In addition, it also attempts to contribute to the academic discourse on cross-border financing, ESG governance, and geopolitical risk management from a multidimensional perspective.2. Shein Company Background.

2 Description of Shein

2.1 Company Overview

Founded in 2008, Shein is a leading global online retailer that has risen rapidly through its fast fashion business model. With an efficient supply chain and digital marketing strategy, Shein has successfully attracted young consumers worldwide. With a presence in more than 150 countries and territories, Shein is valued at $100 billion after an April 2022 funding round, and by 2021 has 7 million monthly active users on its platform. At the heart of its business model is the ability to respond quickly to market trends and produce and sell fashion products at the lowest possible cost.

2.2 IPO Attempts

In recent years, Shein has attempted to list on international capital markets such as the United States, the United Kingdom, and Hong Kong, but ultimately failed to do so. Specifically, in the United States, the complex geopolitical environment hinders its listing process; In the UK, increasingly strict environmental, social, and corporate governance requirements hinder its listing process; In Hong Kong, despite strong revenue performance, the contradiction between valuation and profitability has become an obstacle to listing. This article focuses on analysing the reasons for Shein's failed listing in the United States, emphasizing the significant impact of geopolitical factors on its listing plan.

3 Analysis of Failure Reasons

3.1 U.S. IPO Failure: Geopolitical Risks

Shein's initial public offering attempt in the United States was mainly influenced by geopolitical tensions. In recent years, the tense relationship between China and the United States, marked by trade disputes, technological restrictions, and investment restrictions, has brought increasing challenges to the operating environment of Chinese companies in the US market.

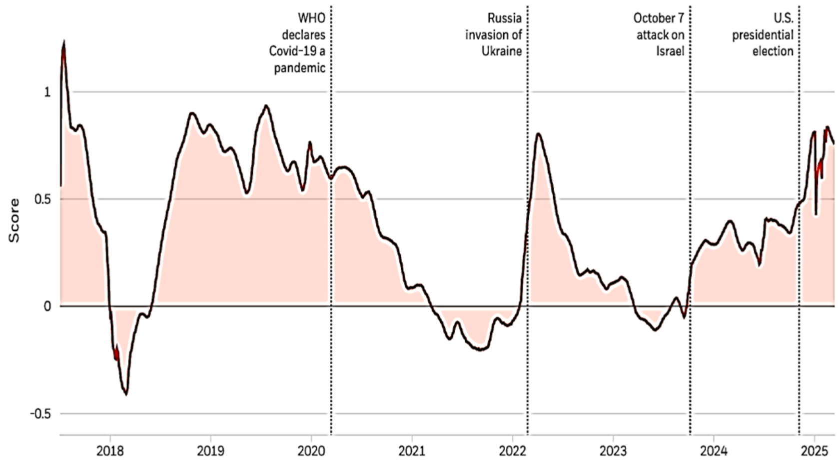

Fig. 1. Trend of Geopolitical Risk Index Changes from 2022 to 2024. Source: BlackRock Investment Institute, March 2025 [3].

As a company headquartered in Singapore but highly dependent on the Chinese supply chain, Shein inevitably faces the impact of these geopolitical risks. Fig.1 shows that the rise in geopolitical risk index is closely related to the timing of Shein's failed IPO in the United States, highlighting the significant impact of geopolitical risk on its IPO plan [3].

Specifically, policy changes have led to increased tariffs and supply chain costs. In 2022, the US government terminated the "de minimis" trade exemption policy, which previously allowed duty-free entry for goods worth less than $800. This change directly affects Shein's business. Shein's business model is based on importing a large amount of cheap goods from China and delivering them to consumers around the world through fast logistics. However, the end of the "micro" policy imposed new tariffs on Shein's imported goods, greatly increasing its operating costs. Recent studies have shown that tariff increases have had a significant impact on cross-border e-commerce companies, especially those that rely on cheap international shipping, thereby weakening their competitive pricing advantage [4]. Shein believes that its heavy reliance on China's low-cost manufacturing industry makes it particularly vulnerable to tariff barriers, which undermine supply chain efficiency and directly damage profitability and market competitiveness.

In addition, the failure of Shein's "supply chain diversification" strategy played a role. To mitigate political risk, Shein attempted to reduce its geographical focus by relocating its headquarters to Singapore and rebranding in the hope of allaying the concerns of US regulators and investors about its links with China. However, this approach proved insufficient. As Table 1 shows, despite relocating its headquarters to Singapore (3%) and setting up warehouses abroad (2%), 95% of its production, supplier groups and warehouses are still concentrated in China (for example, Guangzhou's Panyu district has over 3,000 suppliers). These data suggest that the diversification of Shein's supply chain is superficial, and that its core business is still closely linked to its Chinese supply chain [5]. This geographical concentration makes the company highly vulnerable to geopolitical tensions, as political adjustments in the USA (e.g. tariff barriers) could have a direct impact on its cost structure and ultimately result in the failure of its US IPO.

Table 1. Shein's global operational structure: supply chain and functional concentration analysis.

Region	Core Functions	Percentage	Supporting Data
China	Production, supplier clusters, warehousing	95%	Over 3,000 suppliers in Panyu District
Singapore	Global HQ, financial operations, compliance	3%	Established global holding company in 2022
Others	Overseas warehouses, localized operations	2%	6 regional distribution centers in the U.S./Europe

Source: "SHEIN: A Cross-Border Fast Fashion Brand Focused on Internal Strength" [5].

Research indicates that cross-border companies cannot fully eliminate market scepticism associated with their country of origin merely by relocating headquarters or rebranding. The country-of-origin effect continues to influence consumer perceptions, particularly when the country is perceived negatively [6]. Shein's case demonstrates that despite efforts to internationalize its operational structure, the transparency of its supply chain and operations still positioned it as a "Chinese entity," subjecting it to significant geopolitical risks during its U.S. IPO process.

3.2 U.K. IPO Failure: ESG Issues

Shein's fast-fashion business model has drawn widespread criticism for its environmental impact. Its rapid production cycles and low-cost manufacturing are associated with significant resource waste and pollution. Recent studies indicate that the fashion industry is responsible for approximately 10% of global carbon emissions annually, underscoring its significant contribution to climate change [7]. Table 2 compares

Shein’s carbon emissions with those of competitors (ZARA, H&M), highlighting its ESG shortcomings. Shein’s annual carbon emissions (6.2 million tons of CO_2) far exceed those of ZARA (4.8) and H&M (3.9), primarily due to its reliance on high-frequency air freight (to meet "small-batch, rapid-response" demands) and decentralized production. Moreover, Shein has not disclosed any emission reduction targets, whereas ZARA and H&M have announced clear carbon neutrality plans. This gap directly contributed to its IPO setback in the U.K., where environmental sustainability is highly prioritized. Investors and regulators increasingly demand robust environmental management, and Shein’s lack of credible green transition plans and mitigation measures led to significant resistance during the IPO evaluation process [8,9].

Table 2. Comparison of carbon emissions and reduction strategies among fast-fashion brands.

Brand	Annual CO_2 Emissions (Million Tons)	Primary Sources	Emission Reduction Measures
Shein	6.2	High-frequency air freight, small-batch production	No clear targets disclosed
ZARA	4.8	Large-scale production, regional distribution centers	Committed to 20% reduction by 2030
H&M	3.9	Sustainable materials, green logistics	Committed to net-zero by 2040

Sources: "Fashion Transparency Index 2023" [9]; "The Environmental Price of Fast Fashion" [7].

Social issues further undermined Shein’s IPO credibility. Reports from the U.K. Parliament and NGOs revealed labor management irregularities in its supply chain, such as excessive working hours, inflexible rest periods, and below-average wages [10]. While these practices may not constitute legal violations, they reflect insufficient social responsibility from an ESG perspective, potentially damaging corporate reputation and investor confidence in long-term governance. As emphasized by the UN Principles for Responsible Investment, investors increasingly factor "social impact" into decision-making, reducing Shein’s acceptability in capital markets [11].

3.3 Hong Kong IPO Failure: Valuation Pressures

Shein's IPO attempt in Hong Kong was mainly influenced by valuation pressure and market competition. Although Shein's revenue increased by 23% to $18 billion in 2024, its profit plummeted by 70% to only $400 million. This divergence between growth and profitability reflects Shein's problems in cost control such as logistics and tariffs, as well as the intensification of market competition. Investors often focus more on profitability and long-term sustainable growth when evaluating the value of a company, but Shein's profitability is not sufficient to support its high growth revenue data, leading to market doubts about its valuation. The intense market competition has further compressed Shein's valuation space, making it difficult for Shein's IPO pricing in Hong Kong to meet expectations.

4 Implications for Cross-Border Companies

4.1 Building Geopolitical Resilience

Shein's case underscores the imperative for cross-border companies to proactively address geopolitical risks and develop resilience mechanisms. Fig.2 shows that while the GDP-weighted global political risk index has remained relatively stable, corporate references to "geopolitical risks" in public filings surged post-2022, peaking after the Russia-Ukraine conflict. This discrepancy suggests that perceived risks exceed what macro-indices capture [12].

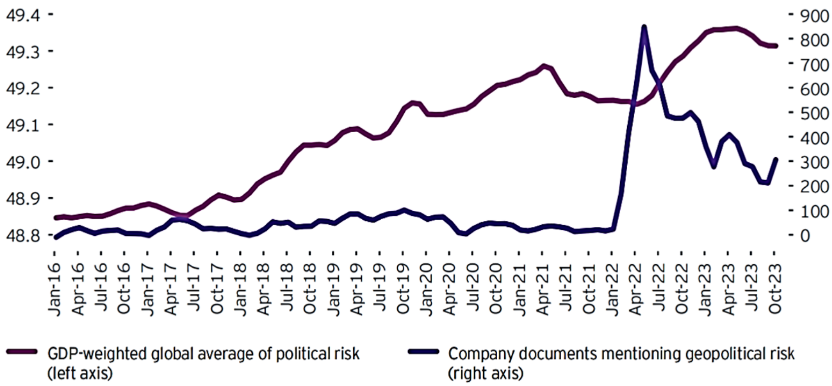

Fig. 2. Geopolitical Strategic Outlook (2024).
Source: 2024 Geostrategic Outlook [12].

Thus, companies must go beyond relying on broad indices and establish tailored risk monitoring and response systems. Practical measures include diversifying supply chains (e.g., establishing production bases in Southeast Asia or South America) and pre-emptively enhancing compliance. Enhanced integration and policy coherence in environmental, social and corporate governance can also increase resilience in high-risk environments. The trends in Fig.2 reflect a shift towards proactive geopolitical risk management, providing a roadmap for sustainable globalization.

4.2 Deeper Integration of ESG Strategies

Global capital markets are increasingly demanding corporate responsibility and sustainability. Multinational corporations must view ESG as a necessity for their core business, rather than an add-on to compliance. Transparent disclosure and innovative practices can improve ESG performance, reduce information asymmetry, and build investor trust during initial public offerings [13].

Adopting third-party certification and ESG reporting platforms can improve transparency, while internal governance reforms can optimize resource allocation. These measures can reduce environmental, social and governance risks while improving long-term competitiveness. Transparent engagement with stakeholders enhances investor confidence and facilitates smooth capitalization.

4.3 Dynamic Valuation Management

Dynamic valuation management is key to the success of an IPO. Companies must craft compelling growth narratives while keeping profitability in line with market expectations. Data-driven analysis and a keen response to the market can achieve a balanced valuation that reflects actual performance. Shenyin Wanguo's experience shows that inflated valuations may provide short-term benefits, but are counterproductive if not supported by cost controls and operational efficiencies. Regular review of internal and external conditions allows strategic adjustments to be made to ensure optimal resource allocation. Accurate valuation management can enhance investor confidence and ensure competitive advantage [14].

5 Conclusion

This paper has explored how geopolitical risks, environmental, social and governance issues and valuation pressures derailed Shein's IPO attempt. In today's complex global landscape, multinational corporations must pre-identify and mitigate these risks to improve IPO success. Recommendations include building geopolitical resilience, integrating environmental, social and corporate governance (ESG) into business models, and adopting flexible valuation strategies. While geopolitical challenges create uncertainty, they also motivate companies to optimize their global presence, tap into emerging markets, and achieve a dynamic balance of risks and opportunities.

As a single case study, the universality of these findings needs to be verified through broader research. Future research could explore compliance pressures and strategic adjustments in different industries and countries. The interplay between geopolitical, environmental, social and corporate governance and supply chain diversification also deserves in-depth study to inform forward-looking corporate strategies.

Authors Contribution

All the authors contributed equally and their names were listed in alphabetical order.

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