

U.S. Fashion Companies' Evolving Sourcing Strategies: A Case Study on PVH Corporation

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Background

Leading U.S. fashion companies' apparel sourcing strategies against the shifting business environment are of great interest to researchers and various industry stakeholders (Su et al., 2022; Lu, 2022). While previous research utilizing macro trade statistics has shed light on the broader patterns of U.S. apparel imports, the understanding of fashion companies' detailed sourcing practices at the micro level remains limited (Adnan et al., 2019).

This study used PVH Corporation (PVH) as a case study to understand U.S. fashion companies' evolving sourcing strategies. As one of the largest U.S.-based fashion houses with an extensive global sourcing network, PVH provides a representative and informative case to illustrate U.S. fashion companies' vendor selection practices and any potential adjustments they may make.

Literature review

The Resource-Based View (RBV) theory suggests that a company's resources and capabilities can contribute to its competitive advantage (Lockett et al., 2009). In the case of PVH, the company's sourcing strategies could be viewed as a strategic use of its resources and capabilities to maintain a competitive edge amidst changing market conditions. As a result, PVH may attempt to leverage its resources and capabilities by adopting several strategies:

First, PVH may reduce sourcing from China due to factors ranging from China's increasing production costs, ongoing U.S.-China trade tensions, and rising geopolitical concerns (Mostafiz, 2022; Lu, 2022). Second, PVH may source finished garments from more vendors to mitigate supply chain risks through sourcing diversification (Nguyen et al., 2022). Third, PVH may also try to diversify its textile raw material sourcing, making it less dependent on any single region or country (Shen & Mikschovsky, 2019; PVH, 2023). Overall, by effectively managing its global sourcing network as a unique competitive resource, PVH could stay sound business operations in the tense market competition.

Method

PVH's publically released factory lists in 2021 and 2022 were analyzed to understand the company's apparel sourcing strategies (PVH, 2021; PVH, 2022). Altogether, 767 factories, either providing finished garments or apparel-related textile raw materials to PVH in 2021 or 2022, were used for the study. The following variables were coded based on the raw factory data:

- *Region*: 1=if a factory was located in China; 2=if a factory was based in Asia other than China; 3=if a factory was based in regions other than Asia.

- *New factory*: if a factory was not a PVH vendor in 2021 but was newly used in 2022 =1; otherwise =0;
- *Lost factory*: if a factory was used as a PVH vendor in 2021 but was no longer used in 2022=1; otherwise=0;
- *Size*: Based on PVH's provided information, 1=a factory with workers fewer than 100; 2=a factory with 100-499 workers; 3=a factory with 500-999 workers; 4=a factory with 1,000 workers or more;
- *Textile*: 1=if a factory produces textile raw materials like yarns and fabrics; 0=otherwise;

As several variables, including *New factory*, *Size*, and *Textile* did not follow a normal distribution or had equal variances across *Region* groups (i.e., Tests of Homogeneity of Variances, $p < .01$), Kruskal-Wallis test was conducted to compare PVH's sourcing base across regions. Kruskal-Wallis test can generate more robust and reliable results than methods like the analysis of variance (ANOVA) when the data does not meet the normality and equal variances assumption (Hecke, 2012). The test used *Region* as the independent variable and *New factory*, *Lost factory*, *Size*, and *Textile* as the dependent variables.

Results and discussion

Overall, PVH sourced apparel from as many as 37 countries worldwide from 2021 to 2022. However, the Kruskal-Wallis test results indicated that PVH's sourcing strategies vary significantly across different world regions. **First**, there were significant differences between China and the rest of the world regarding *Lost factory* ($H = 7.61, p < .05$). Similar to other U.S. fashion companies' "reducing China exposure" strategy, PVH cut ties with more China-based factories between 2021 and 2022 more than those in other Asian countries or the rest of the world. However, no statistical evidence shows that PVH favored any particular region regarding adding new factories (i.e., *New factory*, $H=2.09, p > .05$). In other words, PVH did not treat any particular country or region as China's direct alternative. **Second**, interestingly enough, PVH's factories in China were smaller than their peers in other Asian countries ($H = 216.6, p < .01$). The result suggests that PVH may treat China as an apparel sourcing base for flexibility and agility, particularly those orders that include a greater variety of products in relatively smaller quantities (Lu, 2022). **Third**, PVH's textile suppliers (i.e., *Textile*=1) were primarily based in Asia ($H = 48.5, p < .01$). The results suggest that PVH may face more significant challenges in diversifying its textile raw material supply base than finished garments.

Implications and future research agenda

The study's findings enhanced our understanding of PVH's sourcing strategies which turned out to be more intriguing and nuanced than previous studies conducted at the macro-level suggested (Datta & Kouliavtsev, 2020). The findings also have several important implications. On the one hand, the results highlight the need for further research to understand PVH's China sourcing strategies fully. Despite reducing its sourcing from China, PVH's China-based factories exhibit

different characteristics, such as smaller sizes, than those in other world regions. Also, PVH regards China as a strategically important sales market with promising growth potential (PVH, 2023). The impact of expanding sales in the country on PVH's China sourcing strategy could be explored further.

On the other hand, the results underscore the necessity of further exploring PVH's sourcing diversification strategy, especially regarding finding China's alternatives. For example, a more detailed analysis of PVH's selection for new factory locations could gain an additional understanding of the company's evolving sourcing strategies and related key considerations.

Additionally, the findings highlight the value of conducting a firm-level analysis of a fashion company's detailed sourcing strategies. With the availability of data, future studies can continue to explore other leading U.S. fashion companies' supplier bases and explore their similarities and differences.

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