

# DSW

DESIGNER SHOE WAREHOUSE®

## DSW Tackles Return Fraud and Inventory Shrinkage with Agilence Analytics

### Problem

Designer Shoe Warehouse (DSW), a national footwear retailer, utilizes Agilence Analytics to solve the common challenges of rising theft, fraud, and inventory shrinkage. The company's small, seven-person Asset Protection (AP) team, led by Timothy Mottershead, Director of Asset Protection, tackle issues such as return fraud, increasing external theft, inventory management, and more across 500+ stores to safeguard DSW's assets.

Emerging trends have been identified using Agilence Analytics, focusing in on employees with override capabilities manipulating the returns process. These elevated associates were identified as processing returns to their own cards by changing the return tender to their personal accounts; often using the "tap" method of payment with their phones or smartwatches for quick, fraudulent returns without drawing attention to themselves. Karen Walls, Manager of Asset Protection, noted that return fraud was especially challenging because fraudsters were "always one step ahead" and constantly finding new ways to benefit financially, from manipulating the POS system to exploiting DSW's digital loyalty rewards program, becoming an ever-growing problem.

Additionally, merchandise theft was common among customers and employees as it commonly is among most retailers in the current retail climate. Thieves remove high-value shoes from their boxes, leaving the empty boxes behind in the store. These empty boxes are marked out of store inventory and recorded as shrink, but the AP team had limited access to this data. The data that they did have access to was a manual pull and did not come in a user friendly format. This resulted in numerous hours of painstaking analysis by both Karen and the field team; taking them away from valuable time spent with store teams conducting root cause analysis and developing action plans to mitigate loss. Lastly, due to the limitations on end user friendly inventory management systems, the AP team again had to rely on time-consuming manual processes to track physical inventory and analyze losses post physical inventory and inbound/outbound transfers throughout the year. They lacked quick access to easy to read and easy to action critical data, such as inventory movement in and out of the book stock ledger at the vendor, style, and item level; which led to gaps in the team's ability to detect and mitigate loss down to the market and store level.

# Solution

To address these challenges, DSW leveraged Agilence Analytics and the add-on Inventory Module, which provide in-depth insights and reporting on fraud, theft, and inventory management. The smooth implementation process, led by Agilence's customer success team, allowed DSW to quickly integrate key data feeds from its POS systems and inventory logs into the platform.

With Agilence, DSW was able to:

- **Combat Employee Return Theft:** DSW used Agilence to address the growing issue of fraudulent returns by employees. Agilence's advanced reporting allowed the asset protection team to detect suspicious return patterns much quicker than before.
- **Identify/Mitigate External Theft:** Agilence's Inventory Module played a critical role in tackling the issue of external theft, where customers would remove shoes and leave the empty boxes on the sales floor as evidence of theft to use as a data point for the DSW to utilize in developing shrink reduction strategy. Empty Boxes act as a known theft indicator, and combined with a physical inventory, provide DSW with a holistic shrink result. Prior to Agilence, tracking this type of theft was dependent on the inventory control department reporting which was often delayed by 7-10 days. Moving to Agilence gave the AP team real time data to react quickly and assist store teams in quick responses to preserve product for the customer experience
- **Understand Inventory Shrink:** The integration of Agilence's Inventory Module also gave DSW direct access to data on shrinkage and high-risk items, enhancing the company's overall approach to inventory management and physical inventory results analysis and response.

By leveraging Agilence's capabilities, DSW was able to identify areas of risk and focus its resources on the most critical stores and loss areas, significantly reducing the time spent on low-priority issues while optimizing overall asset protection efforts.

# Results

Since adopting Agilence Analytics with the Inventory Module, DSW has significantly enhanced its ability to manage fraud, theft, and inventory shrink. DSW can now detect fraudulent return patterns much quicker. Ms. Walls highlighted that fraudulent return activity has notably decreased since the system was put in place, due to quicker resolution from the field AP team and increased awareness among stores that transactions are being closely monitored. In her own words, "when we first turned Agilence on, it was like a leaky bucket... opportunity was everywhere. And it has definitely slowed. Before, we could go three, four, five months before we caught up to fraudulent activities, but now we are catching it within weeks." This drastic reduction in time allowed DSW to halt fraud before it escalated, preventing larger financial losses.

Additionally, the challenges of external theft and an overall lack of easily accessible inventory data for the AP Team have been mitigated through the integration of Agilence's Inventory Module. Utilizing the Agilence Inventory Module DSW was able to track and verify the accuracy of their Empty Box reporting. Once they validated their known theft identification practices through Agilence, this resulted in 95% of their total shrink in 2024 as being known theft and easily actionable during the physical inventory cycle rather than waiting for a physical inventory. To continue building on these successes, DSW is constantly innovating and analyzing their operations to identify new opportunities and areas of loss.