



SAS® Global Forum 2014

March 23-26
Washington, DC

Potential
of One

Power
of
All





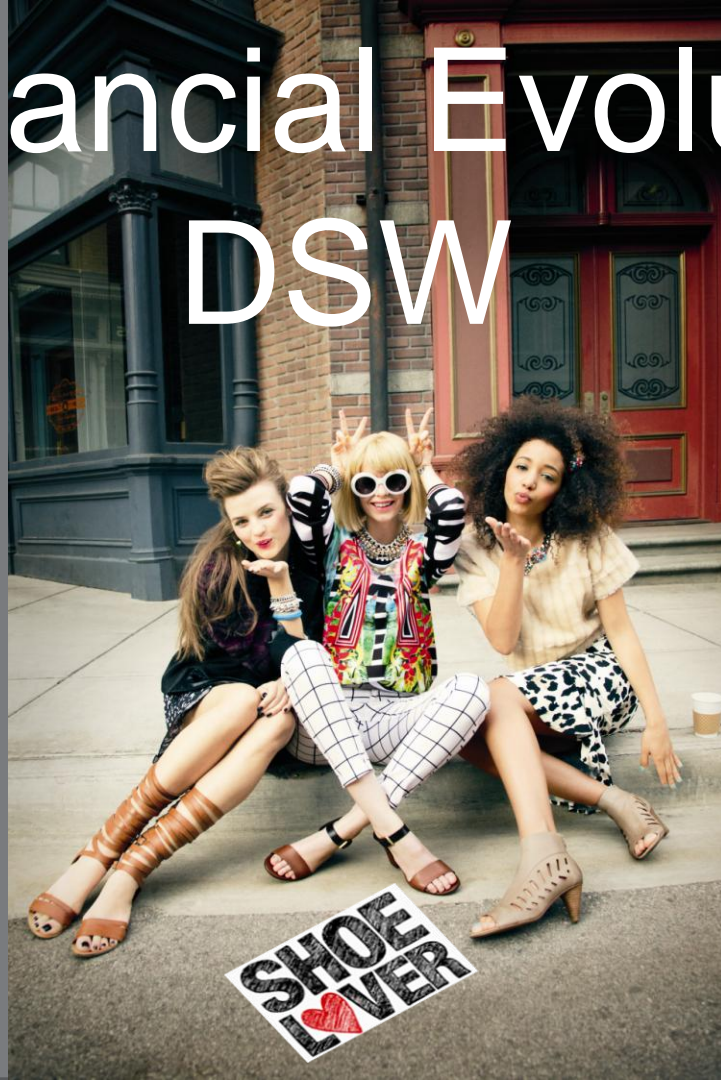
TYING IT ALL TOGETHER

A story of
Size Optimization
at
DSW[®]

Agenda

- The Financial Evolution of DSW
- The DSW Story: Who We Are
- SAS Size Optimization
- Overview

The Financial Evolution of DSW

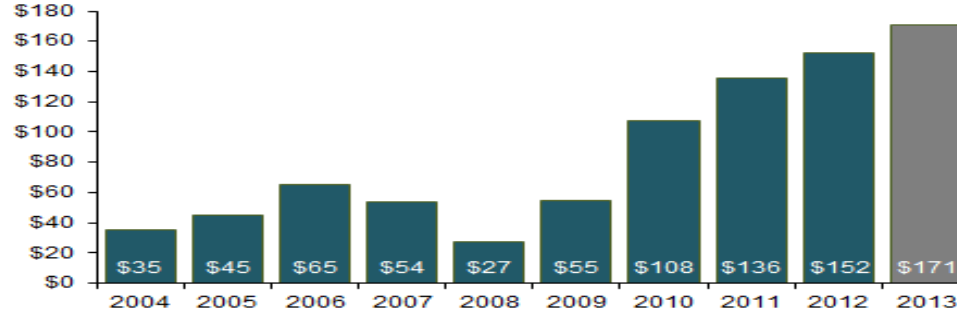


Evolution of DSW

	Origination	Transformation	Infrastructure	Execution
Years	1991 – 1997	1998 – 2004	2005 – 2008	2009 – present
Stores	39	172	298	393
Sales	\$135M	\$961M	\$1.5B	\$2.0B
Op Income %	N/A	1 – 6%	3 – 8%	11%
Key Events	First store July '91	Build Merch Team	Build Mgmt Team	Full Time CEO (2009)
	80% Close-out	→ 20% Opportunistic	IPO (2005)	Strategic Focus
			dsw.com (2008)	Merger with RVI

Consistent Track Record of Growth

NET INCOME (\$M)



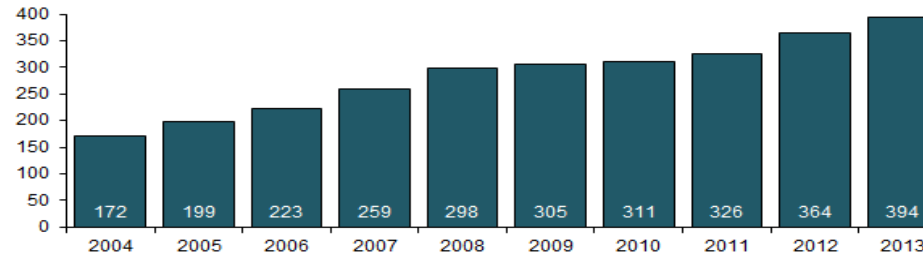
↑
19% CAGR

REVENUES (\$M)



↑
10% CAGR

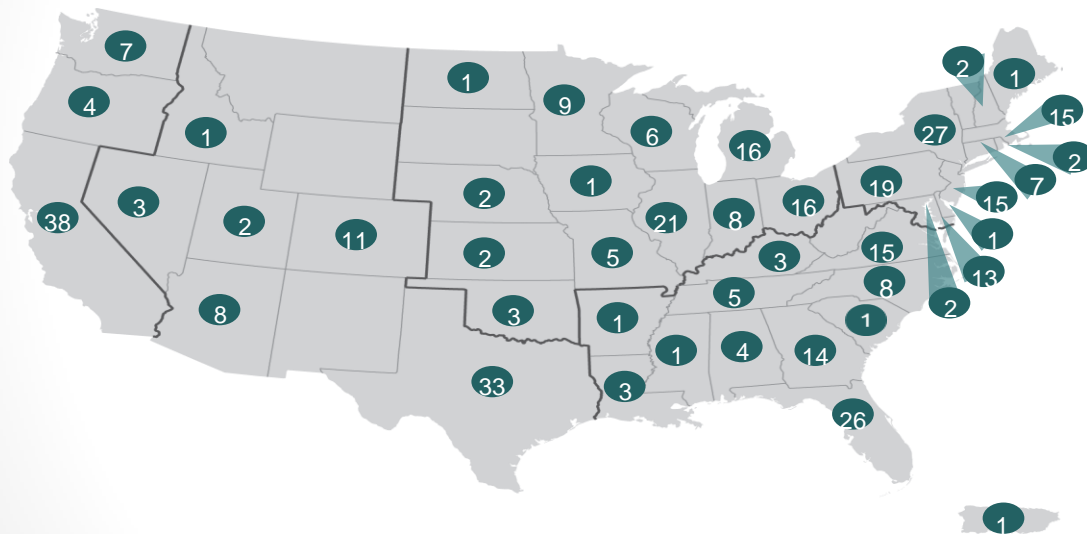
NUMBER OF DSW
STORES



↑
10% CAGR

DSW INC.

394 DSW stores in 42 states as of Dec. 31, 2013
Plan to open 35 stores in 2014



Sales by Region

Northeast	31%
Southeast	19%
Midwest	23%
Southwest	15%
West	12%

THE DSW STORY



OUR VISION IS TO BE

AMERICA'S FAVORITE PLACE FOR SHOES



Passion

ACCOUNTABILITY

COLLABORATION

HUMILITY

DSW Values

The DSW Formula

Breathtaking Assortment

Irresistible Value

Simple Convenience

Breathtaking Assortment



Strong Vendor Relationships

400 Brands
2000 Styles

Sperry
Top-Sider
Aerosoles
AK Anne Klein
Charles Jourdan
Ugg
BCBG Paris
Blowfish
Calvin Klein
John Varvatos
Chinese Laundry
Clarks
Gucci
Yves Saint
Laurent

Clarks of
England
Coach
DKNY
Easy Spirit
Ed Hardy
Ellen Tracy
Enzo
Franco Sarto
G by Guess
Giuseppe
Zanotti
Guess
Michael Kors
Michael Kors
Valentino
Tod's

Jessica Simpson
Minnetonka
Keen
Moma Spina
he
turtleneck
Madden Girl
Carlos Santana
St. Jacobs
Nine West
Prada
Max Studio
Calvin Lauren
Me Too
Reaction
Kenneth Cole
Merrell
Kurt Geiger
Ralph Lauren
Prada

Steve Madden
Bostonian
Sofft Shoe
Compar
Sper
Borrinoe co.
Kenneth Cole
Tommy Hilfiger
Stuart Weitzman
Tahari
Nine West
Tahari
Dockers
Tommy Hilfiger
Bare Traps
Yellow Box
Miu Miu
Salvatore
Ferragamo

Nike
Adidas
Mizuno
Cole
Asics
Isis
Lacoste
Avia
Puma
Cole Haan
Brooks
Reebok
Columbia
Penguin
Converse
Hila
Saucony
K-Swiss
Sorel
Keds
Skechers
Ecco
Timberland
Bass
Sebago
Florsheim
Wolverine
Levi's
Vans
Sergio Rossi
Dolce &
Gabbana
Givenchy
Bottega Veneta
Jimmy Choo

Irresistible Value





Simple Convenience

Accessible Stores

Easy to Shop

Assisted Self Select Model

shoephoria!

DSW INC.

DSW's Omnichannel Vision

DSW®



Excite – Cultivate the **treasure hunt**, inject excitement, urgency & fun into the shopping experience

Delight – Provide the **best value**

Inform – Become THE **Shoe Authority** on shoes, providing robust product and trend information

Inspire – Build and fuel the **Shoe Lover Community**

Relate – Provide a **personalized experience** to each Shoe Lover at every point along the customer journey

Omni Overview

OMNI: WE ACT AS ONE

Present **MORE PRODUCT**

Explode our Assortment

- Expose Store Only Product
- Expand Drop Ship

Make it **EASIER TO SHOP**

Empower our Customer

- Buy Online, Pickup in Store
- Endless Aisle
- Mobile Application
- Associate Tools

Make the experience **RELEVANT**

Upgrade our Commerce Platform

- Personalization
- Site Search
- SEO
- Social Community

Build a **FOUNDATION** for the future

- **Data/Analytics**
- **Change Management**
- **Blended Organization**

TYING IT ALL TOGETHER

A story of
Size Optimization
at
DSW®

MY NEXT JOB WAS
GOING TO BE...



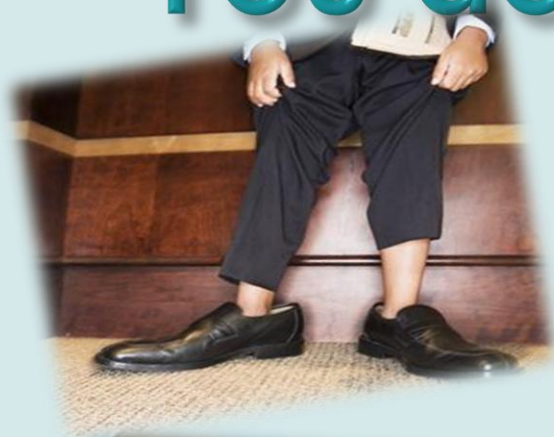
You don't have my size!!!



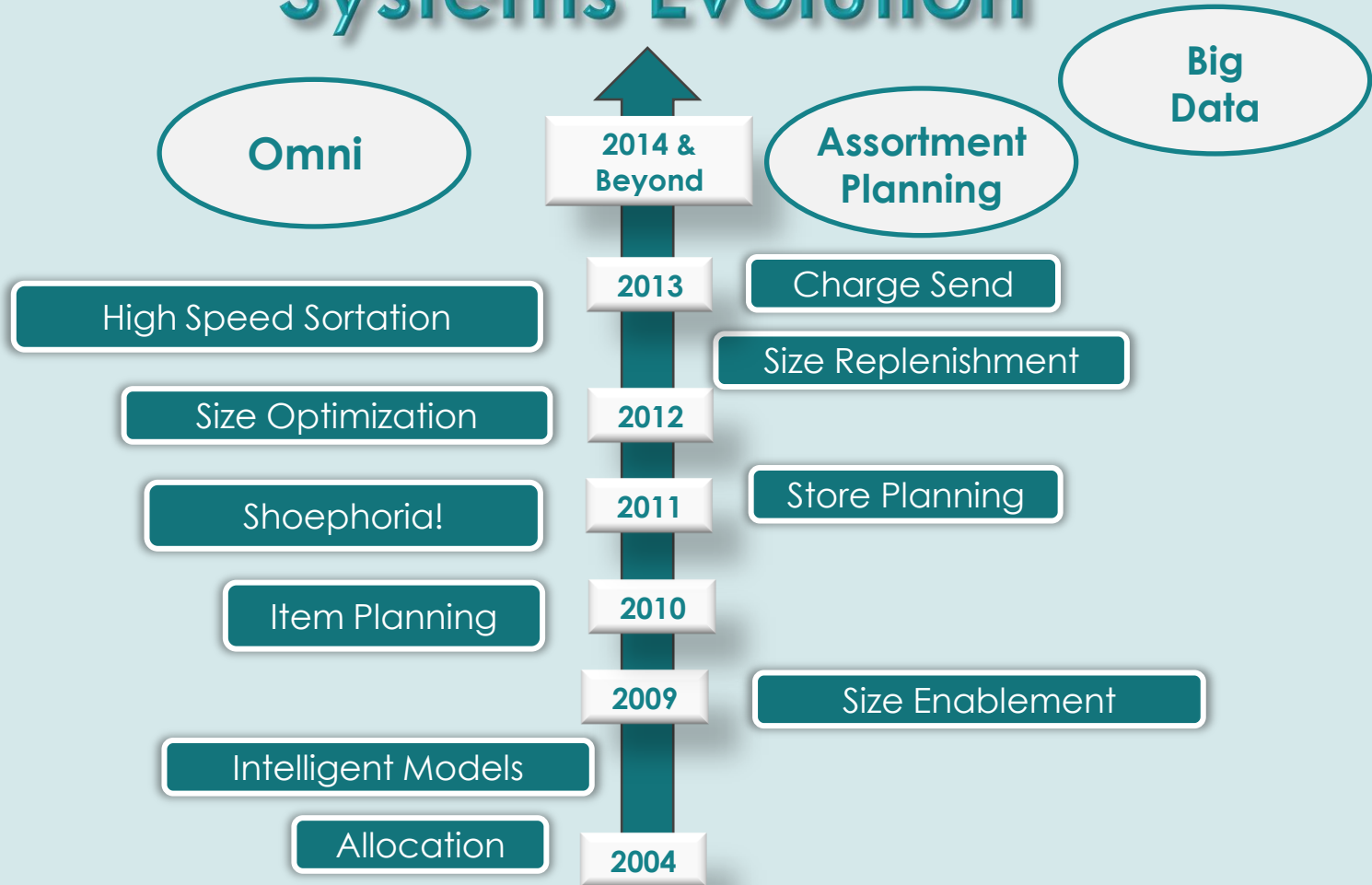
DSW Corporate
Headquarters
Columbus, Ohio



You don't have my size!



Systems Evolution



Back in the day....



Close-Out Concept

Close-Out
Take "All" Deals

Push Entire Stock to Stores

Breadth of Assortment

No Size Capacity

Vendor Decides

Smaller Buys

Store Individualization

Breadth of Assortment



Fashion Retailer

Demand Planning

Specific Sizes

Identified Assortment

Breadth of Assortment

Vendor Partnership

Current Season
Product

Calculated Quantity
Initial Delivery & Flow

Precision Assortments

You don't have my size!!!



Size Detail

Carton
Content
By
Size

Z99

Qty		Size Break
3	Size	7
1	Size	7.5
4	Size	8
2	Size	8.5
2	Size	9

Z99

Qty		Size Break
1	Size	5.5
2	Size	6
2	Size	6.5
1	Size	7
4	Size	8
1	Size	9
1	Size	10

=

Size in
our
system

Z99

24

Precise Size Detail

Each Size Registered Individually

Z99

Carton
Content
By
Size

Qty	Size	Size Break
3	Size	7
1	Size	7.5
4	Size	8
2	Size	8.5
2	Size	9

Z99

Qty	Size	Size Break
1	Size	5.5
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4	Size	8
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1	Size	10

=

Size in our
system

Qty	Size	Size Break
1	Size	5.5
2	Size	6
2	Size	6.5
4	Size	7
1	Size	7.5
8	Size	8
2	Size	8.5
3	Size	9
1	Size	10

You don't have my size!!!

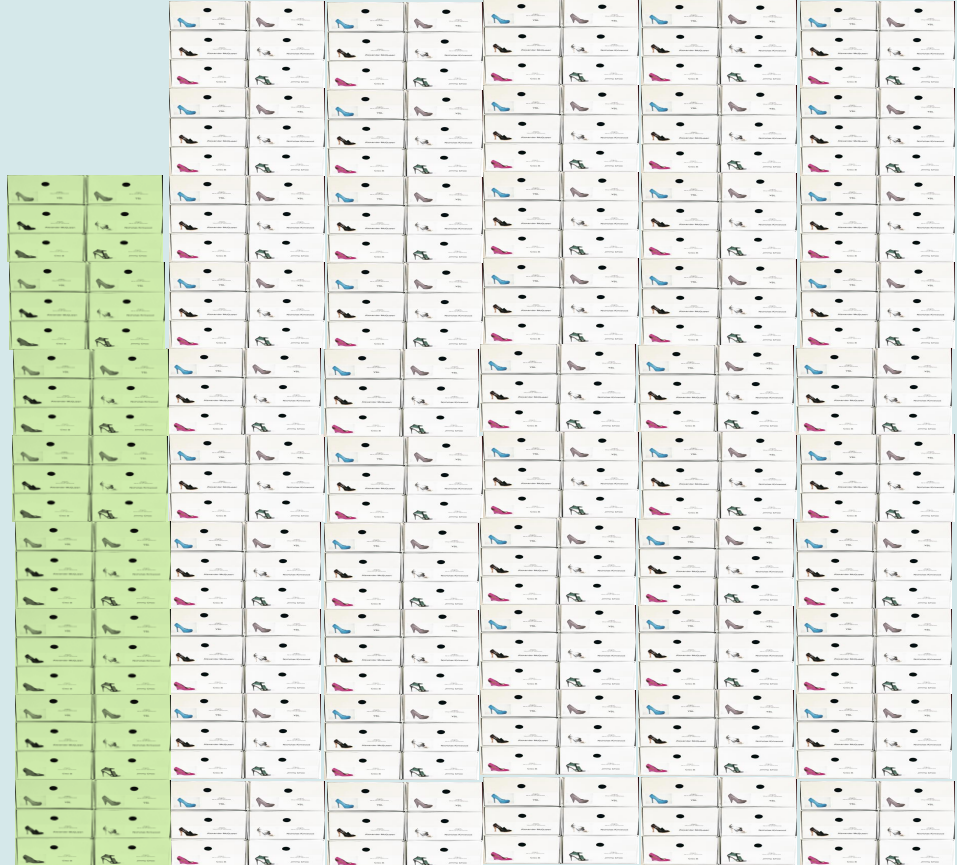


Store Inventory

Low Volume Store

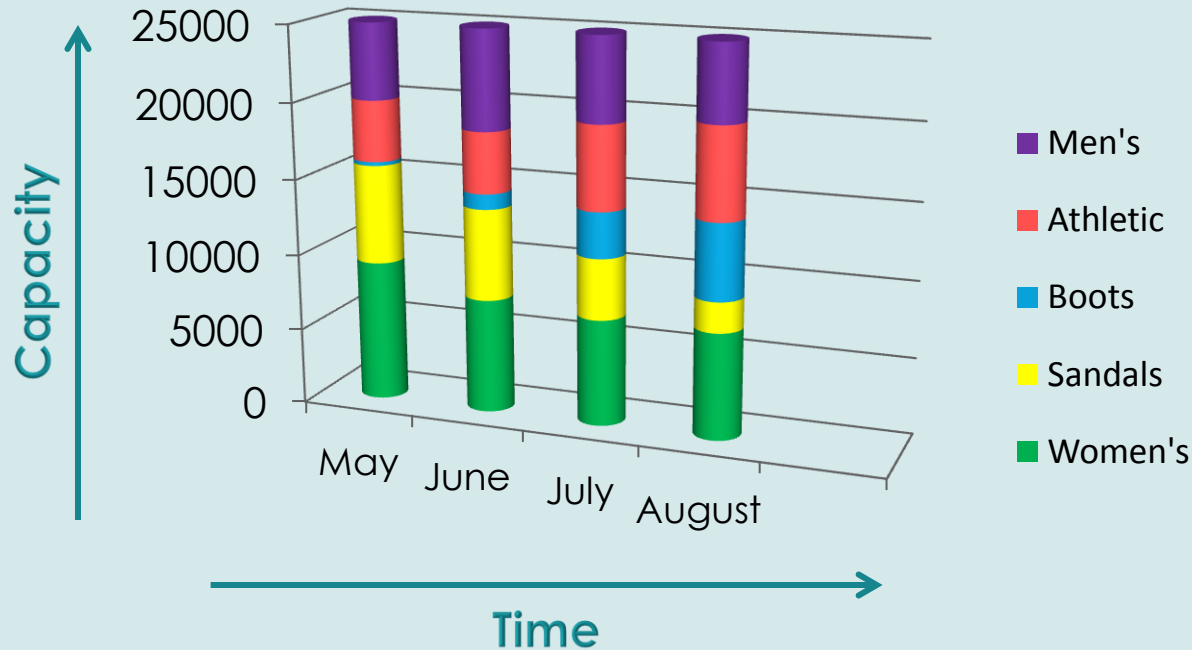


High Volume Store



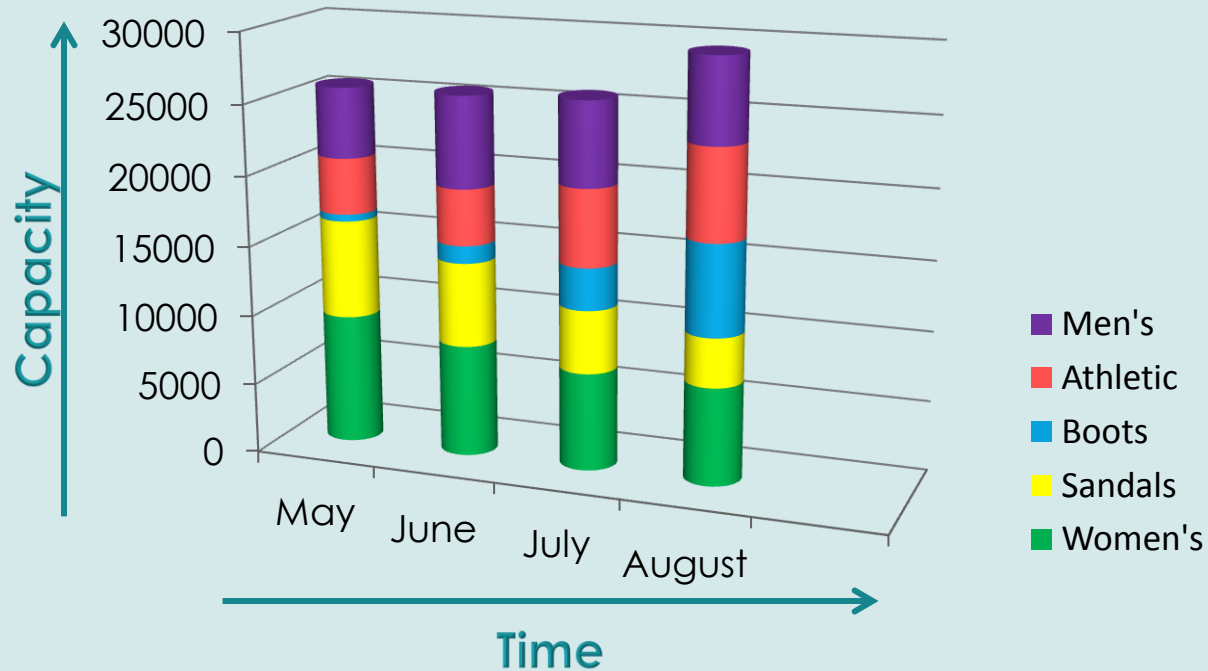
Store Inventory

Store Capacity: 25,000 Pairs of Shoes



Store Inventory

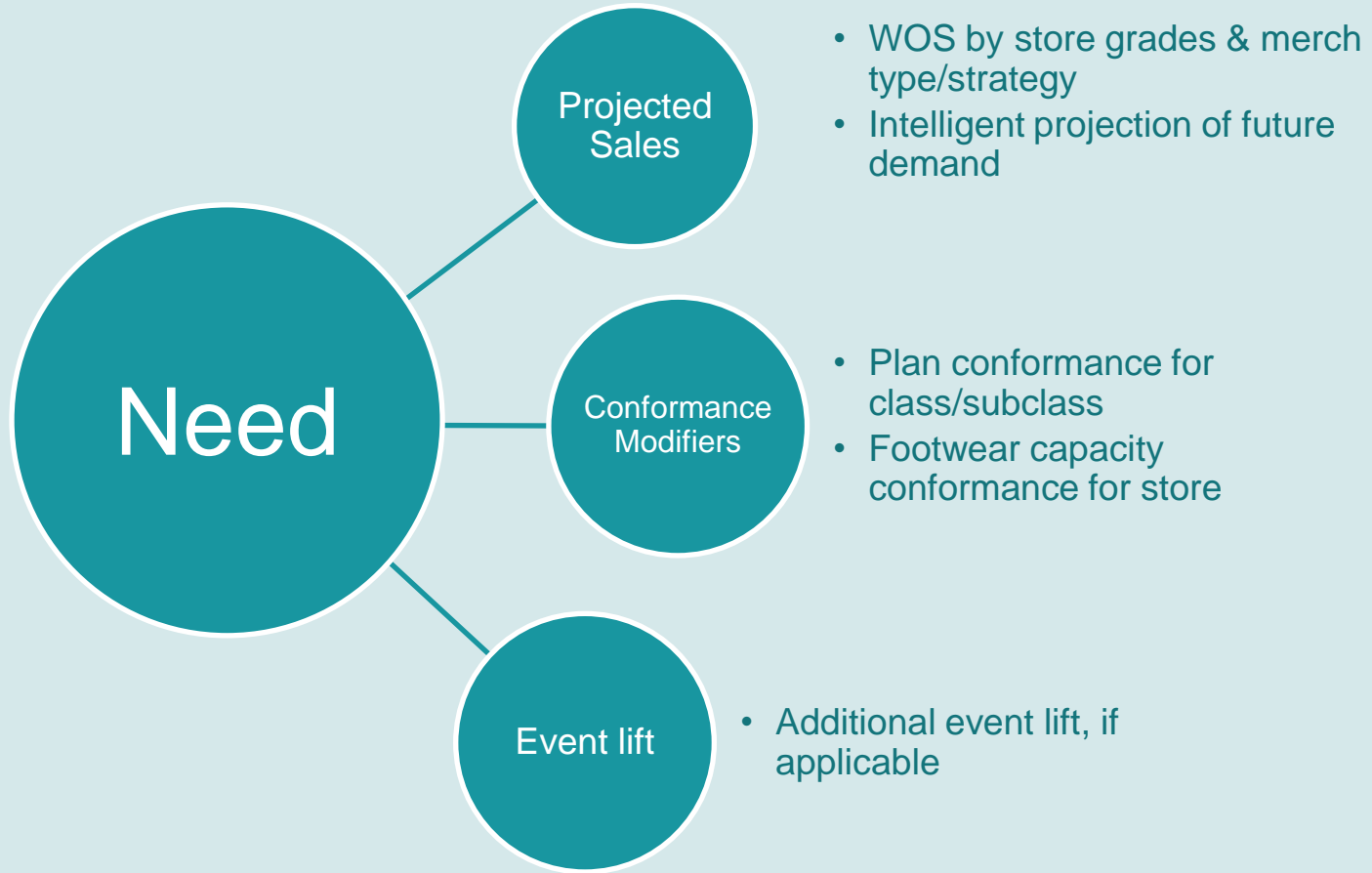
Store Capacity: 25,000 Pairs of Shoes



Back Room



Need generated in Allocation

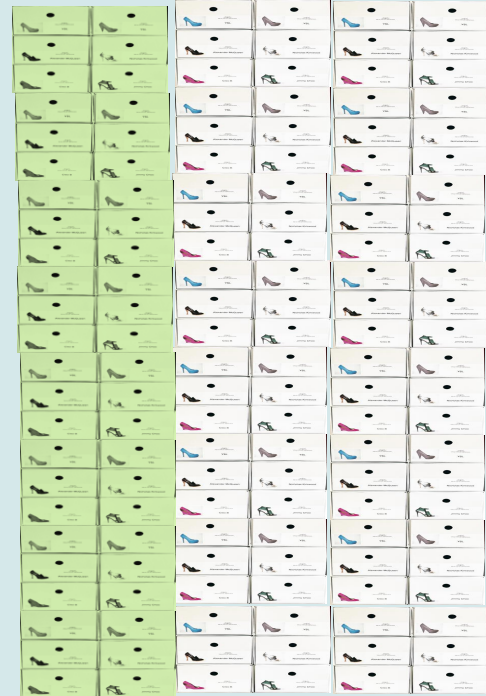


Improved Store Inventory

Low Volume Store



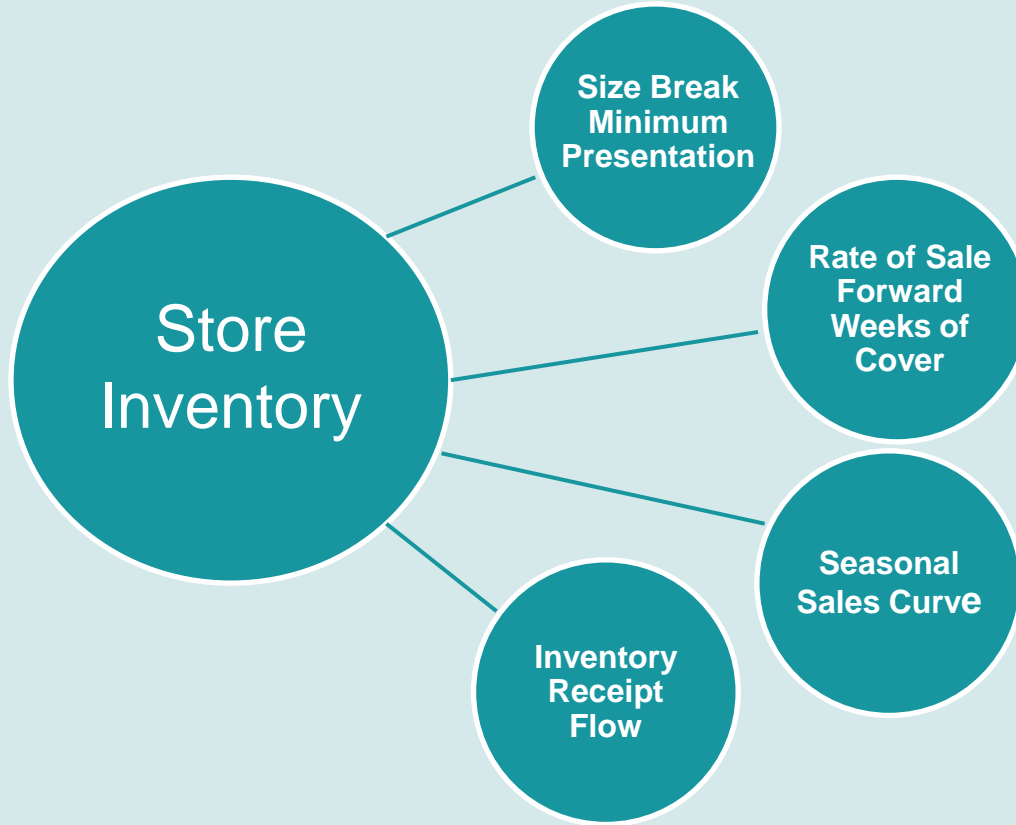
High Volume Store



You don't have my size!!!



Systemic Item Plan



Distribution Center

Pack (Musical)
Distribution



Item
Distribution



Shoe View High-Speed Sortation in the Distribution Center



You don't have my size!!!

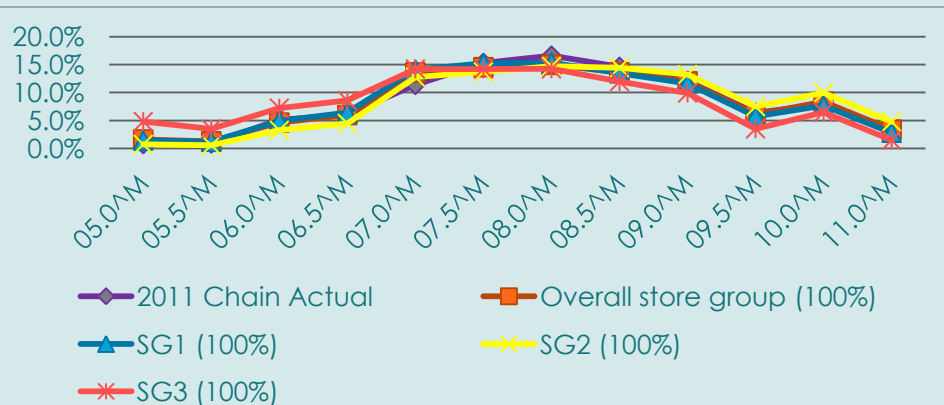


SAS – The right fit for DSW

- Easy to install
- Speed to benefit
- Improves data through imputation
- Integrates with existing solutions

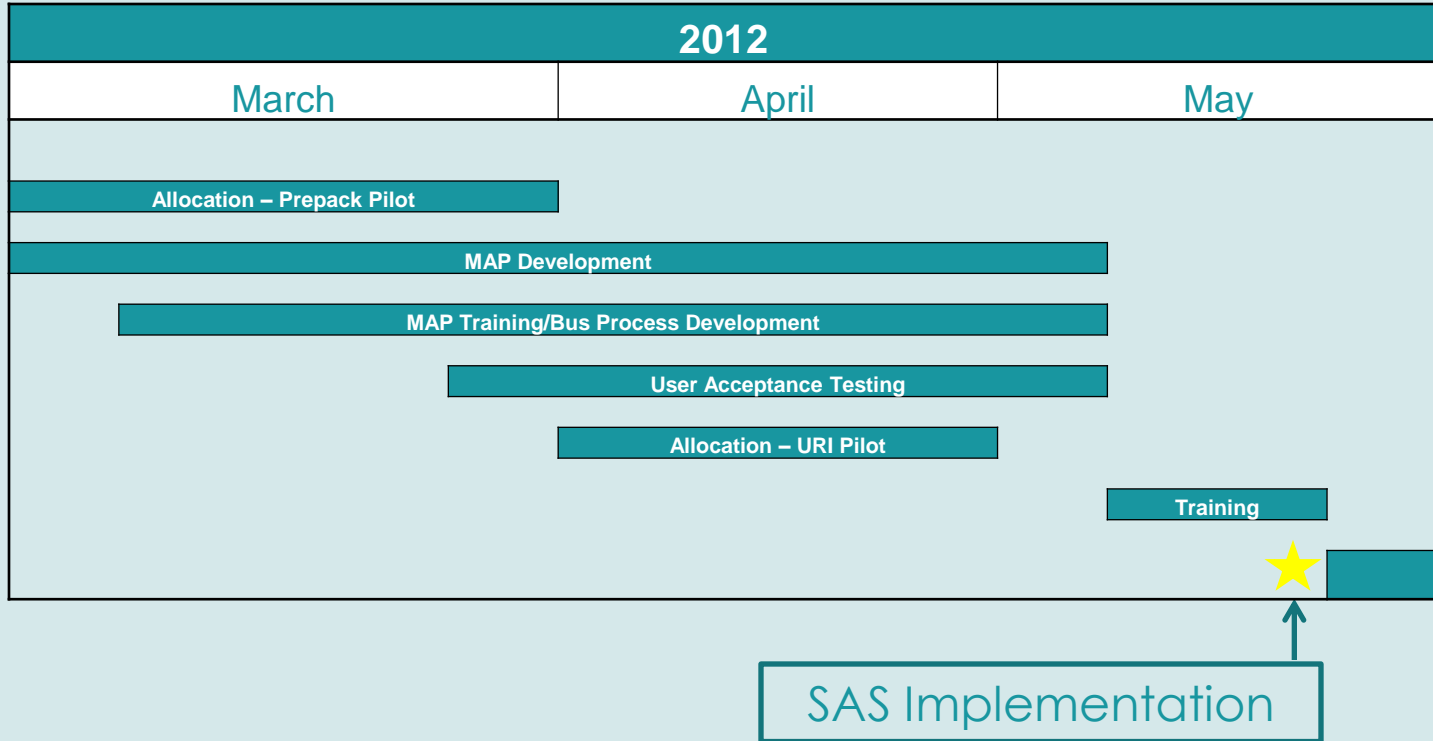


Branik



- Increased sales
- Better inventory utilization
- Increased gross margins
- Satisfied customers

SAS Size Optimization Timeline



Benefits of Size Optimization

SAS imputes sales when inventory position by size is not optimal...generating better size curves.

SAS profiles are used to purchase merchandise and to allocate to stores...creating consistency between buying and allocation.

Benefits of Size Optimization

Buying to size curves for intended stores...not a total chain sales curve.

In-stock positions by size by store will improve resulting in higher sell-through at regular price...driving incremental margin and increased customer satisfaction.

Size Profiles

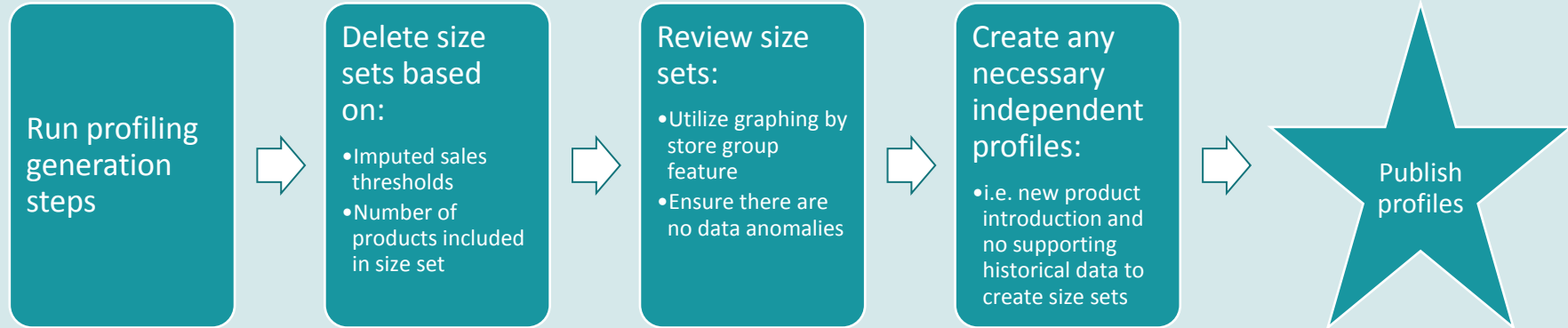
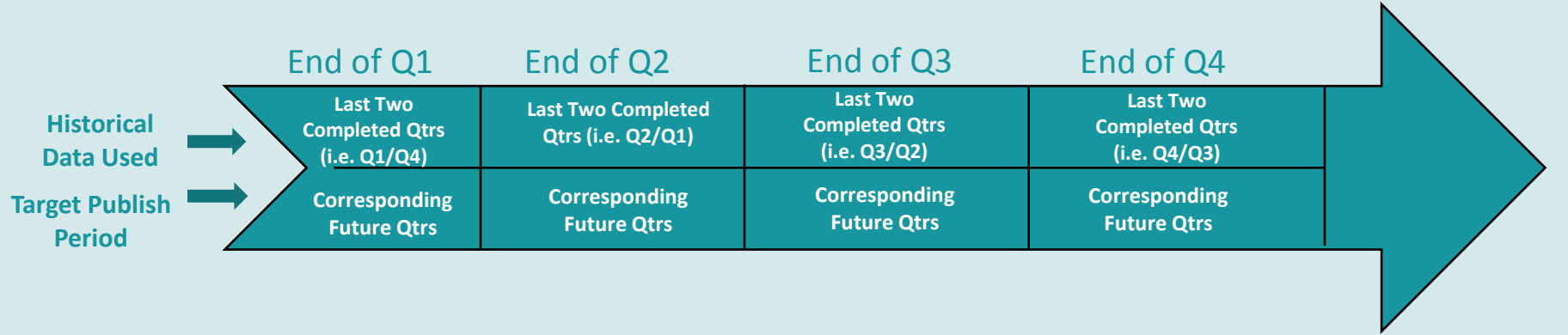
- Size profiles result in % contribution values by size for a specific size set (size range)
- Size profiles are created at the user defined product level
- Size profiles are created for store clusters based on statistically similar size selling patterns

Example profile for a Women's category with a size set of 6.0 thru 11.0

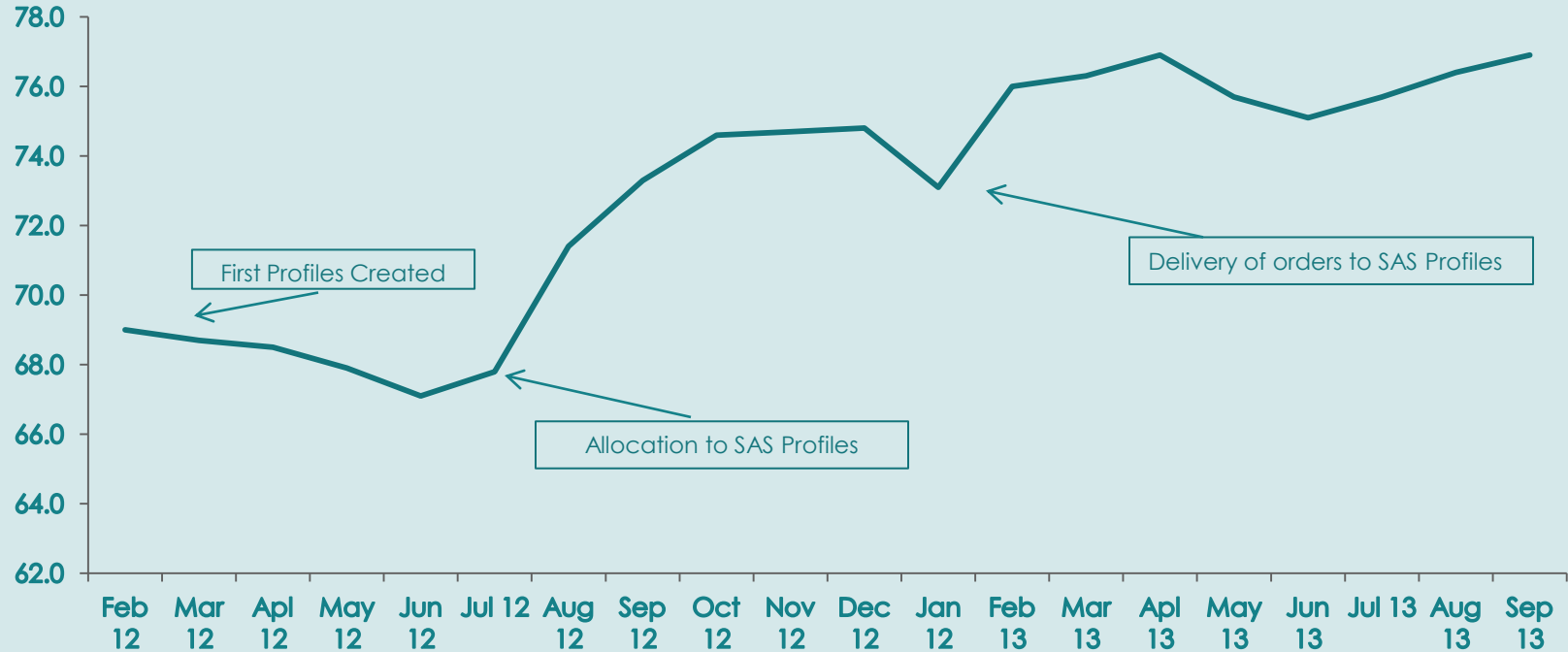
Store Groups												
Profile Distribution												
Size ▲	Overall store group (100%)	SG1 (100%)	SG2 (100%)	SG3 (100%)	SG4 (100%)	SG5 (100%)	SG6 (100%)	SG7 (100%)	SG8 (100%)	SG9 (100%)	SG10 (100%)	SG11 (100%)
06.0*M	5.82	6.87	3.71	8.09	4.87	3.53	5.92	6.48	4.56	6.03	5.14	5.15
06.5*M	7.16	8.12	5.76	8.80	5.96	5.71	7.40	7.34	5.97	7.52	6.85	6.74
07.0*M	11.08	11.40	10.38	12.71	10.69	8.88	10.14	11.13	10.39	12.14	10.28	10.46
07.5*M	13.10	13.29	13.29	14.52	12.67	10.33	12.45	12.48	11.90	13.57	12.21	15.91
08.0*M	15.18	14.35	16.67	15.12	14.89	14.59	14.			50	15.49	14.91
08.5*M	14.17	14.14	15.16	13.53	13.97	15.39	14.	Contribution Values		38	15.75	13.60
09.0*M	12.96	11.49	14.60	11.03	12.58	13.76	15.37			12.31	12.75	12.29
09.5*M	8.34	7.34	8.63	6.89	8.87	10.41	8.35	8.88	8.69	8.10	9.37	8.30
10.0*M	8.66	8.26	8.50	6.99	9.50	11.69	8.82	8.70	11.18	8.12	8.61	9.52
11.0*M	3.53	4.74	3.30	2.32	6.00	5.71	2.34	4.08	3.24	2.73	3.55	3.12

Profiling Timeline

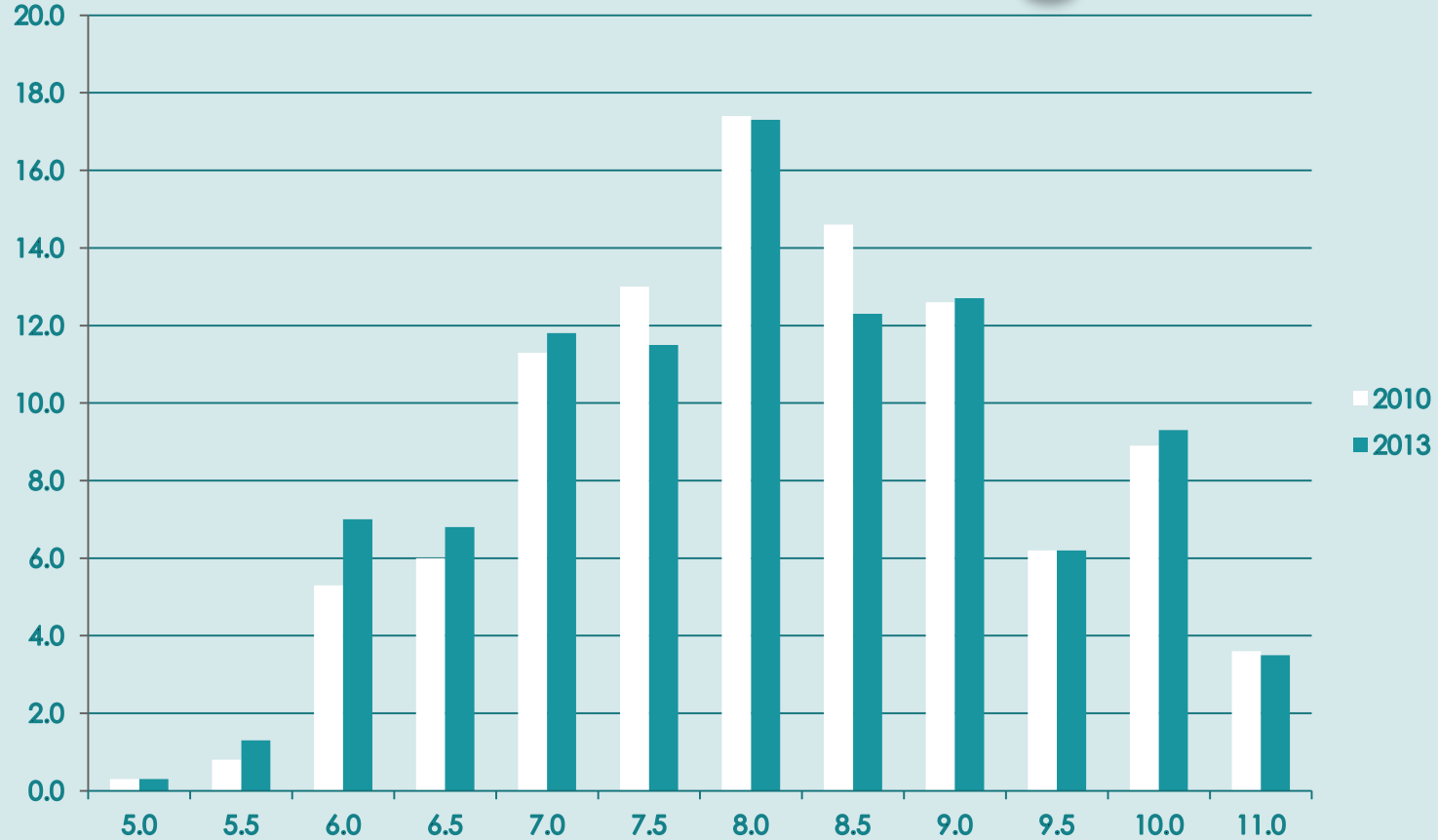
DSW updates profiles on a rolling quarterly basis using 6 months of data



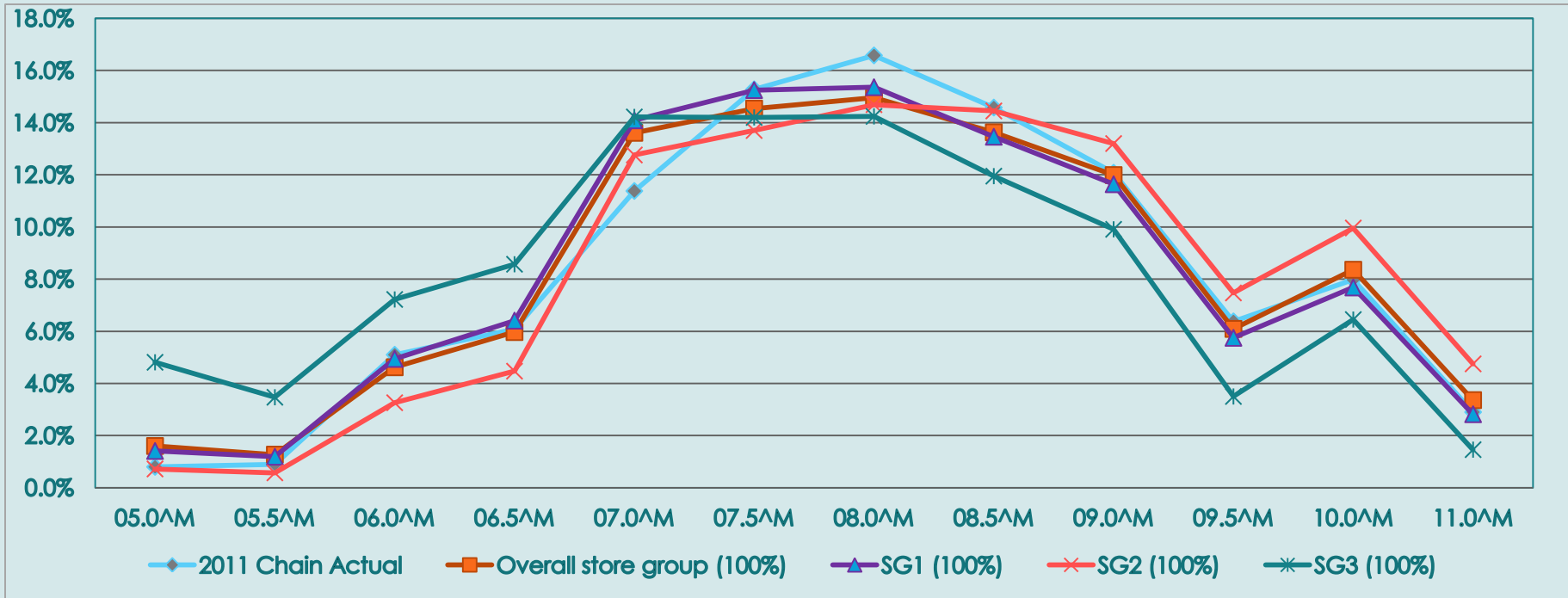
Core Item In Stock %



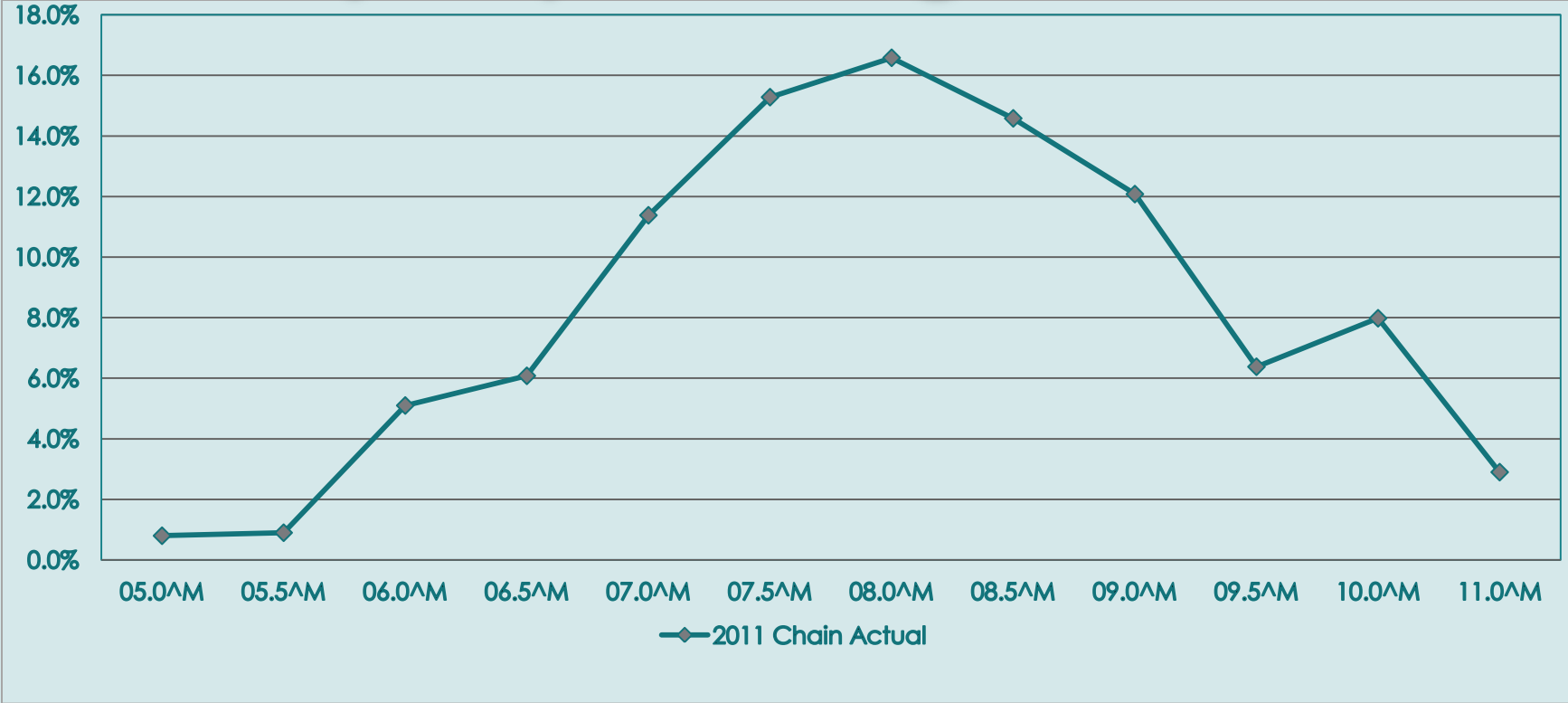
Size Selling



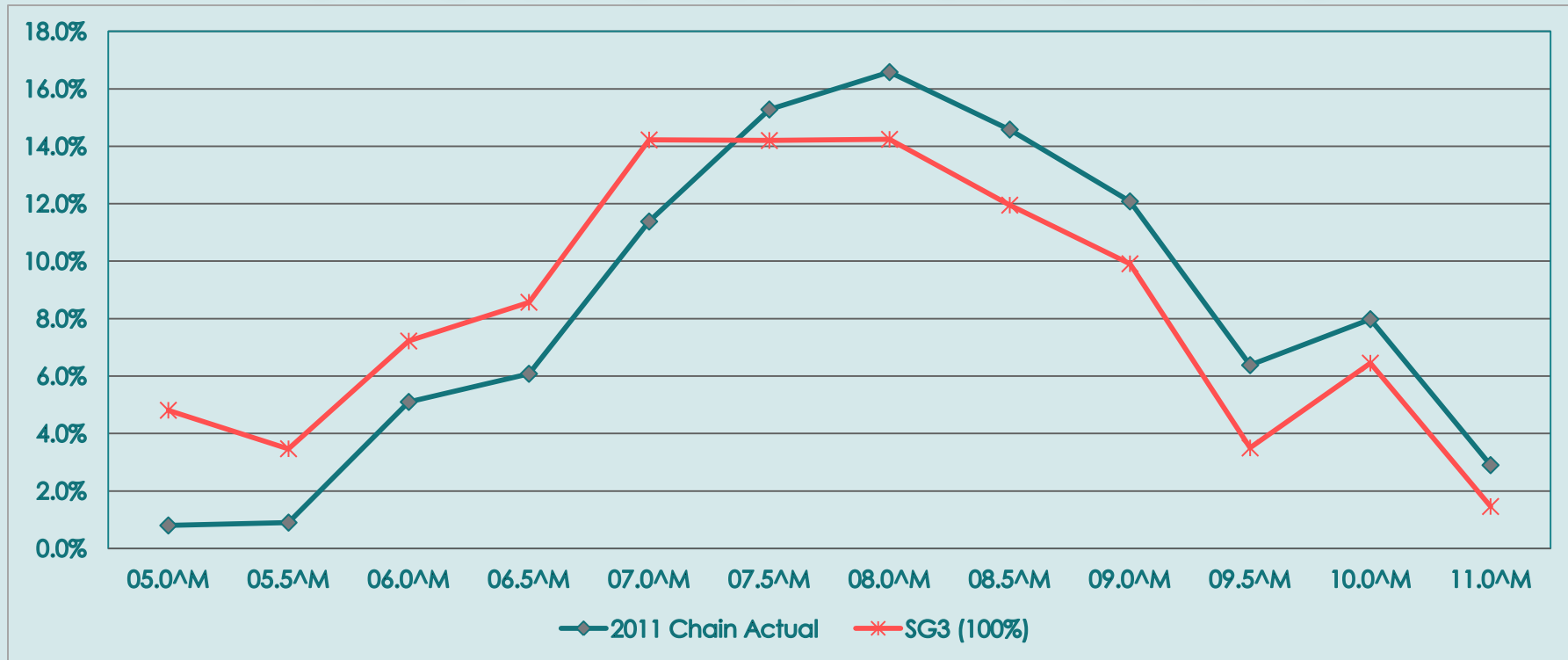
Size Profiles



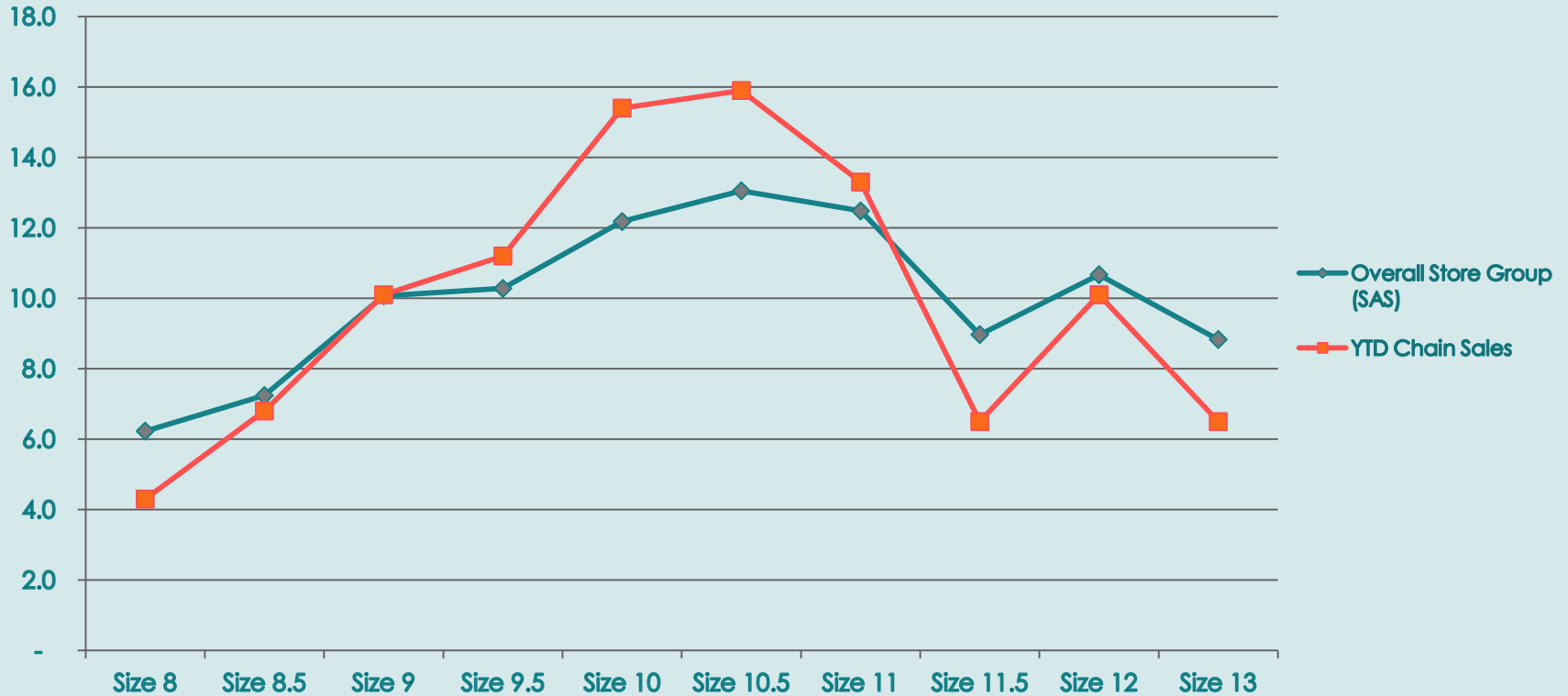
Company Average Size Profile



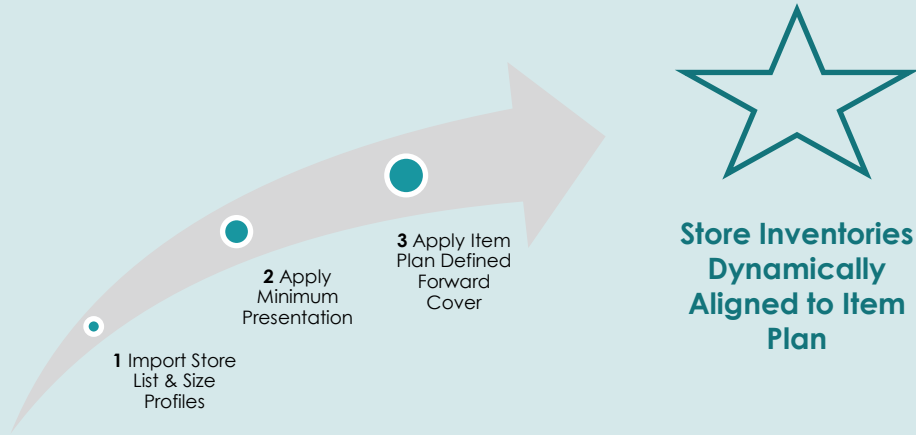
Size Profile Variations



Size Profile Variations



Current Allocation Process



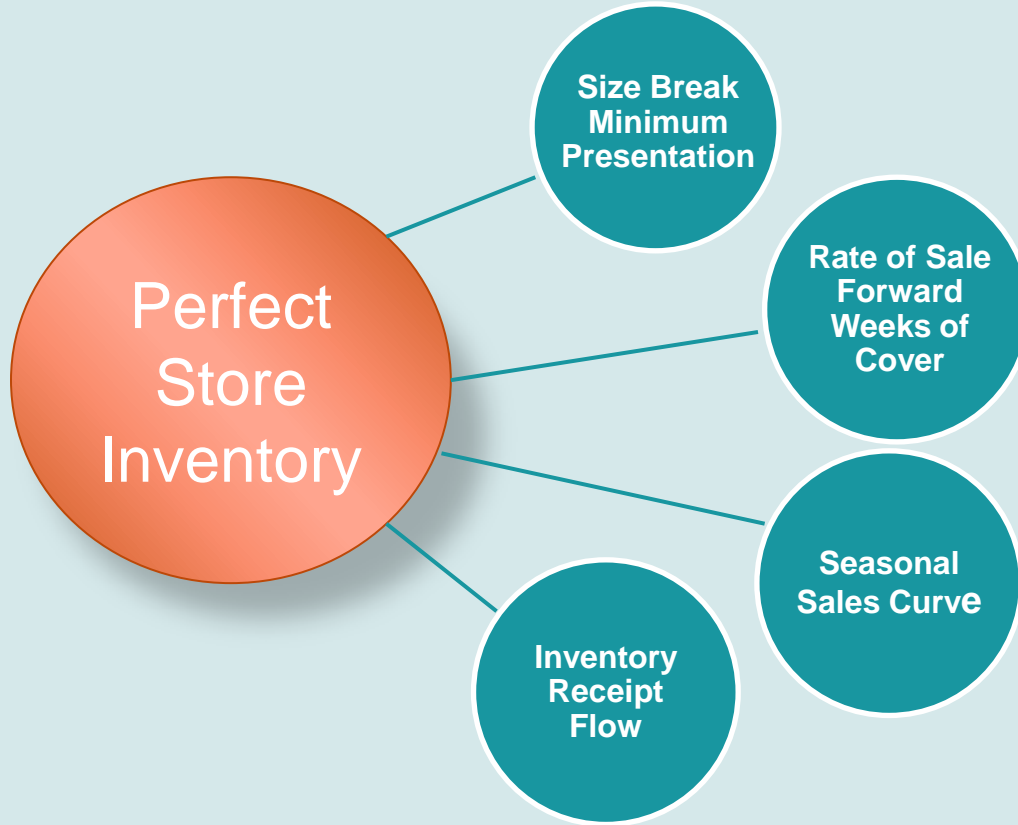
1. Store list from MAP is used to generate respective store profiles (new model).

2. Store's receive a minimum presentation of 1 unit per size for sizes defined in the buy with special consideration for fringe sizes.

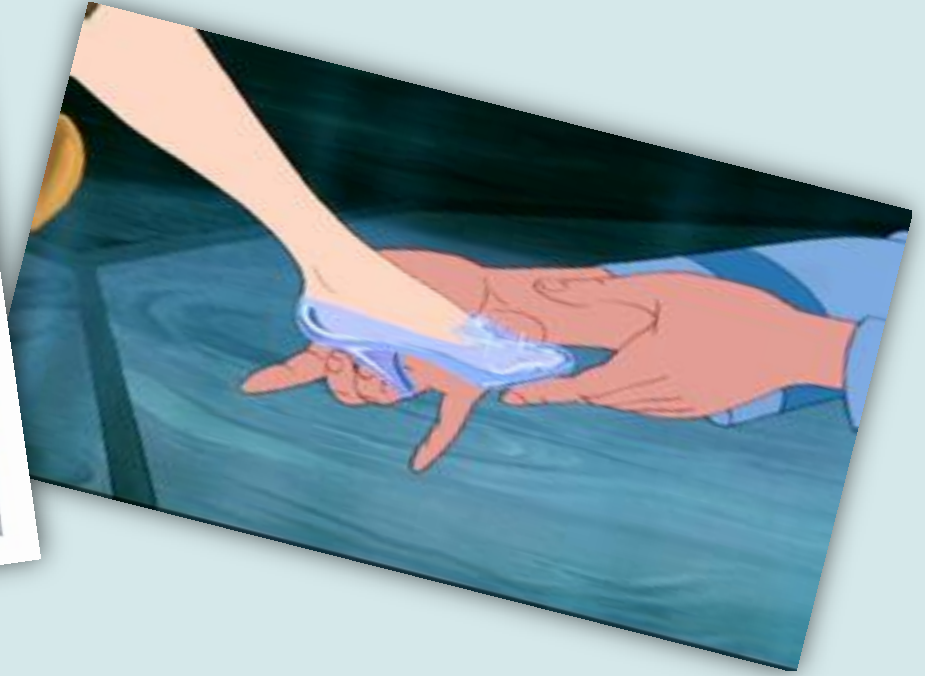
3. Forward cover is calculated using each store's actual rate of sale multiplied against the item's planned weeks of cover.

Old Process:	<ul style="list-style-type: none"> Fixed store inventory levels based on volume group designation. Size distribution based on a chain selling curve applied to all stores.
New Process:	<ul style="list-style-type: none"> Store inventories built dynamically based on actual store performance. Store inventories aggregate in alignment with the item plan. Size distribution based on store profiles generated from the size optimization solution (SAS).
Benefits:	<ul style="list-style-type: none"> Increased productivity based on aligning inventory with actual store performance. Improved in-stock%'s from allocating by size in alignment with size optimization store profiles.

SAS Allocation Process



You have my size!!!



Overview

The Beginning

- Stand alone Allocation
- An Excel spreadsheet (or two)
- The acknowledgement “We Can Do Better”

The Transition

- Develop a plan
- Develop the process
- Foundation first
- Change management

Today

- Fully integrated process
 - Supported by systems
 - Improved efficiencies
 - Impact on financial metrics
-

Summary

The Beginning/The Transition	Today
<ul style="list-style-type: none">▪ Excel based programs▪ Lacking system integration▪ Limited functionality	<ul style="list-style-type: none">▪ Inventory projections that support the sales plan▪ The ability to plan inventory bottoms up which provides more accurate receipt projections▪ The ability to plan the entire regular price life cycle of an item
<ul style="list-style-type: none">▪ Non-standardized approach▪ Minimally defined end to end process▪ Lacking consistency across positions	<ul style="list-style-type: none">▪ Integrated process defined▪ System support based on business process▪ Consistent definition of roles and responsibilities▪ Standardized training on the process and application for Planning & Allocation
<ul style="list-style-type: none">▪ No Size capability▪ No forecasting capability	<ul style="list-style-type: none">▪ Fully integrated systems▪ Improved financial performance

Systems Evolution

