



DSW has around 550 stores, or 'warehouses' as it refers to them, in North America.

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DSW takes control of its own destiny

US footwear retailer DSW has not grown its store network from one site in Ohio in 1991 to around 550 in 2019 by turning a blind eye to shifts in the retail landscape. Its senior management could hardly fail to be struck by the struggles of another shoe giant, Payless ShoeSource, which earlier this year took the decision to close all its stores in North America following a treacherous two-year period that included four months in chapter 11 bankruptcy protection and a substantial financial restructuring.

After adding Canadian footwear retailer The Shoe Company and US fashion group Camuto to its portfolio in 2018, DSW changed its corporate name to Designer Brands Inc. The DSW (Designer Shoe Warehouse) name lives on for the brand name shoe and accessory retailer.

In June, chief executive Roger Rawlins said its now vertically-integrated structure puts Designer Brands in a "unique" position in the footwear retail sector. Explaining this, he pointed to the combination of DSW's retail strength, Camuto's design and sourcing capabilities, and what he called "a last-mile solution" in The Shoe Company. With all this in place, the group is confident it can continue its streak of 27 consecutive years of sales growth.

Supply chain control

Designer Brands announced the acquisition of the Camuto Group in November. Launched in 2001 by Vince Camuto, who also co-founded Nine West, it has an impressive track record of building private brands, including the brand that took the name

Now is not an easy time to be a footwear retailer in the US. Designer Brands Inc. (formerly DSW) has put plans in place to ensure it doesn't suffer a similar fate to former rival Payless ShoeSource, the most high profile victim of a highly challenging retail environment.

of its founder. It offers design, sourcing and wholesale distribution services for a wide range of labels.

Mr Rawlins says bringing these capabilities into the group gives the DSW brand greater control over the products it makes and sells, allowing it to set itself apart from its footwear retail competitors. "One way to differentiate on product is to make our own goods," he says.

It will also give DSW the ability to establish its own private brands, something he admits the company had been struggling to do for around 15 years. It "failed" in its attempts to do this alone, according to the chief executive, even after taking the step of recruiting factory partners. It realised that to fill this gap in its skills it would have to make an acquisition and in Camuto it found a fitting solution.

*The Camuto Group
manufactures shoes for a
range of fashion brands.*

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Designer Brands aims to increase the percentage of its sales that come from private brand products to 30%, compared to 10% currently. It is able to have greater control over the sourcing costs of products made in-house, allowing for a higher potential margin. It has already made progress in moving its existing exclusive brands production from its existing suppliers to Camuto and is on track to complete this transition by the start of 2020.

By 2021, the group wants Camuto to contribute sales worth \$275 million to DSW's revenue. This will be driven by a greater product assortment, which will be achieved by making full use of Camuto's manufacturing and sourcing capabilities.

Untapped potential

One of the areas DSW has looked to tap into over recent years is children's shoes. "This is a much bigger opportunity than we thought," Mr Rawlins says, with the company only turning its attention to this segment around six years ago. Since then, it has rolled out the DSW Kids range across all its stores. It wants to double its sales of children's footwear by 2021.

To accomplish this, it will look to capitalise on the know-how of The Shoe Company, its other acquisition from 2018, which Mr Rawlins says "dominates" the children's shoe market in its home market of Canada. "There are lots of learnings we can take from there," he explains, adding that the children's segment can be an important growth vehicle for DSW.

Seasonal product, which refers to items such as winter boots and summer sandals, is another that it intends to strengthen, despite it already being what Mr Rawlins calls "by far our most profitable segment".

Away from specific segments, DSW, like any retailer, is focused on driving traffic into its stores. Recent steps it has taken include relaunching its long-established loyalty programme, which currently has around 27 million members and makes up an estimated 90% of its customer base. The revamped version, put into action last year, places a greater emphasis on member retention.

It is also working to enhance the in-store experience of its customers. Among the initiatives it highlights are the installation of nail bars in a number of its locations. This may sound like a superfluous feature for a shoe store, but it is designed to encourage customers to visit their local outlet more often, increasing the likelihood that they will make a purchase. "It's a reason for you [the customer] to stay engaged with our brand," Mr Rawlins says. A possible development for the future is a subscription-based service, the likes of which have already had success in the sportswear sector.

Digital expertise

Designer Brands expects its new structure as a multi-brand group to benefit not only the core DSW brand. Camuto, for example, does very little direct-to-consumer business (less than 1% of total sales according to its parent company), so there is great scope for growth. It plans to achieve this by leveraging DSW's omni-channel capabilities, which include a strong digital presence and an extensive network of stores and retail partners. This will give Camuto a stronger platform to reach more consumers.

Being part of the Designer Brands group is also expected to boost Camuto's manufacturing output, which has dropped considerably over the last few years. At its peak in 2016 it made

TARIFF TALK

During a conference call with investors to discuss Designer Brands' results for the first quarter of 2019, chief executive Roger Rawlins chose to voluntarily address the hot topic of tariffs.

After a near three-month impasse, officials from China and the US came together at the end of July for further negotiations aimed at defusing trade tensions between the two world powers.

Mr Rawlins told investors that the use of "dramatic tariffs" as a negotiating tool is "short-sighted", but he insisted that Designer Brands has carefully studied the impact they would have on its business and how they could be mitigated should they come into force.

He said the first priority for the company has been to move production from China to other countries. With the Camuto Group having manufacturing operations in 13 countries and DSW's existing sourcing relationships, he expressed confidence that Designer Brands has the flexibility required to cope with any disruption to its supply line from China.

He added: "We sincerely hope that rational thinking will prevail and footwear will continue to be excluded from any new tariff, but we are ready to respond if they occur and in fact are executing portions of our mitigation plan regardless of actual implementation."

around 33 million pairs of shoes each year, but this has fallen to around 23 million pairs. "When we bring to life the DSW private brands, our expectation is that they will get back up to around 32 million," Mr Rawlins says.

Regarding The Shoe Company, the focus is on building a better digital strategy by leaning on DSW's existing strength in this area. The Shoe Company's products were made available on DSW's website in the first quarter of this year, with Mr Rawlins saying they have already "performed in an unbelievable way".

Other plans for the Canadian retailer include the opening of more stores in its home market, with the French-speaking province of Quebec an as yet untapped market. It also intends to launch The Shoe Company's own loyalty programme, which is expected to be in place by the end of the year. By then, Designer Brands will hope to have learned some lessons from the roll-out of DSW's own loyalty programme in Canada, which began this June. 🌀