

## **Written Testimony of Rob Howell**

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Academy Sports + Outdoors  
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### **Good morning.**

Thank you Chairman Cruz, Ranking Member Cantwell, Chairman Young, Ranking Member Peters, and members of the U.S. Senate Committee on Commerce, Science, & Transportation, and the Subcommittee on Surface Transportation, Freight, Pipelines, and Safety, for the opportunity to testify before you today on the critical topic of cargo theft.

I'm Rob Howell, Senior Vice President and Chief Supply Chain Officer at Academy Sports + Outdoors. In my role, I'm responsible for our supply chain operations, including our distribution centers, and domestic and international logistics.

Academy is a leading sporting goods and outdoor recreation retailer headquartered in Katy, Texas, a suburb of Houston. We employ approximately 22,000 Team Members – or employees – across 298 stores in 19 states including Texas, Illinois, Ohio, and Florida. We operate three distribution centers in Texas, Tennessee, and Georgia, and our Corporate office is also located in Texas.

Founded in 1938 in San Antonio, today Academy offers a broad assortment of outdoor, apparel, footwear and sports & recreation products including leading national brands and a portfolio of private label brands. Academy's mission is to provide "Fun for All" and we fulfill this promise through a localized merchandising strategy and value proposition that connects with a broad range of consumers.

### **The Rising Impact of Cargo Theft**

Cargo theft is affecting shoppers across the country and disrupting their ability to find the items they need, when they need them. Organized cargo theft is rapidly growing and broad-reaching, impacting supply chain networks both on the road and on the rail system. Like many retailers, our goods are first shipped from the point of origin to our distribution centers through an interstate network. This enables us to efficiently move merchandise and equip our stores with the products customers want to purchase, at competitive price points they appreciate, at the time of need.

In my 25 years in supply chain I've never seen cargo theft this prevalent – and there has been a dramatic increase in the last 18-24 months including:

- **Load interception** – Diverting shipments from their intended destination
- **Identity theft** – Impersonating legitimate carriers to steal shipments
- **Double brokering** – Carriers or brokers subcontracting loads illegally or inadvertently to fraudulent carriers who then intercept the goods
- **Cyber fraud** – Stealing of online credentials or infiltration of transportation systems

In today's retail landscape, there is a robust cargo theft network comprised of bad actors who demonstrate increasing levels of sophistication. In the past, cargo theft typically presented as a bad actor stealing a truckload or duplicitously obtaining a DOT motor carrier number. In today's environment, it has rapidly progressed. It is common to experience cybertheft of online credentials and systems, perpetrators that cut doors on trucks – so they don't break the security seal – to steal the products, fraudulently edit the transport documentation, and reattach the doors all in one transaction... while still eluding prosecution.

At Academy we work only with reputable third-party companies that subcontract our loads to carriers from the point of origin to our distribution centers. In our experience, we most often see cargo theft in the form of identity theft or fraud.

For example, we had a shipment of private-label swimwear intercepted in transit in Nevada. The entire load was stolen, forcing us to reallocate swimsuits already in the Academy network to the intended destination of the shipment, our southern stores. It was shopping season for swimwear – this product was in demand and we knew if we didn't immediately reallocate merchandise we would lose those sales, and potentially, those customers, in the long-term. Apart from the cost of lost merchandise, this also resulted in additional transportation costs, shipment delays, and possible customer impact.

### **Real-World Impact on Retailers and Consumers**

Cargo theft impacts a variety of stakeholders, including:

- **Third-party service providers** – Brokers and carriers are attentive to the issue. When products are stolen, we are notified by the third-party service provider, which then launches an investigation, engages authorities, and activates their internal loss prevention team. We then seek financial restitution. However, we are only eligible to be reimbursed for the inventory at cost – not retail. This results in lost sales for our company and can also be reflected in increased costs for more secure transportation. Additionally, we've had to intervene and make investments in how products are sealed, tracked and traced via technology and GPS, as well as moderating cybersecurity threats to ensure information is delivered securely.
- **Retailers** – Cargo theft also disrupts how we operate our business. In addition to its impact on our merchandising, inventory management, and distribution center teams as they work to replace stolen merchandise, it also creates the need for additional time and resources to pursue the exploration and/or implementation of additional in-house systems.
- **Customers** – When goods are stolen in transit, it means customers cannot buy them from us (either in-store or online). We lose that individual sale. We also potentially lose that customer and the ability to build loyalty with that customer in the long-term, as they may shop from another retailer with product available. The issue is exacerbated by the fact that some goods are seasonal – limited time or limited availability – and cannot be easily replenished. Those missed sales can also mean less revenue, through sales tax, for the local communities we serve.

### **Conclusion**

Partnering with industry thought leaders like the Retail Industry Leaders Association (RILA) enables us to stay aware of best practices and trends to help protect Academy Sports + Outdoors. We also remain in constant communication with our third party partners. But that is not enough.

There is a need for greater support to inform coordination, communication, and collaboration among local, state, and federal agencies, as well as the private sector, to mitigate impact to retailers, brokers, carriers, and customers.

Thank you for the opportunity to share our experience, and I look forward to your questions.