

From margin pressure to a governed AI pilot decision.

A business-first case study in diagnosing a complex operating problem, determining where AI can create defensible value, and designing a controlled path from evidence to implementation.

THE BUSINESS CHALLENGE	EVIDENCE DISCIPLINE
A multi-channel retail business faced margin pressure alongside suspicious return behavior and inconsistent demand planning. Leadership needed a clear view of the root causes, the available interventions, and whether AI belonged in the solution.	Known: margin pressure and operational friction. Hypotheses: returns abuse and forecast error may be material contributors. Required: transaction, return, inventory, policy, customer-service, and workflow evidence.

The Deagmark advisory method

DIAGNOSE	COMPARE	GOVERN	PILOT
Find the true cost drivers Map processes, inventory data, quantify friction, and validate root causes.	Make AI earn its place Evaluate policy, process, automation, analytics, and AI against shared criteria.	Design control before code Set ownership, privacy, human review, auditability, and escalation.	Prove value safely Limit scope, define evidence, and use explicit entry, exit, and stop criteria.

The decision question

Which intervention can address the verified source of loss with the lowest practical risk - and what evidence must leadership see before expanding beyond a controlled pilot? The initial AI ideas remain hypotheses until diagnosis is complete.

The case deliberately separates the recommendation from the outcome. Financial impact, adoption, and operating benefits are measured only after a verified baseline and controlled pilot evidence are available.

AI competes with simpler interventions.

The recommendation should follow the evidence. Each option is assessed against business fit, data readiness, operating complexity, customer impact, implementation risk, and ability to measure value.

OPTION	BEST USE	DISPOSITION
Policy and process redesign	Close obvious control gaps, clarify exceptions, and remove avoidable workflow friction.	Foundation
Rules-based automation	Automate stable, explainable decisions where thresholds and exceptions are known.	Test first
Descriptive analytics	Expose patterns, segments, and operating drivers before introducing predictive decisions.	Required
AI returns-risk decision support	Prioritize cases for trained reviewers where behavior is complex and patterns may change.	Controlled pilot
AI demand forecasting	Improve planning after product, promotion, inventory, and demand history are reliable.	Separate workstream

Recommended pilot: returns-risk decision support

Advance a limited pilot in which the model proposes a risk tier and supporting signals. A trained reviewer makes the final decision, may override the recommendation, and records the reason. Customers retain a clear escalation path. Demand forecasting remains a separate workstream until the necessary data foundation is demonstrated.

GUARDRAIL

Scope

Limit channels, return types, and user groups so learning is controlled.

GUARDRAIL

Data and privacy

Confirm lawful use, access controls, retention, lineage, and quality.

GUARDRAIL

Fairness and safety

Test error patterns, customer impact, drift, and unintended outcomes.

GUARDRAIL

Operational control

Train reviewers, log overrides, monitor incidents, and define shutdown authority.

Evidence required before scale

False-positive rate	Precision and recall	Manual review time	Reviewer override rate
Customer escalations	Return-cost trend	Model drift	Reviewer adoption

What leadership receives before approving scale.

The case converts an ambiguous business concern into a governed implementation decision, with artifacts that connect economics, accountability, risk, delivery, adoption, and measurement.

DECISION PACKAGE

Strategy and economics

Business case and charter: problem, value logic, boundaries, dependencies, and decisions.

Use-case portfolio: evidence, feasibility, risk, and readiness scoring.

DECISION PACKAGE

Governance and sourcing

Governance and RACI: accountable business, data, technology, risk, legal, and operations owners.

Vendor evaluation: capability, integration, security, explainability, service, and commercial criteria.

DECISION PACKAGE

Pilot and risk control

Pilot plan: scope, test design, entry and exit criteria, timeline, and go/no-go gates.

RAID and controls: risks, assumptions, issues, dependencies, mitigations, and escalation triggers.

DECISION PACKAGE

Adoption and value

Change and adoption: role impacts, communication, training, support, and procedures.

Benefits measurement: baselines, KPI ownership, reporting cadence, and verification rules.

ENGAGEMENT OUTCOME

Leadership receives a decision-ready roadmap for a governed, human-reviewed pilot - with clear ownership, controls, success measures, and go/no-go gates. Scale is approved only when the pilot produces credible evidence of business value and acceptable operational risk.

Discuss an AI initiative

Bring the business problem, current workflow, available evidence, constraints, and the decision leadership must make. Deagmark will help determine whether the right next move is process improvement, automation, analytics, AI—or no technology change at all.

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