

More Retailers Budget for RFID

At least a third of U.S. retailers plan to deploy RFID technology this year, according to a recent study.

By Jonathan Collins

Jan. 24, 2005—Retailers are focusing their IT investments on supply chain efficiency this year in order to stay competitive, with radio frequency identification accounting for a growing amount of interest and investment, according to new research by the NRF Foundation, a nonprofit education and research arm of the National Retail Federation, and [BearingPoint](#).

The study, *Retail Horizons: Benchmarks for 2004, Forecasts for 2005*, found that 53 percent of the more than 300 U.S. retailers surveyed put replacing and upgrading their merchandising and inventory-management systems as their top information technology strategic initiatives for 2005. In second place was replacing their point-of-sale (POS) terminals, with 38 percent of respondents making that their top priority.

RFID spending will be part of an increasing number of the companies' budgets for improving inventory management: 35 percent of companies indicated they will deploy the technology to some degree this year. That figure was up from just 15 percent in the same survey carried out last year.

"The retail community is clearly looking at RFID to see how real it is and whether or not it should be a strategic initiative," says Brian Higgins, director of supply chain strategy and emerging solutions at Bearing Point, a business consulting and systems integration company based in McLean, Va. The survey found that more than one third of the respondents were planning to deploy RFID at some level this year, and 11 percent of companies saw RFID deployment in 2005 as of key strategic importance. In addition, 50 percent of respondents said they would tag between 6 and 10 percent of their merchandise with RFID this year. The survey did not ask at which level (pallet, case or item) the tagging will take place.

The other 50 percent, however, responded that they will tag no merchandise at all in 2005. Among companies not investing in RFID, 65 percent said the technology is too expensive, 51 percent said it was too difficult to integrate and 48 percent said it was too complicated.

According to BearingPoint, the survey, which was carried out in the fourth quarter of last year, covered a range of companies—from those with a single store to those with more than 2,000—but responses indicating investment in RFID were primarily from the largest retailers surveyed.

The full study focused on nine areas, including store and field operations, supply chain, customer relationship management, merchandising, advertising and marketing, human capital, information technology and online.

It is available online from the NRF Bookstore at www.nrf.com/bookstore to NRF members for \$295 and to nonmembers for \$495.

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