

# Wal-Mart Begins RFID Process Changes

The retailer has started deploying new applications and implementing new procedures aimed at using RFID data to reduce out-of-stocks.

By Mark Roberti

Feb. 1, 2005—Wal-Mart has begun rolling out the first applications and process changes based on radio frequency identification data at the original seven Wal-Mart stores in Texas that were outfitted with RFID readers. The aim of the applications is to reduce out-of-stocks by providing visibility into the location of goods with RFID tags.

"They've been live for [three] weeks now," Simon Langford, Wal-Mart's manager of global RFID strategy, says of the applications in the seven stores. "We'll roll them out to the other 140 RFID-enabled stores in February."

At each of the 104 Wal-Mart stores and 36 Sam's Clubs, the company has installed RFID readers at the receiving docks at the back of the building, near the trash compactors and between the back room and the retail floor. For the cases of goods that are shipped to the stores with RFID tags, Wal-Mart records their arrival by reading the tag on each case and then reads the tags again before the cases are brought out to the sales floor.

By using sales data from its existing point-of-sales system, which is not using RFID, Wal-Mart subtracts the number of cases of a particular item that are sold to customers from the number of cases brought out to the sales floor. Based on that information, software monitors which items will soon be depleted from the shelves and automatically generates a list of items that need to be picked from the back room in order to replenish the store shelves.

"By reading the tags on the cases that are brought out from the back room, we're able to see what items have actually been replenished," says Langford, instead of relying on people to record on a handheld computer what has been picked in the back room.

Wal-Mart has developed a handheld RFID reader that acts like a kind of Geiger counter, beeping when an associate gets close to the item he or she needs to pick. That reduces the amount of time spent in the back room. The plan is to provide the handheld devices to associates in the original seven stores and then deploy them at the rest of the 140 stores during the course of the year.

The retailer is also sharing data from all its RFID read points with its suppliers through Wal-Mart's Retail Link extranet. When a case is brought out to the sales floor, the system records that it's being put out on the shelves. When the case is read at the trash compactor, the status within the system is changed to "on shelf." Suppliers can get updates on the location of their goods within 30 minutes of the goods' movement from one part of the store to another.

Despite recent reports that Wal-Mart's RFID deployment is behind schedule, Langford indicates that the

retailer is on track. Ninety-four suppliers shipped tagged product to Wal-Mart as of Jan. 31, and more are expected to begin shipping tag pallets and cases in February.

"Some suppliers left their tag orders until late," Langford says. "Some haven't been able to get tags for whatever reason. Some did their testing late and found they needed a special form factor, which takes time to develop and manufacture."

Wal-Mart plans to RFID-enable 600 Wal-Mart and Sam's Club stores and 12 distribution centers by the end of the year. In June 2004, the retailer met with its "next 200" suppliers to discuss how they will use the technology, beginning in January 2006. The company will carry out tagging reviews with them this coming spring. Langford says that these suppliers will not be asked to tag cases and pallets shipped to all 12 DCs and 600 stores at the start of next year but instead to the three DCs and 140 stores that currently RFID-enabled.

"If a supplier wants to ship to all 600 stores, we won't hold them back," Langford says. "Some are eager to move quickly. The perception of RFID is changing. Certainly, the next 200 suppliers have more support and are probably more educated and are in better shape than the first 100, who were the trailblazers. The technology companies, integrators and consultants have learned a lot and are in a better position to help the next 200 suppliers."

Langford says he's very pleased with the 98 percent read rate Wal-Mart has been achieving as goods arrive at the store receiving docks and as they are brought out to the retail floor. It's too early to say what impact RFID is having on product availability for the tagged cases, but Langford says, "The really exciting thing is we're starting to work more efficiently already."

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