

The Puzzle of Putting RFID Tags on Beer

An executive of Coors Brewing Co. spells out the unique problems beer manufacturers face in meeting RFID mandates.

By Mark Roberti

Feb. 8, 2005—If you are struggling to find a way to put radio frequency identification tags on your products to satisfy one of your customers, you can be thankful that at least you are not a beer manufacturer. An executive of Coors Brewing Co., a Golden, Colo.-based beer manufacturer, explained the unique challenges his company and industry face in trying to meet mandates from retailers.

Speaking at a conference today in Tampa, Fla., organized by the Packaging Machinery Manufacturer's Institute, George Nesperke, group manager of long-range planning at Coors, said that the cost of RFID tags and the fact that his company's products have both water and metal (two materials hostile to RF systems) are big issues, but the nature of the beer industry also affects his company's ability to meet mandates.

U.S. law prohibits Coors and other beer makers from selling directly to retailers. Coors' 530 distributors sell its products and those of its competitors to Albertson's, Target, Wal-Mart and other retailers. Some of these distributors are billion-dollar companies with sophisticated technology. Others are mom-and-pop operations that have trouble using online ordering systems.

Coors ships pallets of beer to its distributors, but the distributors break down those pallets and assemble new ones to fill orders for retailers. Each new pallet could have a dozen or more different stock-keeping units from a variety of manufacturers. So who should pay the price of the pallet tag? Coors plans to discuss the issue with the distributors and other beer makers to work out a scheme.

A distributor ships beer directly to a store and never goes through a retail distribution center. Nesperke says there could be some benefit to the distributor at the point of receiving at the retail store. Today it can take up to 90 minutes to confirm that all the items ordered by the retailer have been delivered. RFID could cut that time dramatically. This would reduce the distributor's costs, since less time would be needed for each delivery.

The problem is that reading an RFID tag attached to a case of canned beer can be tough, as can reading a tag on a case of bottled beer. Coors believes it will take time for the technology to mature to the point where all cases of beer stacked on a pallet can be read.

And the price of the tag is a big issue for the distributor. "In many situations the profit margin on a case a beer would be equivalent to the cost of the tag," says Nesperke. "If the distributor is required to put a tag on each case, that could wipe out entire lines of business."

Coors is working with its distributors to get them to use electronic advance shipping notices as a first step to deploying RFID tags. Today, the industry does not use ASNs to let the retailer know what cases are being shipped the next day. But by adopting ASNs, there would be some benefit to using a pallet tag. The

distributors could put an RFID tag on each shrink-wrapped pallet, and they could associate information about the cases on that pallet with the pallet tag's serial number in a database. When the pallet arrives at a retail store, the retailer could read the data on the pallet tag, look up information about the cases on the pallet and match it to the ASN, saving time checking in the delivery.

Given the thin margins on the cases, Nesperke says he doesn't know when the distributors could begin shipping tagged cases. Coors is among Wal-Mart's "next 200" suppliers. What happens if Coors fails to meet the Wal-Mart requirement to tag pallets and cases starting in January 2006? Nesperke doesn't know the answer, but he has own version of the canary in the coal mine to alert him to impending problems.

"Anheuser-Busch is in the top 100," Nesperke says. "I'm watching what they do, so I'm not too concerned."

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