

# Iriver Pushes Play With RFID

The maker of portable MP3 players has teamed with OATSystems and ADT Security Services to prepare for Best Buy's RFID mandate.

By Mary Catherine O'Connor

Oct. 7, 2005—Iriver, a manufacturer of portable MP3 players, is ready to rock and roll with RFID, starting with early compliance to the RFID mandate to be enforced by consumer electronics retailer Best Buy.

Based in Milpitas, Calif., iriver is currently meeting the first phase of Best Buy's requirements: sending Best Buy samples of the encoded passive EPC Class 1 Gen 1 UHF RFID smart labels it will use to track cases and pallets of one of its music players. This will allow Best Buy to certify that the RFID inlays are readable. Starting in November and running through February 2006, iriver will apply the labels to all cases of one of its SKUs—an MP3 player—headed toward one Best Buy distribution center (DC) in Minneapolis. Then, beginning in March, the company will boost its tagging operation to include all SKUs it supplies Best Buy (currently six) headed to all Best Buy DCs to which it ships (currently seven).

Iriver is using OATxpress, an RFID mandate compliance package offered by Waltham, Mass., RFID middleware provider OATSystems, to commission electronic product codes (EPCs), aggregate case and pallet tags, filter extraneous RFID reads and verify shipments. OATSystems has also provided iriver some integration services. The company is using Sensormatic EPC Class 1 Gen 1 UHF RFID smart labels and readers from ADT Security Services, a division of Tyco Fire & Security.

Because it also supplies its MP3 players to Target, iriver expects soon to come under that retailer's RFID mandate. It is also hoping to become a Wal-Mart supplier. If that happens, it will eventually need to start tagging shipments headed to some Wal-Mart DCs, as well.

Iriver's senior manager of sales operations, Deepak Govil, believes the firm's present RFID work will result in a competitive advantage, while also helping iriver roll out its plan to begin item-level tagging its MP3 players, likely commencing by the middle of 2006. In so doing, the company hopes to get a jumpstart on the market and reap a competitive advantage.

"All of the benefits of RFID tagging for the retailers will come back to us, especially with item-level tagging," says Govil. He believes iriver can use RFID data to increase the visibility of stock levels in retailers' back rooms and on sales floor shelves. This will help it better manage its supply chain to keep shelves stocked with products and improve sales.

"In [vendors'] relationships with retailers," says Govil, "there is a huge element called 'vendor performance management.' Each vendor is judged based on shipping timeliness, so if we can track the orders all the way back to the DCs, we'll know where goods are and [that] there are no shipping discrepancies. And at the warehouse level, we'll have better controls because we'll know exactly what's leaving our facilities."

Moreover, because the MP3 players have a high retail value (some as much as \$500) but are small, they are

especially susceptible to shrinkage. Govil believes retailers will use item-level tags to keep better tabs on the players within the retail environment.

Because iriver is tagging just one SKU, of which only 2,000 to 3,000 units are being shipped to the Minneapolis DC monthly, the process will be run as a stand-alone system. The MP3 players are manufactured in China, then shipped in bulk to a third-party packaging company in the United States. The packaging company places the players into individual clamshell packages, packs those into cases and sends them to a third-party logistics (3PL) firm that processes orders for iriver. Iriver will flag Best Buy purchase orders containing the designated SKU, and these purchase orders will be faxed to the 3PL for special processing. As his company increases the number of SKUs to be tagged and the quantities of orders that require tagging grows, Govil says, it will move from this fax-based system to an electronic data interchange system it already uses to send order information to the 3PL.

Once the 3PL receives the marked orders, its workers will pick them and use OATExpress to generate RFID smart labels, which they'll hand-apply to the appropriate cases and pallets. As these pallets are loaded onto a truck, ADT portal readers will verify that the tags are still working and that the order is complete.

"This will result in some extra labor costs, but we don't expect the RFID system to be too invasive to the 3PL's current operations," says Govil, adding that as iriver moves beyond the pilot stage, its 3PL might begin integrating the RFID tagging system with its warehouse management system. The company also has plans to integrate its RFID data with its enterprise resource planning platform, which is Oracle-based. However, Govil does not yet have a timeline for that phase of the plan.

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