

# Walgreen to Use Tagged Displays

All of the chain's 5,000 drugstores will use RFID to track retail product displays to help the company and 15 of its CPG suppliers get a handle on the displays' effectiveness.

By Mary Catherine O'Connor

Dec. 7, 2005—Nationwide drugstore chain operator Walgreen has entered into a multiyear, chain-wide agreement to implement Goliath Solutions' RFID-based system for tracking the use and effectiveness of in-store product displays. The retailer recently completed a yearlong pilot of the system in 50 of its stores. Presently, Goliath is integrating RFID tags into product displays provided by 15 consumer packaged goods (CPG) companies, and Goliath expects more of Walgreen's suppliers to join. The participating CPG firms have not been named, but the Goliath Solutions Web site lists Procter & Gamble, GlaxoSmithKline and Alberto Culver as clients. Walgreen says the Goliath system will be installed in all 5,000 stores by the first half of 2007, as per the recent chain-wide agreement.

"Our customers [retailers and CPG firms] are interested in the execution of in-store promotions, but also in their effectiveness," says Robert Michelson, CEO of Goliath, based in Deerfield, Ill. "They want to know if the display's timeliness was good, or if a display performed better in the front of the store or the back." CPG companies and retailers also want to know how displays performed geographically—did a certain display work better in the U.S. Southwest than in the East, for example? CPG firms are particularly interested in confirming that the displays they send to retailers are erected and removed according to a predetermined schedule. According to industry research cited by Goliath, this happens only 50 percent of the time.

Michelson says Goliath generates these kinds of metrics for its customers in real time through the use of semi-passive RFID tags integrated into product displays. Interrogators (readers) installed throughout the store periodically read the tags' unique ID numbers. These IDs are transmitted from the interrogators, over phone or Internet linkages, to Goliath data centers. There, tag data is combined with the store's sales records of the products being promoted through the displays.

These two sets of data are combined and analyzed using proprietary software developed by Goliath. Michelson refused to name the manufacturer of the RFID equipment Goliath uses, but says his company has a number of technology partners. In March 2004, Checkpoint Systems, a Thorofare, N.J.-based provider of labeling and security systems to retailers, invested \$2.5 million in Goliath, in return for a minority stake in the company (see Checkpoint Backs Goliath).

The Goliath system can also be used to notify store managers as to which displays should be put up or taken down.

In a statement, Walgreen officials said they expect the Goliath system to help the chain customize its merchandising on a store-by-store basis, ultimately increasing sales and profit per square foot. Walgreen believes the Goliath system will help its purchasing department and suppliers evaluate past product promotions and plans for future programs.

The fact that one of the world's largest retailers is rolling out the Goliath system, Michelson says, affirms the value of his company's work. He claims pilot tests of the tracking system have shown it can help retailers and manufacturers boost sales and profitability. Still, he says, the resulting benefits have been limited because the tests involved a small number of stores and displays. He expects larger rollouts like Walgreen's to increase the system's value.

Michelson estimates the in-store marketing industry spends \$17 billion annually to produce, distribute and monitor product displays and signage. On top of this, CPG firms spend tens of billions more working with retailers to create promotional programs, for which product displays and signage play a key role. However, he says, only a scant 5 percent of the in-store displays are audited, in order to ensure that displays are being deployed according to plan. "Until now, in-store advertisers never had empirics to measure performance. Television has Nielsen's; coupons have redemption. [Now], we've created a way to make in-store advertising a measured medium," says Michelson.

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