

P&G Finds RFID 'Sweet Spot'

Procter & Gamble's Dick Cantwell reports that RFID's most profitable application for CPG makers is with promotional campaigns and product launches.

By Jonathan Collins

May 3, 2006—An EPC RFID trial carried out in February by Procter & Gamble (P&G) is said to have increased sales of its new Fusion razor. The details of this trial were presented for the first time to attendees at the RFID Journal LIVE! conference, held this week in Las Vegas.

"On average, EPC-enabled stores realized greater sales than the control stores," said Dick Cantwell, vice president and head of RFID at P&G. Cantwell added that those sales "paid for the tagging of all of that merchandise many, many times over."

Promotional campaigns and product launches are the "life blood" of a CPG company, Cantwell told attendees. P&G had initially believed rectifying out-of-stock situations would be the most profitable application of RFID for the company. However, improving promotions proved to be an even greater "sweet spot" for the technology within the company. "We know we can get a 20 percent sales lift, on average, by being in stock [and] on time—a huge business benefit for a CPG company," said Cantwell.

As a small part of the product launch and promotional campaign for P&G's new Gillette Fusion razor, the company tagged Fusion promotional displays in addition to shipping cases and pallets (see Gillette Fuses RFID With Product Launch). In what the company calls the largest CPG product launch ever, the new razor debuted on Feb. 5 in an advertisement shown during the Super Bowl.

P&G tracked its products through two retailers, four distribution centers and 400 stores. The results were significant: With RFID read points at the DCs and the stores, Gillette was reportedly able to ensure stores were adequately supplied with the new razors so they would be available for sale on time.

"We knew when the first shipment of Fusion razors arrived at the first DC on day one, and when the first shipment arrived at the first store later that day," Cantwell explained. "We were able to also identify and alert stores that were under- or over-shipped...a quick resolution could be achieved so we could avoid costly out-of-stocks."

In addition, readers (interrogators) placed between a store's stock room and sales floor allowed P&G to track whether a retailer had put the promotional displays on the sales floor in accordance with its launch plans, or if razors were not restocked on the sales floor. If either the promotional display or razors were missing from the sales floor, P&G would either send its own staff or prompt the store's sales personnel to ensure compliance with its promotional plan.

"We achieved 92 percent [product] availability by day three of the launch," Cantwell said, adding, "In my industry, the average is 60 to 80 percent." He explained that the Fusion packaging was the first the company had designed from the beginning to help RFID tags work reliably on its cases and pallets.

