

Where Are All the Retailers?

If more retailers don't see the benefits of using RFID technologies, the pace of adoption will remain slow.

By Mark Roberti

June 5, 2007—During [RFID Journal LIVE!](#), our recent conference and exhibition, I was chatting with a senior executive from a major pharmaceutical and consumer-care products company. "Where are all the retailers?" he asked. "Right now, it's just [Wal-Mart](#) and [Target](#). If more retailers don't jump on the bandwagon, we'll never achieve the promised benefits of RFID technology."

[Albertsons](#) and [Best Buy](#) have also announced RFID initiatives, and many other retailers have projects under way, as well. Some of [The Home Depot's](#) suppliers, for instance, tell me that the home improvement retailer say they will need to start tagging goods in 2008. But the executive's point is a valid one: most retailers have been sitting on the sidelines while a few do most of the work—evangelizing the technology, proving the business case, establishing data-sharing standards and so on.

The third annual retail study by the [Retail Systems Alert Group](#) reveals that 44 percent of manufacturers have at least developed an RFID implementation timeline, while only about 9 percent of retailers have done so (see [Survey Says Manufacturers Drive RFID Uptake](#)). Why is that? I've heard some retailers say they just don't see a significant return on investment from RFID, but that's a little hard to understand. The industry average for out-of-stocks globally for mass merchandise stores is 8 percent. If RFID can put a significant dent in that—and Wal-Mart's initial results show it can—why are retailers finding it hard to get an ROI?

I've heard some people question whether Wal-Mart is really seeing a reduction in out-of-stocks at RFID-enabled stores. I've been to one of the RFID-enabled stores, seen the process and written a case study, and I believe RFID *is* making an impact (see [Wal-Mart Tackles Out-Of-Stocks](#)). The technology will make a much bigger impact as Wal-Mart figures out new ways to use RFID data and changes processes to take advantage of the data. (Wal-Mart has said it doesn't want to introduce dramatic changes to the way people do their jobs, because that would require a great deal of retraining and could lead to more problems than it solves.)

I've heard some retailers say their operations are more organized than Wal-Mart's, so they don't see the same benefits. That, no doubt, is true. But if other retailers are so super-efficient, why is the industry average 8 percent for out-of-stocks? Clearly, many retailers could use RFID to improve the way they replenish.

Judging by the number of retailers at LIVE! 2006 and the number who are *RFID Journal* subscribers, there is a lot of interest in RFID among retailers. But they may have other IT projects they believe will deliver more benefits with fewer risks today. They might have problems with their brands that need fixing, or they might be operating on such lean margins that they feel they can't afford to deploy RFID until the benefits are crystal clear.

In the short-term, that's bad news for manufacturers. Even though few of Wal-Mart's suppliers relish the idea

of putting a tag on every case for every one of their retailer partners, they understand that it costs money to keep track of which cases have tags and go to Wal-Mart, and which do not. They also know that as more retailers adopt the technology, suppliers will have to purchase more tags and interrogators, which will drive down the cost of the technology. And manufacturers know that the RFID data they get back from retail partners will increase in value as more retailers install the technology at more stores (it's hard to get a very clear picture of your supply chain when you are sending tagged goods to only five or six distribution centers).

There is no magic bullet that's going to make retailers climb on board the RFID bandwagon. But I'll make a prediction: When RFID is contributing to Wal-Mart's bottom line by reducing costs and increasing sales, Wall Street analysts will take notice. They will start asking the CEOs of other major retailers for their RFID strategy. And when those CEOs are caught without a good answer, they will get religion real fast. The big question: Does that happen next year, or in five years? I don't know the answer, but I do know that some manufacturers hope it's sooner rather than later.

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