

Karstadt Readies for RFID

After years of sitting on the sidelines, Germany's largest fashion retailer has decided to launch a six-month pilot involving the tagging of 50,000 items.

By Rhea Wessel

June 5, 2007—Karstadt, a German retailer with €4.89 billion (\$6.6 billion) in sales in 2006, and more than 36,000 employees, is about to embark on its first RFID pilot.

"Up until now," says Rainer Jilke, Karstadt's RFID project leader and head of the company's purchasing process division, "we have only been observing as other companies test RFID."

Jilke and his division proposed a pilot program to the retailer's management board last year, and the company decided to launch a six-month. By August, it will attach hangtags with embedded RFID inlays to 20,000 pairs of jeans and sportswear items, to be sold at an as-yet-undecided store not far from the company's Essen headquarters. In later phases of the testing, it will tag another 30,000 items. Each inlay will be encoded only with a unique ID in the form of an Electronic Product Code (EPC).

Until now, Karstadt has been standing on the sidelines regarding RFID, because it had felt the technology wasn't yet far enough along for a wide-scale test. "Now that UHF Gen 2 is on the market, we've got technology we can use," says Jilke. "We need 100 percent read rates, and bulk readings are very important for us. It was worth the wait."

As the company considered how best to approach the technology, it opted to focus on how it could improve the efficiency of its internal operations.

"Our project was launched on the condition that we focus more on our own processes than on the technology," Jilke explains. "We did not want to do a pilot in which we were deciding which handhelds or which antennas were the best." To that end, Karstadt linked up with two partners: ADT, a U.S. electronic security company, which will select and manage the RFID hardware used in the pilot; and RF-IT Solutions, an RFID software and consulting company based in Graz, Austria.

ADT is testing hardware at a lab in the Netherlands, and will recommend which EPC Class 1 Gen 2 tags and interrogators Karstadt should use. RF-IT Solutions, meanwhile, is providing its You-R-OPEN middleware platform and customizing the software to support Karstadt's processes, says Dominik Berger, RF-IT Solutions' managing director.

During the pilot, Karstadt will implement RFID in three separate processes: tracking goods from the time of arrival at a store until the point of sale; performing and managing inventory; and locating goods to facilitate price changes.

Presently, price reductions for goods are decided centrally, with each store receiving a paper list of items that must be marked down. The store has several weeks to pull the items off the sales floor and mark them down

by hand. When the clothes have RFID tags, sales clerks should be able to use interrogators to quickly identify which items to mark down, helping Karstadt sell the goods quicker.

Before it can close its books each year, Karstadt must take inventory of all items in stock—a time-consuming and labor-intensive process. Workers often cordon off access to their departments while counting items by hand, and managers must oversee everything carefully to make sure no errors are made. Once the items have RFID tags, employees will be able to take inventory electronically, saving time and money—and greatly reducing the errors that plague the manual process.

RELATED_ARTICLES "The goal of the project is to recognize which processes we can improve on with RFID, so that we can expand RFID to more items and stores," says Gilke. "The results of the pilot will form the basis for our decision on the entire rollout of RFID at Karstadt."

Karstadt is investing €150,000 to €200,000 (\$203,000 to \$271,000) in the pilot, not including its own time spent on the project.

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