

**The retailer is working with a jeans manufacturer that will apply tags to individual garments and ship them to a store in Dallas.**

By Mary Catherine O'Connor

Aug. 22, 2007—Bill Holder, CIO of [Dillard's](#), a major, family-owned retail chain with 330 stores across the United States, has done his RFID homework. Since 1992, he and his team have been looking at ways the retailer might use RFID for product tracking, and last year the company ran its first technology trial. Armed with research that shows using RFID could help the company achieve cost savings and increased revenue over time by reducing labor, decreasing shrinkage, improving sales and streamlining inventory processes. It's now gearing up for a pilot project in which it will work with a major denim-clothing manufacturer to track its product from the point of manufacture to the point of sale.

During his keynote address Tuesday at the [RFID Journal—AAFA Apparel & Footwear Summit](#) held in New York, Holder spoke on a wide range of topics related to RFID and its business applications and concerns around launching the technology in a retail environment.

The company conducted its first RFID technology trials starting in August 2006. During these tests, it placed passive UHF EPC Gen 2 tags on a total of 250 different items. Dillard's ascertained the readability of the tags using both handheld interrogators and ones mounted on mobile carts. "The results were mixed, but good enough to keep us looking at RFID," Holder said.

Holder and his team then worked with the [University of Arkansas RFID Research Center](#) to test the readability of EPC Gen 2 tags attached to cases of goods moving down a conveyor system at up to 650 feet per minute. One hundred percent of the tags could be read at that speed, Holder said.

In March of this year, Dillard's began a pilot project that tested EPC Gen 2 tags attached to the secure, reusable plastic totes it uses to ship small high-value items, such as jewelry, from its distribution centers to retail stores. The pilot involved one DC and store, and showed that the technology performed extremely well, with 100 percent of the tags attached to the totes being read at both the DC and the store. The pilot also showed that the associates' scanning rate on the dock for the bar code labels attached to the same totes was lower, probably because the secure totes contain smaller cartons that are scanned once they are brought out to the retail floor. But Holder said the pilot showed how RFID could be used to automate processes and potentially reduce human error.

With its third and current trial, the first phase of which has already begun, Dillard's is studying the movement of denim jeans through the supply chain. The two-phase pilot is expected to run until January 2008.

This first phase of the test involves the tagging of cases for five jean styles, explained Chuck Lasley, manager of purchasing and receiving applications for Dillard's. The cases are being tagged at the manufacturer's service center and sent to a Dillard's store in Dallas. Soon, the contents of the cases will

also be tagged and, in addition to reading the case label (which the retailer is currently doing) upon receipt at the store, Dillard's will read each item's RFID tag, as well as its bar code label. Dillard's plans to compare the unique tag ID numbers encoded to the case and item tags with the item bar code label and the advance ship notices that the manufacturer sends, in order to compare the accuracy and thoroughness of the RFID and bar code data-capture processes. The retailer will also perform daily cycle counts in the pilot store and compare the data captured against its legacy inventory counts to see if RFID provides greater accuracy.

An important distinction between this trial and its previous tests of the technology is that for the denim-tracking test, tags will be attached to garments that Dillard's customers will be able to try on and buy. Because of this, Holder explained, Dillard's will launch a campaign to make its customers aware, through signage and other means of communication, that RFID is being used in the store involved in the trial. Holder says that Dillard's may also begin mailing printed information about RFID and how the retailer is using it. This information could be inserted in the envelopes containing the credit card bills sent to Dillard's cardholders.

"There's no retailer out there who isn't concerned with consumer privacy issues," said Holder, "and Dillard's certainly is." Dillard's, he explained, will approach any concerns brought to the store by privacy advocates by being upfront about how the retailer is using the technology and ensure them that the tags will be removed at the point of purchase and not used for tracking consumers outside the store.

Holder says Dillard's has a number of additional RFID pilot projects scheduled, through 2009, and believes that it will begin attaching tags to its own private-label merchandise. "We think that there will be a big bang for our buck in source-tagging private-label goods," he said.