

Wal-Mart, Sam's Club Pushes RFID Further Along

Carolyn Walton, vice president of information technology, revealed three new initiatives that are part of what she called a "change of focus" in the retailer's RFID program.

By Mary Catherine O'Connor

Oct. 5, 2007—At EPC Connection 2007, the fourth annual member conference of the industry standard-setting group EPCglobal, Carolyn Walton, Wal-Mart's vice president of information technology, revealed three new initiatives that are part of what she called a "change of focus" in the retailer's RFID program. "We're coming at [RFID] from a different angle," she said. Rather than just rolling the technology out across the company, she explained, Wal-Mart is concentrating on using RFID to improve specific business processes.

The RFID program at Sam's Club, the Wal-Mart-owned warehouse retail chain, is set to grow significantly as the company has begun asking 700 of its suppliers to attach an EPC Gen 2 RFID tag to each pallet of goods headed for the Sam's Club distribution center in DeSoto, Texas. Sam's Club has attached location RFID tags to shelving in the stores, and is using RFID readers mounted on forklifts to track the placement of tagged pallets by associating each pallet tag's EPC number with the nearest location tag. It currently has 73 suppliers shipping tagged pallets to the DC, which services about 40 Sam's Club locations, Walton said.

Secondly, the retailer is rolling out a program designed to help it accurately execute weekly product promotions. To support this initiative, Walton said that Wal-Mart has begun asking its suppliers to tag cases and pallets of products that will be featured in upcoming promotions. Wal-Mart spokesperson John Simley explains that the retailer is embedding RFID tags into flooring at what the retailer calls "hot spots"—highly visible locations in the store, such as the ends of aisles. The tagged shipping pallets loaded with the promoted items will be brought onto the sales floor and placed in hot spots. Associates will regularly walk past all of these hot spots and use RFID-enabled handheld computers to read both the location tags in the floor and the tags attached to pallets. Through a wireless link with Wal-Mart's back-end system, the handheld will consult the promotions schedule and send an alert to the associate if a hot spot does not have the correct product—that is, if the appropriate products are not on the floor in time to coincide with a product promotion, or if promotional goods are in the wrong hot spot or on the floor after the promotion has concluded.

"We may have a sale on a specific item that is advertised in a [sales circular] on a Friday, and that product needs to be in its designated hot spot on the sales floor by the date that the sale begins," says Simley. If it is not, Wal-Mart and the supplier may lose a significant number of sales on that item.

"You have probably heard from a number of consumer packaged goods [Wal-Mart suppliers] that by tracking promotional items, they see a sales lift 15 to 30 percent," Walton said.

Wal-Mart's own research shows that it can get up to a 38 percent sales lift in stores that execute promotions on schedule, compared with stores that did not get the promotional items onto the floor on time, she added.

The goal of the third Wal-Mart initiative that Walton announced, is to see whether the retailer can improve sales across an entire product category—the test category is air fresheners—by asking all of its suppliers in that category to tag cases and pallets of the products sent to the pilot locations.

Walton says that the pilot is not yet complete but so far, so good. "We are seeing significant improvements in inventory [in the test category]," she said.

RELATED_ARTICLES Studies have shown that tagged cases of items shipped to RFID-enabled stores are less likely to experience out-of-stocks, relative to items not shipped in tagged cases. Workers can quickly identify tagged cases of replenishment product through the tag-read event data as it enters a store's loading dock, and they can use RFID-enabled handheld readers to locate the cases in the back of the store quickly. Improving the availability of all items in a category should enable Wal-Mart to capture sales from customers who are brand-loyal and would likely go elsewhere for a specific product if it were not available on the shelf.

Simley says that 600 of its 61,000 U.S. suppliers are already tagging cases and pallets of some of the products they ship to Wal-Mart's RFID-enabled distribution centers, and the hot spot tracking and category-saturation initiatives will not require that many retailers outside of this group of 600 to begin tagging.

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