

Sam's Club Tells Suppliers to Tag or Pay

The Wal-Mart division has required its suppliers to apply RFID tags to pallets by Jan. 31, or it will charge a service fee to cover its cost of tagging the pallets itself.

By Beth Bacheldor

Jan. 11, 2008—Companies supplying goods to Sam's Club will soon pay a price if they don't meet the warehouse retailer's RFID tagging requirements by month's end.

Sam's Club, owned and operated by Wal-Mart, sent letters dated Jan. 7, 2008, to all of its suppliers, stating that by Jan. 31, every full single-item pallet shipped to its distribution center in DeSoto, Texas, or directly to one of its stores served by that DC, must bear an EPC Gen 2 RFID tag. Any supplier failing to comply will be charged a service fee, starting at \$2 per untagged pallet on Feb. 1, and capping at \$3 per pallet on Jan. 1, 2009. The fee will cover Sam's Club cost in having to tag the pallet itself.

Last fall, Wal-Mart reported plans to more aggressively pursue RFID tagging, particularly at its Sam's Club operations. In fact, the company had already begun asking 700 suppliers to attach an EPC Gen 2 RFID tag to each pallet of goods headed for the DeSoto Sam's Club DC (see Wal-Mart, Sam's Club Push RFID Further Along).

The decision to charge a service fee surprised some in the industry, including Dean Frew, president and CEO of Xterprise, an RFID solutions provider and systems integrator based in Carrollton, Texas. Xterprise has worked with numerous companies tasked with meeting RFID mandates, and unveiled a service this week that is specifically designed to help Sam's Club suppliers meet the tagging requirements.

"Sam's Club is going to tag the product whether suppliers do it or not, and they'll charge the supplier to do that tagging," says Frew, who has seen a copy of the letter sent to suppliers. "We knew something was coming," he states, adding that he sees the service charge as an incentive. "The value proposition [of RFID] to the retailers is so strong. While the approach Sam's Club has taken is a surprise, I think it is quite innovative."

In addition to detailing service charges, the letter to the suppliers also outlines additional timelines. Beginning Oct. 31, 2008, all full single-item pallets shipped to four additional DCs (in Kansas City, Mo.; Dayton, Texas; Searcy, Ark.; and Villa Rica, Ga.) or their stores, must be tagged. Starting Jan. 30, 2009, the same tagging requirement will be extended to 17 more DCs, for a total of 22. In a second phase of the requirement, suppliers must begin tagging mixed pallets (those carrying an assortment of cases), as well as cases containing an assortment of items, starting with the DeSoto DC on Oct. 31, 2008, and for all 22 DCs by Oct. 31, 2009.

Suppliers must also begin tagging at the item level for shipments to the DeSoto DC and related stores by Oct. 31, 2009, with the item-level requirement expanding to the Kansas City, Dayton, Searcy and Villa Rica DCs by Jan. 30, 2010, and to all 22 DCs by Oct. 31, 2010. Because Sam's Club is a warehouse retailer, items are typically bulk goods packaged as sellable units.

Frew says he believes many Sam's Club suppliers are unprepared for this month's deadline, in large part

because many did not participate in previous Wal-Mart pilots and implementations since the goods they supply are specially packaged goods. To that end, Xterprise is offering its Xterprise Automated RFID Module (XARM) service, geared specifically to help Sam's Club suppliers meet the retailer's pallet-tagging requirement.

RELATED_ARTICLES The XARM 5000, based on a software-as-a-service model, leverages a hosted application and Web technology. Customers can log on to the Web application to create and print RFID labels on printers either installed at their sites or at Xterprise's facilities (Xterprise will then ship the labels to the customers overnight). The turnkey solution includes user management and access control, selection and management of retail shipment destinations, automated generation of EPC serial numbers, printer management, encoding of each pallet tag, assistance with RFID label selection for maximum read rates in retail environments, and support of the solution under tiered support plans.

RFID Journal attempted to contact Wal-Mart and Sam's Club for comments for this article but was unable to speak with a company representative prior to press time.

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