

Providing a Road Map for Sam's Suppliers

The companies required to tag pallets and cases for Sam's Club can benefit from all the learnings of the past five years, but it's up to the RFID industry to provide guidance.

By Mark Roberti

Jan. 28, 2008—In June 2003, when Linda Dillman, then [Wal-Mart's](#) CIO, announced that the retailer would ask its top 100 suppliers to begin tagging pallets and cases of some stock-keeping units (SKUs) in January 2005, there wasn't even a first-generation Electronic Product Code (EPC) air interface standard yet, never mind standards for how interrogators communicate with middleware and how companies share data. And the road on which suppliers needed to travel to achieve a return on investment had not yet been paved.

In the five years since then, a great deal has been accomplished. The second-generation EPC air interface standard is an enormous improvement. Many issues surrounding tagging products have been overcome, and standards for employing and sharing EPC data have been established. Suppliers to Wal-Mart—large companies, such as [Procter & Gamble](#) and [Kimberly-Clark](#), and smaller companies, such as [Daisy Brand](#) and [Hampton Products](#)—have found ways to use the data to improve their operations and increase sales.

All this means it should be far easier for [Sam's Club](#) suppliers (those not already tagging for Wal-Mart) to not just meet the tagging requirements but also achieve actual benefits (see [Sam's Club Tells Suppliers to Tag or Pay](#) and [Sam's Club Letter Shakes Things Up](#)). But for that to happen, the RFID industry needs to do a better job of explaining the benefits of using EPC data, as well as drawing a map showing Sam's suppliers how to get from basic compliance to the deployment of applications that deliver an ROI.

The sad fact is that there are still only a small number of companies exploiting the EPC data Wal-Mart provides to its suppliers. Many suppliers still just slap tags on cases and ship them off. They don't see—or perhaps don't wish to see—that they can combine data from EPC systems showing where tags were read with point-of-sale (POS) and other data to improve how they do business.

I spoke to one supplier who complained about not getting any return on investment from the tags his company places on shipments to Wal-Mart. I asked him how he was using the data, and he responded, "What data?" He had never even looked at the data Wal-Mart provides back to its suppliers. (And I'm not making this up.)

A person from another large company didn't have any idea how to utilize the EPC data to improve promotions tracking. I sent him the case study we published on [Kimberly-Clark tracking promotions](#) (see [Kimberly-Clark Gets an Early Win](#)), which offers as clear a road map to using EPC data as you can provide, and he was shocked. "I can't believe we're not doing this," he responded via e-mail. "I've got to bring this up with top management."

Part of the problem is that while the vendor community has done a great job of improving the performance of their tags and readers, and while systems integrators have helped many companies meet tagging requirements, they haven't helped suppliers get to the next step. End users haven't really grasped that they can easily and cost-effectively deploy an RFID infrastructure that can be used to cut costs internally, reduce out-of-stocks

and boost sales. It might not lead to an ROI overnight, but over the long term, this infrastructure will pay for itself many times over.

Some end users aware of how Kimberly-Clark and others are leveraging EPC data dismiss such applications as being relevant only for multi-billion-dollar consumer packaged goods companies. Unfortunately, many smaller companies gaining value from EPC data prefer not to reveal what they are doing with the data—either for competitive reasons, or because they have trouble quantifying the benefits.

Better education will help, so RFID Journal is teaming up with [EPCglobal](#) to provide education for Sam's suppliers—and others—at [RFID Journal LIVE! 2008](#), being held in Las Vegas on April 16-18. The goal of the one-day course is to show companies how to get compliant—and explain how they can easily and cost-effectively integrate RFID into their back-end systems to improve their operations without any extra labor involved.

This is going to be critical as companies tag more cases. You can get away with manual processes when you are tagging a few cases for one distribution center, but it's a whole other kettle of fish when you're tagging *all cases* bound for a retailer the size of Sam's Club.

RELATED_ARTICLES The education will then take suppliers beyond compliance. At LIVE! 2008, we'll bring in companies large and small that are already gaining benefits, so they can see that the ROI is not some fiction held out to get them to jump on the EPC bandwagon. We'll give folks a checklist of questions they'll need to ask the technology partners that can help them achieve an ROI.

If we can provide these suppliers with a roadmap that gets them from compliance to benefits, they are likely to travel that path more quickly. RFID Journal and EPCglobal can now provide the roadmap to all of those Wal-Mart suppliers that still have not found their way, and the vendor community can steer existing and potential customers to training designed to help them make sense of how and where to apply the technology.

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