

Checkpoint Systems Acquires RFID Software Company OATSystems

The deal is designed to make Checkpoint a one-stop shop for retailers that want to use radio frequency identification to prevent theft and reduce stock-outs.

June 23, 2008—[Checkpoint Systems](#), a manufacturer and marketer of RF- and RFID-based solutions for merchandise identification, tracking and security, announced today that it is purchasing RFID middleware and applications provider [OATSystems](#). According to the company, the acquisition is designed to create a one-stop shop for retailers looking to leverage RFID to better track and manage inventory.

"Acquisitions have been on our road map for a while," says Farrokh Abadi, senior VP of worldwide operations for Checkpoint Systems, which reported sales of more than \$834 million in 2007. For some time, he says, the company has been focused on providing customers with products that can help them reduce shrinkage—that is, electronic article surveillance (EAS) systems that employ security tags applied to merchandise that can alert retailers when someone tries to carry unpaid-for items past electronic sensors at exit doors. But Checkpoint Systems has also worked to build out an RFID product portfolio designed to help customers boost sales by improving inventory, logistics and in-store promotions management.

"We always knew that our customers—and we—would evolve from 'lose less' to 'sell more,'" Abadi says. "With the advent of RFID technology, that technology is the tipping point that makes it the right time to start addressing, through our Checkpoint [technology] platform, inventory visibility solutions that are required to reduce stock-outs and increase sales."

In April 2007, the firm unveiled its Evolve product family of labels, which includes some containing both RFID tags and its RF-based EAS technology, to provide retail customers a means of leveraging RFID tools for in-store inventory visibility while continuing to employ the EAS tags as a theft deterrent (see [Checkpoint Combines EAS Tags With RFID](#)).

One piece missing from Checkpoint Systems' RFID portfolio, however, was a method for leveraging all of the RFID data that potentially can be collected in the Evolve platform. "We needed that glue, that middleware, that will allow us to convert terabytes of data into meaningful information," Abadi says. "And when we looked around, there was nobody that came close to OATSystems. It has the brand name, the number of—and type of—customers that we are interested in, and not only pilots but also serious deployments. It was just a great fit. For us, it was one of the missing pieces of the puzzle that we needed."

OATSystems' product lineup includes the OAT Foundation Suite, designed to help retailers make sense of the RFID Electronic Product Code (EPC) data they collect, and to allow them to set up and enact business rules based on that information. That suite includes Mobile Asset Tracking and Electronic Proof of Delivery, which can be utilized in distribution centers to track the receipt or shipment of pallets and cases of goods. The OATSystems' product could, for instance, automatically trigger an advance shipping notice—or, in the event that a shipment is late, it could trigger alerts informing the retailer of the delivery delays.

"This is the type of thing that OATSystems can do very well," Abadi states. OAT also offers its Real-Time Promotion Execution (RPE) software, intended to alert consumer packaged goods (CPG) providers immediately if a promotion is not placed on the retail floor at the appointed time.

Checkpoint Systems plans to continue using and developing the OATSystems brand and software platform to serve its retail, consumer products and industrial customers. OATSystems will operate as a separate business unit, according to Paul Cataldo, the OAT's VP of marketing, and will maintain its corporate offices in Waltham, Mass., as well as its development office in Bangalore, India. Michael G. George, OATSystems' current president and CEO, will head up the OATSystems group within Checkpoint Systems.

RELATED_ARTICLES Cataldo believes the acquisition will make OATSystems stronger. "Checkpoint Systems has a global presence with offices worldwide, and has a large footprint," he says. "So, from a sales and services standpoint, that is good for our customers. We will continue to serve our traditional markets in retail, but also our growing industrial manufacturing market. Checkpoint Systems is very supportive of that. This all makes us a very safe choice [for businesses] because we've got the horsepower of a large organization, but we can continue to operate as a separate business unit. We are very excited about this, and it will enable us to grow this business."

Financial details have not yet been disclosed as of press time. The all-cash transaction is slated to close within two weeks, and Checkpoint expects the transaction to be dilutive to earnings per share through 2009, and accretive thereafter.

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