

If retailers want their suppliers to absorb the cost of tagging at the source of manufacture, they need to share more information in return.

By Mark Roberti

Aug. 18, 2008—One thing I love about hosting our events is I get a better sense of the issues businesses are dealing with. At last week's [RFID in Fashion](#) event, it was clear that retailers do see a lot of potential benefits to using radio frequency identification technologies to track individual apparel, footwear and accessory items through the supply chain and to manage inventory in their stores. But they want their suppliers to tag the items at the point of production and not increase the cost of the items to cover the expense of the tag.

No surprise there. But I learned that U.S. retailers don't provide much information to suppliers about where items are in their supply chain or stores and, more important, about how much items were sold for. Goods are commonly marked down, and often suppliers get only aggregated sales data, so they don't know what individual items sold for. And sometimes retailers want to be compensated by suppliers at the end of the year, when they calculate their margin on an item and find it's lower than expected. (Several European apparel suppliers at the event, however, said they already get detailed POS data from retailers.)



During our Leadership Forum held at last week's conference, I asked retailers if there might be an opportunity for suppliers to negotiate with retailers: Suppliers would absorb the tags' cost if retailers would provide more information on the items—where they are and what they were sold for. The answer came back quick and crisp—"No!"

That might be shortsighted on the part of retailers. I understand they want to keep information close to their chest. Every business does, but RFID allows for a level of visibility never before possible, and by sharing information, retailers and suppliers will almost certainly be able to achieve unprecedented benefits.

Today, large department stores only scan products' bar codes at the point of sale and then provide sales information back to suppliers who use it to replenish. If retailers were able to use RFID in the stores, they could take inventory weekly with handheld RFID readers and transmit that information back to their suppliers, who could use it to replenish stock faster and swap out items selling slowly for those selling more quickly. That could reduce markdowns and improve margins for both parties.

I know that during my 20-something years in journalism, companies have always talked about collaborating more, but they've almost never done it because of concerns about giving suppliers too much information. Wal-Mart deserves a tremendous amount of credit for taking all the Electronic Product Code data it collects on a company's products and sending that information back to the

company so it can replenish more quickly.

Are there negatives to offering this information? Yes. Suppliers now have proof of what they long suspected, that Wal-Mart doesn't always execute promotions as well as they'd like. But Wal-Mart has been savvy enough to understand that that downside of revealing this is offset by a tremendous upside—Wal-Mart and its suppliers are now using the data they share to execute promotions more effectively, which leads to improved sales. That's good for Wal-Mart, and it's good for suppliers.

If apparel and footwear retailers really want to benefit from RFID, they need to strike a deal with suppliers: more data in exchange for absorbing the cost of the tag. It takes guts on the part of each to do it. U.S. retailers will be reluctant to share their data, and suppliers will be reluctant to eat the cost of the tag. But in the end, savvy companies will strike such a bargain—and both will reap significant rewards.

Mark Roberti is the founder and editor of RFID Journal. If you would like to comment on this article, click on the link below. To read more of Mark's opinions, visit the [RFID Journal Blog](#) or click [here](#).