

Group Examines RFID Retail Costs

Four Canadian companies plan to explore the cost implications of deploying RFID in a retail environment.

June 5, 2003 - The high cost of deploying RFID technology in retailing has been inhibiting its adoption. This summer, Descartes Systems Group, an Ontario supply chain software company, will run a pilot with three other Canadian companies to explore the costs and business benefits of deploying RFID technology in the retail sector.

Descartes is working with Canadian grocer Sobeys, Sobeys' transportation company, and a large consumer goods manufacturer. The test is being run under the aegis of the Supply Chain Network, a consortium of Canadian retailers, suppliers, and logistics providers that was set up to investigate the potential of next generation supply chain technologies (see Group Studies Supply Chain Technologies).

Initially, the companies will track some products at the pallet-level (Sobey's declined to specify which products will be tracked). RFID readers will be located at warehouse doors, within the trailers and at a retail store. UHF tags from Intermec Technologies will communicate the departure and arrival of pallets at dock doors, while GPS will be used to track the location of trucks carrying the pallets.

Once the initial phase is completed, by the end of the summer, Descartes will expand the test to monitor long-haul and cross-border shipments. Beth Enslow, a senior VP at Descartes, says the test will help determine what the actual cost of deploying the technology is. The test may show that by spreading the cost of deploying RFID between manufacturers, distributors, retail stores, and transportation companies, the benefits will outweigh the price of the technology.

For the test, Descartes will link its GPS tracking technology, and its Activity Hub, a software application that receives a message feed from the GPS satellites, and its Management Dashboard with RFID technology from Intermec. The Management Dashboard lets each participant in the supply chain track the location and status of individual shipments, receive notifications when problems arise, and benchmark process time and service-level improvements.

The system will allow consumer goods manufacturers, transportation companies, and retail stores to track individual items as they move through the supply chain in real time. By integrating RFID with GPS technology and the Descartes management applications, personnel will have a real-time understanding of where goods are, and the state those goods are in, says Enslow.

Future enhancements might include RFID temperature sensors, Enslow says. Such sensors could, for example, notify a transportation company that the temperature in the storage compartment of a trucks carrying yogurt has gone above a specified limit. The transportation company could redirect the truck to deliver the goods directly to the retail store, instead of to a distribution center, since the shelf life of the yogurt may have been shortened due to the temperature change.

Likewise, the retail store will be able to tell where pallets of goods are, ensure that they aren't stolen or missing, identify products that may have been recalled, or determine when merchandise will arrive at the

store. The CPG supplier can identify goods within the warehouse, and identify products that must be moved due to impending expiration dates, or locate recalled merchandise. The tags could also point to a Web server, which could provide information including warranty data, or maintenance instructions on equipment used in a warehouse, says Enslow.

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