

# The Danger for Sam's Club Suppliers

Waiting too long to become EPC-compliant will result in higher costs in the end.

By Mark Roberti

Dec. 1, 2008—With only a few exceptions, most Sam's Club suppliers are not preparing to meet the retailer's requirements for affixing RFID tags based on the Electronic Product Code (EPC) standard to sellable units beginning October 2009, and this concerns me. Many suppliers are apparently gambling that Sam's Club isn't serious about its mandate, so they are not yet investing in learning how to become compliant. The problem is, if Sam's Club doesn't back off in the end, these firms will then have to spend a lot of money to meet the requirement at the last minute.

Several suppliers have told me they have not received any communication from Sam's Club since the retailer sent out a letter in January of this year (see Sam's Club Tells Suppliers to Tag or Pay), while others indicate they have not received any communication at all. Many suppliers are currently paying a fee for each untagged pallet they ship to Sam's Club, rather than tagging the pallets.

The real issue is tagging sellable units, because the volumes are much higher than for tagging pallets and, therefore, inherently more difficult. Suppliers that ship to Sam's Club's DeSoto, Texas, distribution center are required to begin tagging sellable units by next October. Those shipping to DCs in Dayton, Kansas City, Searcy and Villa Rica, meanwhile, will have to tag sellable units by Jan. 30, 2010. And all sellable units must be tagged by Oct. 31, 2010.

Companies seem to be taking Sam's Club's lack of communication as a sign that the retailer is not very serious about requiring them to tag sellable units. But from everything I've heard Sam's say, both publicly and privately, it appears the company *is* serious, and that it plans to go ahead with the requirement and continue rolling out equipment to its stores.

Sam's Club assumes suppliers will comply with the mandate, so we could be headed for a situation in which most companies will waste the next six or eight months doing nothing, then suddenly realize they do, in fact, need to tag sellable units by October. At that point, most suppliers—those with very low volumes of sales are an exception—will need to spend *a lot more money* than they would have spent had they begun getting compliant much earlier.

Why? Because if you start now, you can integrate tagging into your operations, and into your back-end systems (*The Complete Guide to Meeting Sam's Club's EPC RFID Tagging Requirements* spells out various strategies for doing both). By automating the tagging process, companies greatly reduce the time and labor involved in separating inventory bound for Sam's Club and manually applying tags to a high number of individual units. They will also be able to use some of the data they receive back from Sam's Club to improve replenishment and better manage promotions.

If companies wait until the last minute, they will not have time to shop around for RFID tags and interrogators. They will have to hire additional staff to apply tags and handle separate inventory for Sam's

Club, and they will not achieve any benefits from the data the tags generate. At a time when the economy is slowing, retail sales are declining and companies are being squeezed, why would any supplier want to take on additional and unnecessary costs?

My advice to suppliers is not to take a needless risk—engage Sam's Club now. Ask the retailer if it's serious about the tagging requirement, and if there is any flexibility in the deadline. If Sam's Club indicates it plans to delay the implementation, you can do nothing and sleep soundly at night.

RELATED\_ARTICLES But if Sam's Club says it's serious about the October 2009 deadline, start figuring out now how you will meet the requirements in a way that is the most cost-effective for your business, and that causes the least disruption to your operations. Learn what your options are, then evaluate systems integrators that can help you meet the requirements.

Hoping an issue will go away is not a business strategy.

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