

The retailer has sent a letter to all of its suppliers stating it is committed to the EPC RFID tagging of sellable units, but that suppliers will have more time to meet its tagging requirements.

By Mark Roberti

Jan. 19, 2009—Sam's Club, the warehouse retail division of [Wal-Mart Stores](#), has sent a letter to its suppliers clarifying its plans to use radio frequency identification tags based on Electronic Product Code (EPC) standards to track pallets and sellable units.

The letter, dated Jan. 15, 2009, and signed by Sam's Club's CEO, Doug McMillon, indicates the retailer "remains committed to the vision of 100 percent EPC RFID labeling on sellable units," and that the initiative will deliver "game-changing services and value" to club members, while also delivering value to suppliers. It spells out Sam's Club's plans for implementing EPC RFID technology, and provides suppliers with additional time to comply with the tagging requirements at both the pallet and sellable-unit level.

Twelve months ago, Sam's Club had sent all of its suppliers a previous letter spelling out the deadlines by which it wanted them to apply tags to pallets and sellable units, and specifying service fees (up to \$3 per pallet) that Sam's would charge for each pallet or sellable unit it received without a tag. The purpose of the fee was to cover Sam's Club's cost in having to tag the pallets or sellable units itself (see [Sam's Club Tells Suppliers to Tag or Pay](#)).

That earlier letter had indicated that by Jan. 31, 2008, every full single-item pallet shipped to its distribution center in DeSoto, Texas, had to bear an EPC Gen 2 RFID tag, and that by Jan. 30, 2009, all full single-item pallets shipped to any of Sam's Club's 22 DCs must be tagged. In addition, the previous letter stated that suppliers would be required to begin tagging sellable units bound for the Desoto DC by Oct. 31, 2009. The new letter lowers the service fee to only 12 cents per pallet, and notes that the tagging requirement will apply only to pallets sent to the DeSoto location this year, as well as the clubs served by that DC. Pallet-level tagging is expected to be rolled out chain-wide in 2010. According to last week's letter, the deadline for tagging sellable units is "under review."

"We are forging ahead with our sellable-unit-level labeling, and examining how we can enhance club members' experience at the register," Simon Langford, Wal-Mart's director of EPC and RFID technologies, told *RFID Journal*. "We are working on a proof-of-concept for an EPC-enabled register, and when we have completed that work, we will give our suppliers ample time to ramp up to full sellable-unit tagging."

Sam's Club is not yet ready to announce when the proof-of-concept trials for the EPC-enabled checkout register will commence, or when that work is likely to be completed. When the company has more information, Langford says, it will communicate that with the supplier base, then give suppliers 12 to 18 months to prepare and implement sellable-unit tagging.

According to Langford, Sam's Club is working with the [University of Arkansas' RFID Research Center](#) to create a certification program for item-level tagging, so that when Sam's is ready to move forward, its suppliers will be able to take the requirements and work with solution providers to determine the proper tag for their product, and the right placement so that tag can be read consistently.

As work on an automated checkout system proceeds, Sam's Club also plans to examine the benefits—to both itself and its suppliers—of tracking pallets with EPC RFID tags. Last week's letter, sent to *RFID Journal* by a supplier, indicates Sam's has deployed EPC RFID readers at the receiving doors, sales floor transition areas and box crusher sites of all 599 Sam's Club stores in the United States, and that the data captured on tagged products is available through Retail Link, Wal-Mart's supplier extranet. It notes that Sam's Club has been working with technology providers to refine the accuracy of the RFID readers being used on forklifts in test clubs, and that it intends to expand this pallet-tracking pilot within 90 days to all clubs serviced by its Desoto DC.

The goal of the pallet-tracking pilot will be to refine in-stock and pallet-tracking applications developed by Sam's Club. This will be conducted in the clubs supported by the Desoto DC, in order to validate the benefits of pallet-level tagging in preparation for a 2010 chain-wide rollout of pallet-level labeling. Prior to that rollout, the letter indicates, Sam's Club will reconsider the fee it will charge suppliers for tagging pallets, "based on the value the applications deliver to suppliers" (see [Sam's Club Reduces Pallet Tagging Charge](#)).

Sam's Club has established a Suppliers Council to foster communication with its supplier base regarding the EPC RFID initiative, Langford says, and is revisiting the original timeline because some suppliers have expressed doubts regarding their ability to meet the sellable-unit tagging requirement, particularly in the current economic climate. Sam's believes that if it quantifies the benefits to suppliers through pallet- and sellable-unit tracking pilots, then communicates those benefits, suppliers might be more willing to comply with its tagging requirements.

In its most recent letter, the company reconfirmed earlier communications stating that case-level tagging is optional because while "there are benefits to case labeling in the Sam's Club environment, and some suppliers who are labeling cases today have found value based on supply chain visibility, the benefit to our members is less significant when compared to the benefit of selling-unit labeling." The company asserted that it will continue to support case-level tagging, and to provide data captured from case tags to all suppliers that label cases.

Langford told *RFID Journal* that he hopes suppliers will not wait until the last minute to begin preparing to tag sellable units, because that would create a bottleneck with solutions providers and integrators who can help them. "We'll be communicating with them," he says, "telling them our plans and giving them the milestones we would expect them to meet. We'll be engaging them early on in that process, to ensure that we're all successful in this effort."

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