

**The retailer has shifted its focus from tagging all pallets and cases to working with suppliers to tag items in categories where the company and its partners will see the biggest benefits.**

By Mark Roberti

July 23, 2010—[Wal-Mart Stores](#) is working with suppliers of men's jeans and basics (socks, undershirts and underwear) to be able to track these items using radio frequency identification tags based on [EPCglobal](#)'s second-generation ultrahigh-frequency (UHF) RFID standard and carrying Electronic Product Codes (EPCs). This effort is part of the next stage of Wal-Mart's EPC RFID program, which will concentrate on the types of products that have multiple stock-keeping units (SKUs) and are, therefore, a challenge to manage from an inventory perspective, according to Myron Burke, Wal-Mart's director of store innovation, who is leading the retailer's EPC RFID program in the United States.

"We are addressing the opportunity to improve inventory accuracy and inventory availability," Burke says. "We have been working collaboratively with suppliers on a strategic basis to make this part of our systems."

Wal-Mart has been working with suppliers of denim products and basics for the past eight months, to enable those suppliers to tag goods at the point of manufacture so that they, like Wal-Mart, can benefit from using the tags. Unlike previous efforts, in which Wal-Mart required suppliers to tag by a certain date, the retailer is now working with suppliers collaboratively to incorporate EPC RFID data into their warehouse-management systems, and to change their business processes so they can take advantage of the EPC RFID tags to receive goods into inventory more quickly and accurately, improve their own inventory accuracy and reduce errors when picking and shipping goods. Some suppliers are already tagging jeans and basics; the rest are slated do so by the end of the year.

Early this year, Wal-Mart began explaining to suppliers of jeans and basics that they should tag these goods with EPC RFID inlays, and that the RFID transponders should be embedded in hangtags, labels or exterior packaging printed with the EPCglobal seal, indicating the presence of an EPC RFID tag. Wal-Mart employees will not be removing the RFID tags when items are sold or deactivating the tags, but the retailer expects its customers will cut off and discard the tags prior to wearing the items, as they customarily would for other non-RFID labels and hangtags. Wal-Mart has asked the suppliers to not sew the tags into clothing. Wal-Mart will not be reading the tags at checkout, so the EPCs will not be associated with any personally identifiable information, to protect consumer privacy.

The apparel items will be tagged at the point of manufacture. Wal-Mart will read the tags as the goods arrive at stores' loading docks, when they move from the back of the store to the sales floor, and on the sales floor itself. Burke indicated that new RFID hardware and software systems have been developed, not just to tell Wal-Mart which items need to be replenished, but also to show when items are on the wrong shelf or missing from a shelving unit.

Burke declines to discuss specific benefits that either Wal-Mart or its suppliers might derive from this

tagging initiative, but says that the pilots it has run suggest using EPC RFID tags will improve inventory accuracy and on-shelf availability. Research conducted by the [University of Arkansas' RFID Research Center](#) indicates that RFID can improve inventory accuracy from 65 percent to better than 95 percent (see [Dillard's, U. of Ark. Study Quantifies RFID's Superiority to Manual Inventory Counts](#), [Bloomingdale's Tests Item-Level RFID](#) and [RFID Delivers Speed and Accuracy for Apparel Retailers](#)).

The new initiative will not currently require every apparel supplier to tag all individual items. Instead, Wal-Mart will work with suppliers of goods that have certain attributes that determine how much value EPC RFID tagging can deliver. So some apparel items, such as seasonal products that only remain in a store for a few weeks, might not be tagged, while other items that share the same attributes as jeans and basics will be tagged.

"We are focused on items that require a more complex purchasing decision by the customer," Burke says. "With denim, the customer has to make a decision based on brand, style, size and cut, in addition to price, of course. There are other areas of the store where we sell items with similar attributes. Tires are one. Some electronics items, such as TVs, are another."

According to Burke, there are no immediate plans to begin tagging these other types of items. Rather, Wal-Mart is starting with denim and basics, deploying new store operations that are scalable and easy for store associates to adopt, and it will then work with suppliers to tag other types of items, for which Wal-Mart feels EPC RFID item-level tagging will deliver business benefits.

"The effort is business-driven now," Burke says. "As we see positive results in denim and basics, we expect that business managers will want to expand the effort to categories that share similar attributes. But we are sensitive to the impact this will have on suppliers. We will give them time to engage, review their processes and ultimately change their processes. We don't want to accelerate unnecessarily and put undo pressure on them."

Burke says Wal-Mart is always exploring ways to benefit from EPC RFID technology, but it will determine which categories to tag next, based on the business benefits for both Wal-Mart and its suppliers.

In addition, Wal-Mart is helping suppliers get the best price on EPC RFID tags by forecasting the total pooled volume of the tags it will purchase for its private-label apparel with tags that its jeans and basics suppliers will need to tag items for Wal-Mart. In this way, a supplier needing a small volume of tags will pay less than it would pay if it purchased tags on its own. Wal-Mart is not giving money to suppliers to subsidize the cost of the tags, but sharing in a cost-of-goods model that includes EPC RFID labels as a component item into a total cost of goods—just like current price labels.

It is difficult, Burke says, to determine the number of men's jeans and basics that will be tagged when the initiative becomes fully operational in all Wal-Mart stores in the United States, because the number fluctuates based on demand. However, he estimates that it could be upwards of 250 million items

## Wal-Mart Relaunches EPC RFID Effort, Starting With Men's Jeans and Basics

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The company's Wal-Mart division works closely with its [Sam's Club](#) division on the EPC RFID program to drive alignment across its business. At this time, however, Sam's Club is not participating in the Wal-Mart apparel expansion.