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## Déjà Vu All Over Again

Three times last week, I heard from suppliers who said they're not taking steps to comply with Sam's Club's requirement to apply RFID tags carrying Electronic Product Codes (EPCs) on sellable units (see [Sam's Club Tells Suppliers to Tag or Pay](#)). These companies said they simply don't believe the retailer will go through with the deployment.

Two systems integrators I spoke with also told me that while they'd completed preliminary work with Sam's Club suppliers, the work had been shut down because "it appears Sam's Club is backing off its requirements." If this sounds familiar, it's only because it is—the same thing happened when Wal-Mart initially rolled out its RFID plans. At that time, some suppliers swore up and down that the retailer would back off its tagging requirements.



Wal-Mart did make some adjustments to its rollout plan—for instance, it focused more on stores than on distribution centers, because early work determined there were more benefits to be had at the store level. But here we are, three years later, and Wal-Mart has not pulled RFID out of its stores. Instead, the retailer continues to explore the benefits and employ the technology where it's delivering the most value.

Those who dragged their feet were forced to implement slap-and-ship tagging systems, which deliver no benefits back to them. Other companies, such as Beaver Street Fisheries, Kimberly-Clark, Procter & Gamble and World Kitchen, took an approach that either minimized additional labor costs, or delivered benefits by allowing them to utilize the data to improve sales and cut costs.

I know the folks at Sam's Club are currently refining their rollout plan. These are smart folks, and they'll continually examine where the benefits lie, where the technology delivers the most value and what suppliers are capable of achieving,

then adjust their plans and implementation strategy accordingly. That's just good business practice.

I believe Sam's Club will adjust its rollout plan based on feedback from suppliers, as well as its own experience in deploying the technology. The company might initially focus on a smaller set of suppliers, or on a smaller set of sellable units (a category-by-category rollout would make sense to me). So some suppliers might have additional time to get up to speed, but I would be shocked if Sam's Club dramatically scales back or abandons the rollout entirely.

There are a couple of reasons I say this. First, Sam's Club did not go into this blindly. When Wal-Mart launched its EPC efforts in 2003, no one yet had real experience with ultrahigh-frequency UHF RFID or open supply chain applications. Five years later, however, Sam's Club has a wealth of learnings from which to draw upon—from the Wal-Mart team, and from the suppliers that have worked with Wal-Mart.

Second, although Sam's Club's plan is more ambitious than Wal-Mart's in that it focuses on sellable units (individual items in multiple cases) rather than on cases, there are factors that make the Sam's rollout easier. Sam's Club has fewer suppliers than Wal-Mart, and it carries fewer stock-keeping units (SKUs). That means there are fewer suppliers to bring on board, and far fewer products to figure out how to tag—and how to gain benefits from tagging them.

In many instances, suppliers have created special SKUs—a 12-pack of razor blades, for instance, or a 42-ounce bottle of ketchup—that they sell only to Sam's, or to a couple of other stores (BJ's and Costco). Managing tagged inventory of a special SKU for one of three retailers is easier than for an SKU sold to dozens, or even hundreds, of retail partners.

Some companies that sell low volumes to Sam's could possibly get away with a slap-and-ship approach, but for those selling high volumes, the labor costs will be too high. Having special

SKUs makes it easier to adopt an automated approach to tagging, because you don't have to worry that a tiny percentage of your output needs to be tagged. All of it, or at least a good portion of it, can be tagged.

And many of the products sent to Sam's Club are easier to tag than those sent to Wal-Mart. That's because bulk packaging usually provides more space to place a tag, and more air gaps that make that tag easier to read. This means Sam's suppliers will spend less time dealing with the physics of RFID, trying to ensure the tag can be read.

The biggest challenge Sam's Club suppliers face involves tagging high volumes of products. You can't take a manual approach to that, because the labor costs are just too high. And if you sell many SKUs, the complexity of tagging all of them becomes too much to manage manually. But automating the tagging as part of a high-volume production operation has its own challenges.

If Sam's Club does provide additional time for suppliers to begin tagging sellable units, companies would be wise to use that time to devise a smart strategy for tagging in the most cost-effective way. The editors of *RFID Journal* have been working on a guide to doing just that. We'll lay out the options and show suppliers what they need to do, but doing it will still take time (and, yes, money).

I don't believe Sam's Club launched its EPC strategy on a whim. The retailer knows there are significant benefits to tagging sellable units, and I wouldn't bet against them.

*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.*



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