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For Retailers, the Times, They Are a-Changin'

Last week, I wanted to purchase a 500 GB portable hard drive, in order to store PowerPoint files and video recordings of presentations for use on the road. I also needed a new case for the Apple iPhone 4S that I ordered a week prior. I did a quick Web search, and found a recommendation for a good

protective case, then visited CNET for reviews of hard drives, clicked on Amazon.com and ordered both items. Total elapsed time: 10 minutes.

I'm not alone in turning to the Web for many of my purchases. While online purchases account for only 4 percent of all sales, they are growing far faster than in-store sales. In the United States, retail sales rose by 4.5 percent during the third quarter of this year, while Web-based retailers saw a 14 percent jump (sales through Amazon.com's Marketplace rose by a whopping 37 percent). In the United Kingdom, the difference was even more pronounced: Online sales rose by 15 percent in September, compared to an anemic 0.3 percent increase in stores.



Some retailers are responding. Last week, Macy's announced plans for a \$400 million redesign of its Herald Square store, adding new luxury retailers, a brew pub, a sit-down restaurant with views of the Empire State Building, and what it claims is the world's largest women's shoe department. Macy's understands that to draw people into its stores, shopping must become an experience. The second floor will contain 39,000 feet of space, offering what the company calls "an unequalled assortment of fashion and luxury footwear."

To help ensure that shoppers will be able to find what they wish to buy, Macy's recently announced plans to employ radio frequency identification to track unique apparel items (see Macy's Inc. to Begin Item-Level Tagging in 850 Stores). Store executives have publicly stated that all conventional

retailers need to be as good at having the right merchandise on the sales floor as they are at delivering items purchased online—and that RFID is the key to making this happen. Macy's did not indicate whether it plans to employ RFID to help shoppers locate the 300,000 pairs of shoes that will be available for sale, though it did report that it intends to include interactive store directories, a "shoe-locator system" and a mobile application.

Lord & Taylor recently announced that it is utilizing an RFID solution as well, to ensure that customers can see every shoe style it sells. See Lord & Taylor Tags Shoes, Boosts Sales.

Macy's gets it. So does Apple. A Web site known as BGR, which focuses on electronics and retail, reported last week that Apple plans to release a new retail store app for the iPhone enabling customers to buy products online and pick them up at the store, as well as return items bought online to the store (see New Apple Store app launches Thursday; here's how it will change Apple's retail operation). BGR claims that if a customer orders an item that it has in stock at its local store, "pickup will be available approximately 12 minutes after completing the order." Twelve minutes!

"If a customer orders something that a retail store does not have in stock, like a custom-configured machine, an accessory the store does not carry, or something like an engraved or gift-wrapped device, the customer will be given a pick-up date right after the purchase is completed," BGR states on its site. "Everything will have free shipping when sent to an Apple retail store."

When the order arrives at the Apple Store, the customer will be notified via the Apple Store app on his or her iPhone. The shopper will be able to bypass lines and pick up the purchased item. One goal is to reduce shipping costs, BGR reports, while another is to drive traffic to its stores. But most of all, Apple is trying to sell items the way customers want to buy them.

Another major feature of the new Store app, according to BGR, is self-checkout. "After you find the item you want to buy, like an accessory, you launch the Apple Store app on your iOS device and there will be an option to buy a product in the store," BGR explains. "You scan the product with the camera on your device in the app, click purchase, and it will charge whatever credit card is associated to your Apple ID. You then just walk out of the store. Yes, we have been told that Apple will not be checking purchases, which seems hard to believe, but this self-checkout option will launch Thursday worldwide at all Apple retail stores."

I don't know how Apple is implementing this solution, but this concept cries out for RFID, because retailers require real-time data to execute the operation efficiently. First, it's important to know precisely what's in stock within each store, and to be able to replenish effectively. For items not in stock, RFID could be used to track their movements, and ensure that customers are alerted when goods arrive at the store. If employees fail to scan bar codes, shoppers might not be notified for hours or days. With RFID, that process can be automated.

Apple might believe that it can execute effectively without RFID (we'll see if that's the case), but the company only has 300 stores, with a fairly limited number of items in stock. Macy's, on the other hand, operates 850 stores and sells many more items, while Wal-Mart has 4,000 stores and many more stock-keeping units (SKUs). The larger the chain, and the more items stocked, the harder it would be to execute on an omnichannel retail strategy without first implementing RFID.

Self-checkout really can work if RFID is used like an electronic article surveillance (EAS) system. If I paid for my new iPod using the system BGR described, the store's database could immediately be updated. When I walked out, the unique ID number associated with that item's RFID tag would be read, and the system would indicate it as having been paid for—or sound

an alarm if I failed to do so.

Moreover, RFID can enable other cool innovations, such as interactive kiosks, magic mirrors and personal shoppers (see RFID for What? Enhancing the Customer Experience). And it's these types of innovations that are going to be required if retailers want to get people like me back in the stores.

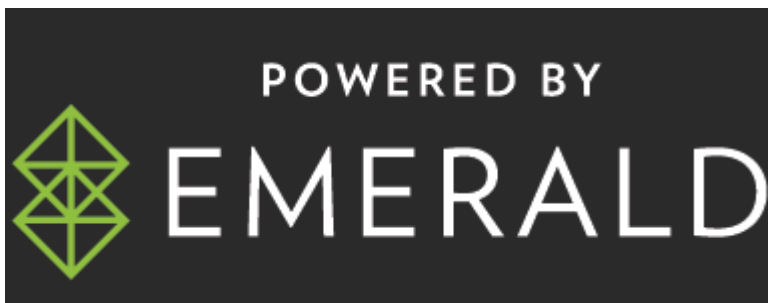
Mark Roberti is the founder and editor of RFID Journal. If you would like to comment on this article, click on the link below. To read more of Mark's opinions, visit the RFID Journal Blog, the Editor's Note archive or RFID Connect.



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