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Momentum in RFID Is Shifting

Over the past few weeks, I've had a lot of opportunities to speak to end users about their plans for deploying radio frequency identification technologies—more specifically, RFID based on the Electronic Product Code standards. There has been a subtle but discernable shift in the retail and consumer packaged goods industry. It's no longer the big retailers that want to go faster—now, the suppliers are the ones charging

ahead.

This is a big change. A few years ago, suppliers were moaning that there were no benefits in RFID for them. They were going to absorb the cost of the tag, they complained, while retailers were going to get all the benefits. Analysts and consultants jumped on the bandwagon, echoing the views of their clients in the press.



But a funny thing happened on the way to fulfilling mandates—suppliers found some real benefits to putting EPC tags on pallets, cases and high-value individual items. Tracking promotions, in particular, has proved to be nothing short of a revelation for consumer packaged goods manufacturers. Suppliers are also finding that RFID can improve the on-shelf availability of such fast-moving consumer goods as batteries and razor-blade refills.

Big CPG companies spend hundreds of billions of dollars annually to create special promotional displays, buy premium floor space in retail stores and advertise the promotions. And what has EPC data shown them? That as many as half the stores involved with promotions don't put the displays out on time. In some cases, store employees drag promotional displays to and from the back room, using the products in the displays to replenish shelves—a pattern clearly identifiable in the EPC data retailers share with suppliers.

Companies such as Kimberly-Clark and Procter & Gamble are now gung ho about deploying RFID to increase sales by identifying

and correcting problems with promotion execution. K-C also wants to move quickly to monitor on-shelf availability.

Retailers aren't exactly slowing down—many, in fact, are moving ahead with rollouts—but people have taken note that Wal-Mart is not *accelerating* its rollout; rather, it is keeping pace with last year by installing RFID systems at another 400 stores. If RFID is so great, why not move faster?

My view is that Wal-Mart realizes it has work to do before it can take advantage of the RFID systems already installed and improve the execution of its promotions. The retailer is moving at a pace that allows it to implement the systems and processes needed to take advantage of the equipment installed.

I think Wal-Mart's approach is going to pay dividends in the long term, as it will address the issues with promotions and out-of-stocks in RFID-enabled stores and move forward at a steady, manageable pace. Still, it's ironic that the companies analysts once said were going to be hurt by Wal-Mart's adoption of RFID are now chomping at the bit, urging Wal-Mart to move faster.

Mark Roberti is the founder and editor of RFID Journal. If you would like to comment on this article, click on the link below.



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