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# RFID in the U.S. Retail Sector

I recently received an e-mail from a reader who wrote: "I know that in recent years, companies such as Nordstrom, Target, Bloomingdale's, JCPenney, Best Buy, Macy's, Dillards, The Gap and Abercrombie & Fitch—to name a few—ran RFID pilots. But I have not heard anything since regarding their adoption.

Accordingly, I am writing to ask you about the state of RFID among American retail companies. Is the United States following the lead of European adopters, such as Metro? Has American Apparel blazed a trail for other retailers to follow? If they have adopted, when? What kind of ROI are they realizing? Is their adoption at the item level? Who are the major integrators working with these organizations? If they have not adopted RFID, why? These are just a few of the questions to which I am looking for answers.”

I will do my best to answer these questions. Some of these companies are not doing a lot involving radio frequency identification.

It’s my understanding that after several years of testing, Target did not deploy an RFID system (see Target Issues RFID Mandate, Target, Wal-Mart Share EPC Data and Target Tests RFID for Security). I know the company has attended some meetings recently related to the use of RFID in the apparel sector, but it’s probably just trying to gather intelligence on Wal-Mart’s use of the technology (see Wal-Mart Relaunches EPC RFID Effort, Starting With Men’s Jeans and Basics).



Best Buy also conducted some trials that were successful (see Best Buy to Deploy RFID, Best Buy Eager to Use RFID to Eliminate Checkout Lines and Wal-Mart, Best Buy Spearhead DVD-Tagging Pilot), but my understanding is that the company had a hard time getting others in the electronics sector to join in using the technology. That might change in the next year or two, however, as electronics firms start embedding RFID into

their products.

As in Europe, most RFID adoption in the retail industry take place in the apparel sector. Dillard's, Macy's, JCPenney, Jones Apparel and Wal-Mart are all part of the RFID Item-Level Committee, which launched a formal initiative to investigate the benefits of tagging items for apparel suppliers and retailers (see Major Retailers, Industry Groups Launch Item-Level RFID Guidelines Initiative). The member companies are committed to working together to ensure the technology is adopted in a standardized way that benefits everyone, rather than having suppliers tag one way for one retail store, and a different way for another. This initiative, if successful, represents a leap beyond the individual efforts going on in Europe.

There are other apparel retail deployments happening behind the scenes that are separate from the work these retailers are undertaking with suppliers, RFID technology providers and academics. I am aware of some rollouts that I am unable to write about just yet, because the companies involved are not yet prepared to go on the record and discuss them.

Yes, American Apparel has blazed a trail (see American Apparel Makes a Bold Fashion Statement With RFID, American Apparel Expands RFID to Additional Stores, American Apparel Adds RFID to Two More Stores, Switches RFID Software and American Apparel RFID Project Featured in Video). In his keynote address at RFID Journal LIVE! 2009, Zander Livingston, at that time the company's director of RFID, explained how the retailer is using RFID in its stores, and how the technology is helping the firm to increase sales by more than 14 percent (watch the video). Other businesses have not reported the return on investment they are achieving, but from my discussions with apparel retailers, most pilots have shown a 5 percent to 10 percent increase in sales, and an ROI in six to 12 months.

Adoption is at the item level, because the big benefit of

using RFID in the apparel sector is its ability to manage complex inventories. That is, the technology can quickly inform a retailer if a shelf has the right number of red, green and blue shirts in small, medium, large and extra-large sizes. Better inventory accuracy and replenishment leads to more sales at higher prices (fewer markdowns) and improved margins. Our ROI Calculator explains all this (see RFID Fashion Retail ROI Calculator), enabling retailers to enter their own information to calculate a potential return on investment.

Most retailers I have spoken to are working with a variety of integrators to install their RFID hardware. These companies are utilizing software from Tyco Retail Solutions (which purchased Vue Technology a few years ago), Checkpoint Systems (which purchased OATSystems) or Xterprise (which has developed its own applications).

Not every business that conducts pilots ultimately deploys RFID, and there are many reasons for this. Sometimes, a company runs into financial problems and kills all of its nonessential projects. Or the individual driving the RFID initiative leaves the firm, and no one else has the same passion for the project. Or the pilot is poorly run, and thus fails to deliver results.

RFID can bring tremendous benefits to apparel retailers, as well as to suppliers. In my view, this will be the first industry to adopt the technology in a major way, because the ROI is so compelling, and the deployment is easier than in other sectors, since clothing is RF-friendly. You have not heard much about the pilots, because the work is currently still underway, and companies are so excited about the benefits they are achieving that they don't want to tip off their competitors. But that work is beginning to bear fruit, and I think you will hear a lot more about it in the months to come.

*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 the Editor's Note archive.*



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