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Suppliers Must 'Slap and Ship'

If suppliers are to meet Wal-Mart's January 2005 deadline to include RFID EPC tags on pallets and cases, they must focus just on adding RFID technology to their shipments and not simultaneously try to lower operating costs by restructuring operations around RFID, according to Forrester Research, a

technology consulting and research firm based in Cambridge, Mass.



Christine
Spivey
Overby

“RFID will be important technology for the supply chain, but there are 277 days left until January 1, 2005, and suppliers have to focus on what to do now and that has to be the ‘slap and ship,’” Christine Spivey Overby, Forrester senior analyst for consumer packaged goods, told supply chain and RFID executives attending the RFID Journal Live! conference held this week in Chicago.

Although integrate RFID throughout their supply chains will result in significant savings three to five years, the task is too complex and expensive to achieve while striving to comply with Wal-Mart’s mandate, according to Overby. Forrester estimates that just 25 percent of suppliers will succeed in meeting the retailer’s January 1 deadline.

Although the “slap and ship” approach of implementing RFID tagging will be significant, it will provide the quickest route to satisfying the mandate as well as provide a valuable test and teaching experience for RFID deployment. “Focus on learning how RFID works, and minimize the amount of distribution center reengineering,” said Overby.

Forrester also presented a financial analysis of how much this approach would cost the average Wal-Mart supplier. To

illustrate the challenges facing such a company, the researchers created a fictitious consumer goods manufacturer that was shipping 15 million cases valued at \$20 each from its three distribution centers to Wal-Mart's three Texas distribution centers, which will become its first RFID-enabled centers in January.

According to the research, a "slap and ship" approach to implementing RFID capabilities would require an investment of \$9.1 million, including the costs for the first year of operation. Overby also noted that 80 percent of that expense would be for the tags alone. "That highest cost underscores what still needs to be solved in the industry," said Overby. "Tags prices are not dropping quickly enough. Lower costs are about more than increased volume; tag manufacturers also need to innovate."

Readers and all other hardware, including servers, accounted for the next highest cost: \$329,000. Other factors in descending order of cost were software, consultancy, implementation team costs, tag and reader testing, additional warehouse labor and staff training.

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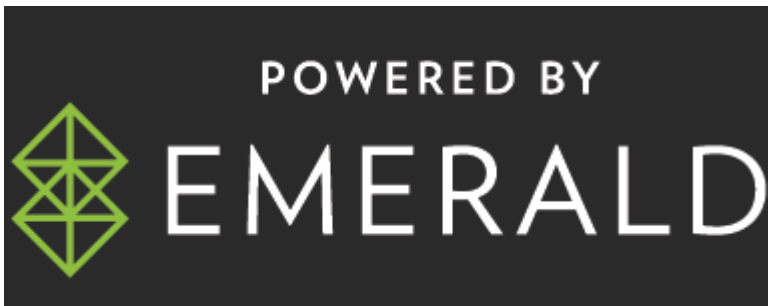
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