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VF Contracts for Millions of Tags

Major consumer apparel manufacturer VF Corp. has signed a three-year agreement to purchase RFID tags and readers from Alien Technology. VF will deploy the equipment to help it meet RFID shipping mandates from customers including Wal-Mart and Target.

Initially, VF will RFID equip seven of its more than 50 U.S. distribution centers to enable it to add RFID tags to cases of its garments, in order to meet Wal-Mart's January 2005 deadline requiring suppliers to tag cases and pallets of goods shipped to the retailer's three north Texas distribution centers. The company, which produces many well-known brands, including Lee, Wrangler, Nautica, Eastpak and The North Face, expects to deploy two to four Alien RFID readers at each of its distribution centers during the next few years.



Jim Jackson

The deal represents a significant win for Alien. The clothing manufacturer has already begun shipping tagged cases of its products to Wal-Mart's three distribution centers and says it expects to use around 600,000 RFID tags a year at first. Toward the end of the contract period, however, VF expects usage will grow to more than 5 million tags annually as more of its customers' DCs become equipped to receive tagged shipments.

The company will initially use Alien's 64-bit EPC Class 1 tags but will switch to a 96-bit version later next year. VF says it tested tags and readers from three or four vendors but opted for Alien tags and readers for a number of reasons.

"What made Alien stand out was the maturity of the product, the documentation and that the configuration was easily connected to our existing WMS systems without additional middleware," says Jim Jackson, director of communications infrastructure at VF.

Alien also managed to undercut its competitors on tag prices as well, which was also a factor in VF's decision to go with Alien, says Jackson. "From the hardware point of view, there was not a significant price difference between competing vendors, but from a tag-pricing standpoint, there was an advantage with Alien. Hardware costs can be almost trivial compared with tag costs, and we feel we got a good price for tags from Alien," says Jackson, adding that the tags' performance has been impressive "We have had no problem getting multiple reads per carton on conveyors moving up to 300 feet per minute."

Unlike some Wal-Mart suppliers that are limiting the number of product SKUs that they will tag and ship to Wal-Mart by January, VF says it will be tagging all its shipments of jeans, intimate apparel and sportswear to Wal-Mart's three RFID-enabled distribution centers in north Texas. Because of the configuration of its packing and shipping operations, the company decided it made more sense to tag every case being shipped to the three Wal-Mart DCs covered by the mandate. "It's binary. We either we tag everything going to those centers, or we tag none at all," says Jackson.

The company will encode and manually apply tags to cases as part of its existing pick-and-pack process of assembling orders for specific customers. If the items were tagged earlier in the supply chain, VF says, it might be able to use those tags for its own operations. However, the tagging will take place alongside well-established bar code systems that already have the ability to track packed cartons on existing conveyor systems. "Our tagged cases don't exist until two hours before they go out the door, and our distribution centers have been set up for line-of-sight bar code automation, so there is not a lot of additional value that we can get from tagging our cases," says Jackson.

Nevertheless, VF says it is hopeful that its initial RFID deployment and the growth of RFID use in retailer supply

chains might help to bring the price of tags down enough to let VF move to item-level tagging.

“By using the technology, we are helping to drive the technology to the next level, which could help get us to item-level tagging probably in the next three to five years,” says Jackson. VF believes that RFID’s ability to read tags without the need for a clear line of sight can drive cost savings in its operations at the item level.

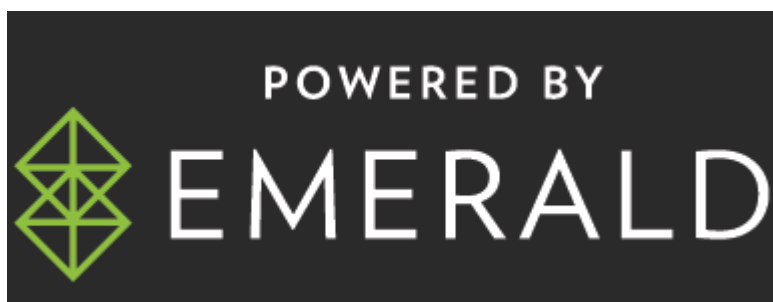
“If we could use item-level RFID tagging to ensure that each case has the correct contents without having to open the case and check each item individually, then we can use that to drive savings,” Jackson says. He maintains that the company first began looking at the potential for item-level tagging garments in its supply chain tagging 11 years ago, but tag cost has been a limiting factor in deploying such a system.



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