

Retail RFID: The View From Outer Space

Marshall Kay
February 8, 2022

RFID SHERPAS: Who We Are

- Founded in 2007
- Our team members are based in USA, Canada, UK
- We are Management Consultants focused on Retail
- We are not Analysts (like Gartner, Forrester, IDC, IHL Group)
- We are not System Integrators
- We do not sell RFID software, equipment, tags

The View From Way Up High



- Today let's look as far back as 2010
- What has been learned that can inform the next 5 years?

The Last 12 Years Of Retail RFID



- Logic did not always dictate which retailers were ahead of their peers
- Stops & Starts were not uncommon
- Only the winners adopted a truly continuous Test & Learn mindset

Adapt Or Die



There once was a time
when you could legitimately
ask a Retail CEO:

“Does your company use
computers?”

Not Using RFID Is Like “Giving The Finger” To Your Customers & Employees



- Currently most true in stores that sell clothing or footwear
- Slightly less true in Luxury stores
- Not true in Treasure Hunt stores (like TJ Maxx)

Inaccurate “Store Level” Inventory Data Is Becoming A Back Breaker



- Won't be the #1 reason companies fail, but will be a contributor
- For certain companies, inaccurate Inventory Data is becoming as dangerous as a Carbon Monoxide leak
- Unfortunately, they won't see it coming!

Which Companies At Greatest Risk Of Being Knocked Out?



- Primarily those who sell Clothing
- Serving the shrinking Middle Class
- Heavily reliant on Shopping Malls
- Brand Equity with consumers is low (or fading)
- Have competitors with high RFIQ's

RFID Still Isn't Getting All The Respect It Deserves



It's still fair to call RFID
“the Rodney Dangerfield
of retail technologies”

But Certain CEOs Recognized RFID's Importance Years Ago

“RFID gives us the most complete view of our inventory that we have ever had. It’s quickly becoming the most precise tool in our arsenal to meet an individual consumer’s specific need at the exact right moment.”



Nike's Chairman/CEO
on an Earnings Call
in June 2019

It's A Necessary Climb



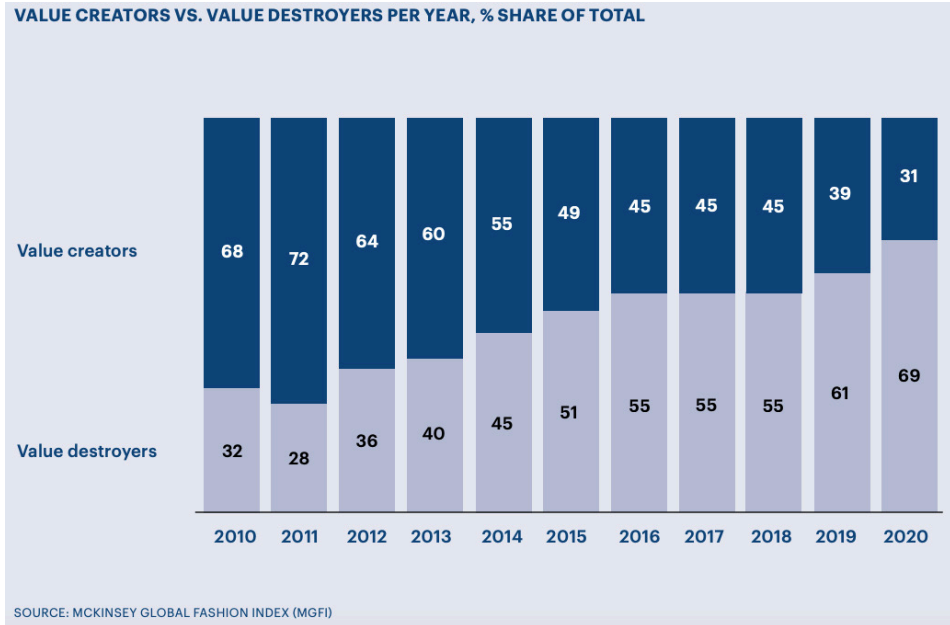
The question of whether to use RFID was settled many years ago. The questions now are:

1. How many ways is a Retailer/Brand using RFID?
2. How proficient is the Retailer/Brand in each of these areas?
3. How well is the Retailer/Brand using the new data it is creating?

The Gap Is Widening



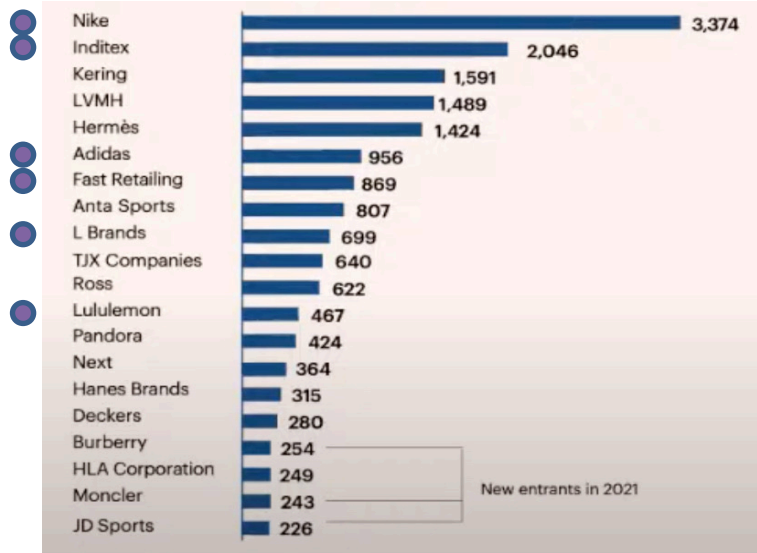
Many Sectors Within Retail Are Now “Winner Takes All”



- Over 350 public companies studied by McKinsey
- Apparel; Footwear; Accessories; Jewelry; Watches; Bags/Luggage
- Measured degree of Economic Profit or Loss

Many Of McKinsey's "Super Winners" Were Among The First To Embrace RFID

Economic Profit In Fiscal 2019 & 2020 (\$M)



Source: McKinsey Global Fashion Index (published in December 2021)

- McKinsey calls the 20 most profitable companies "Super Winners"
- Not a coincidence that many of Retail's smartest companies quickly recognized the value of RFID
- RFID is simply one of many reasons why these "Super Winners" succeed

Expansion Of Walmart's RFID Program Isn't A "Second Wind" For RFID Itself

RFID Being Used At All Price Points



The World's Biggest Brands Use RFID



Walmart Is Now Expanding Far Beyond Apparel, Footwear, Jewelry & Tires

- **2019 Supplier Memo:**
 - Apparel
 - Footwear
 - Jewelry, Watches, Sunglasses
- **2022 Supplier Memo:**
 - Home Goods:
 - Bath & Shower; Bedding; Kitchen & Dining;
Furniture; Storage & Organization
 - Consumer Electronics
 - Wireless: Phones; Tablets; Accessories
 - Automotive (Batteries)



By September 2, 2022,
goods received in
Walmart USA's stores are
supposed to arrive
tagged

Walmart's Rationale For Adding New Categories

“Over the last year, we have successfully implemented RFID technology in our apparel departments and have seen dramatic results”

“We have improved on hand accuracy, which has grown online order fulfillment. These dramatic improvements have had major impacts on sell through and customer satisfaction”

“With the success of this initiative, Walmart plans to continue expanding this program to other departments and categories. RFID will help improve inventory accuracy, which leads to a better in-store shopping experience for customers, more online and pick-up in-store capabilities and greater sales opportunities”

Why This Isn't Big News

1. RFID was already here to stay
2. All products in the Walmart expansion are already being tagged for many other retailers
3. Nobody expected Walmart to only tag Apparel, Footwear, Jewelry, Watches, Sunglasses

Why This Is Big News

1. RFID becomes more effective and more efficient in many more categories. A “wake up” call to competitors
2. Walmart’s massive scale makes any news significant
3. “Even Walmart uses RFID in this product category” is a very powerful statement
4. A key catalyst to unlocking greater adoption globally in Personal Electronics and other Consumer Electronics

What Else Is/Isn't Notable About The Acceleration Of Walmart's RFID Program?

1. Walmart recommitted to RFID in 2019, not 2022
2. Walmart was set to tag all Apparel/Footwear 10 years ago
3. 8 months between Notification Date and expected Arrival Date of the tagged merchandise
4. If the thought of Amazon hegemony scares you, then the Walmart category expansion should make you happy

RFIQ: A Tool, Not A Catchy Buzzword

In the Retail context, RFIQ measures the IQ of a person, a team or an organization regarding RFID. Do they know:

1. What RFID is?
2. The range of ways it is used?
3. The upside for consumers?
4. Why retail employees love it?
5. Which companies are using it?
6. Why they view it as critical?

The article introducing the RFIQ concept can be found on [Forbes.com](#)

Conversational RFIQ: Examples

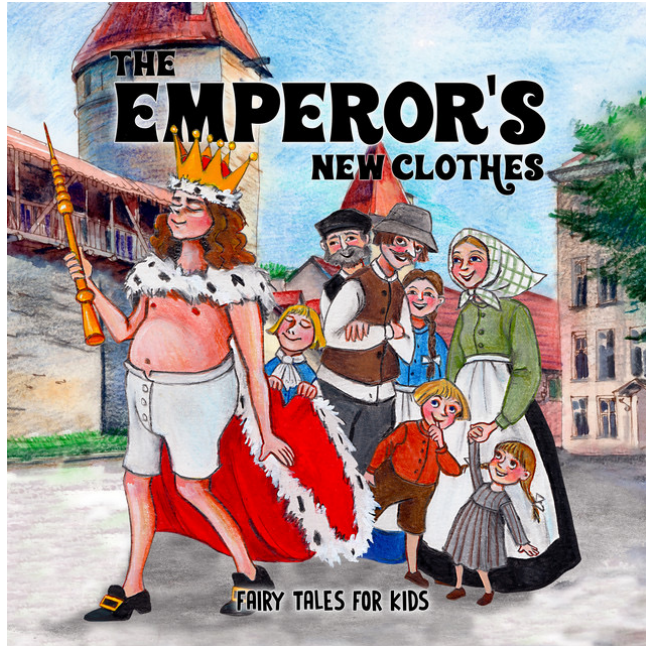
- “Now that Walmart needs us to tag our merchandise, we really need to up our RFIQ”
- “How does Nordstrom’s RFIQ compare to its peers?”
- “At Ralph Lauren, are the Merchants operating with as high an RFIQ as the Store Operations group?”
- “Is the Wall Street Journal exhibiting as high an RFIQ as Bloomberg, CNBC or the Financial Times?”
- “Is Shoptalk exhibiting a higher RFIQ than NRF?”

Many Retail “Experts” Don’t Even Have A Fig Leaf Of Knowledge About RFID



- Pundits, Prophets & Gurus
- Journalists & Broadcasters
- Wall Street Analysts

When It Comes To RFID, Many Emperors & Empresses Are Parading Around Undressed



RFID's proliferation in
Retail is even more
impressive when you
consider the obstacles it
has needed to overcome!

Predictions For The Next 5 Years

1. Industry Standards organization GS1 will continue to play a critical role
2. Much more tagging of Home Goods, Electronics
3. Growth in Cosmetics, Beauty, Foodservice, Supermarkets
4. Greater use of RFID to expedite checkout

Marshall.Kay@RFIDSherpas.com

US Mobile: 312-286-4944

Canada Mobile: 416-918-0560

*Please consider following me on LinkedIn
and reading my series of Forbes articles*

THANK YOU