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RFID in Retail 2022 Virtual Event

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Understanding RFID's ROI for Retailers

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What's Covered

- The problem for stores
The business case for RFID in Retail and Apparel – and footwear!
- Revenue uplift vs labor savings
- Reducing shrinkage
- Other benefits
- Developing an RFID strategy



The Problem

- Too many stores
- More people shopping online
 - Global e-commerce sales rose to \$26.7 trillion in 2020
 - Online sales accounted for 14% of all U.S. retail sales, up from 11 percent in 2019
- Less brand loyalty



Stores Are Failing

- Product is often out of stock
- Even if it's in stock, no one can find it
- Shelves aren't well organized
- Staff often aren't very helpful (if you can find somebody)
- When you buy online and pick up in the store, the item often isn't there



RFID Helps Improve with Execution



- Studies show RFID boosts inventory accuracy from 65% to 98%
- Ideal for items with complex SKUs (several colors and sizes)
- Can quickly find items, regardless of where they are in the store

Video



Inventory Accuracy

- Better on-shelf availability leads to an increase in sales
- Additional revenue is all profit
- What is the level of sales lift?
 - 4 percent?
 - 20 percent?

The Business Case for RFID in Retail

- It is not about reducing labor costs
- It's about improving inventory accuracy and replenishment – *having the goods in the right place when the customer wants to buy them*
- This leads to fewer markdowns and more goods sold at a higher margin



Ladder Example: 100 Sweaters

40 are sold at full price, 20 at a 30% discount, 20 at a 40% discount, 10 at 50% off and 10 at 60% off

Number Sold	Selling Price	Unit Cost	Revenue	Cost	Profit
40	\$100	\$40	\$4,000	\$1,600	\$2,400
20	\$70	\$40	\$1,400	\$800	\$600
20	\$60	\$40	\$1,200	\$800	\$400
10	\$50	\$40	\$500	\$400	\$100
10	\$40	\$40	\$400	\$400	\$0
100			\$7,500	\$4,000	\$3,500

Better On-Shelf Availability Improves Margins

Selling 10 more sweaters at full price, 5 more at the first discount level and 5 more at the second discount level leads to a 10% increase in revenue—*all of which is profit*

Number Sold	Selling Price	Unit Cost	Revenue	Cost	Profit
50	\$100	\$40	\$5,000	\$1,600	\$2,400
25	\$70	\$40	\$1,750	\$800	\$600
25	\$60	\$40	\$1,500	\$800	\$400
0	\$50	\$40	\$0	\$0	\$0
0	\$40	\$40	\$0	\$0	\$0
100			\$8,250	\$4,000	\$4,250



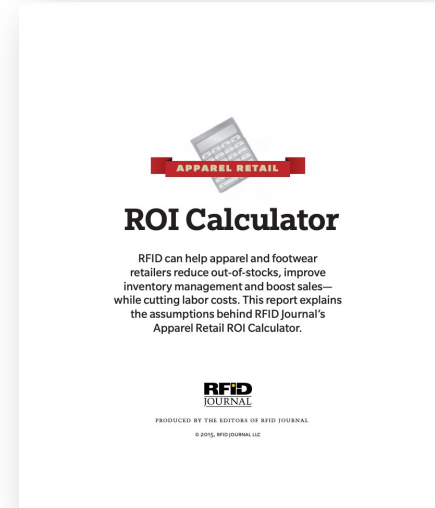
Labor Savings vs. Sales Lift

- If you spend more on labor to have higher inventory accuracy, you will save more labor
- Sales lift will be smaller

Retail Apparel ROI Calculator

- Enter your own costs, margins, etc.
- Test scenarios
- Explore the impact of tag costs

<https://www.rfidjournal.com/whitepaper/rfid-journal-apparel-retail-roi-calculator>



Reducing Shrinkage

- RFID has not been promoted as an EAS solution
- Reduction in theft is not well-documented, but . . .
- American Apparel found internal shrink declined an average of 55% in RFID-enabled stores
- In some stores it was 75%
- Marks & Spencer found the data from RFID allowed it to investigate theft more effectively





Other Benefits

- Improved customer service and customer satisfaction
- 85% reduction in receiving time
- 70% reduction in time spent looking for items
- Elimination of bi-annual inventory taking

Other Benefits

- RFID enables omnichannel retailing
- Allows retailers to improve merchandising strategies
- Enables conversion tracking
- Improves the customer experience



Developing a Strategy

- Do the basics first
- Get your inventory accuracy up
- Then consider how RFID can benefit your brand specifically
- RFID isn't a strategy — it supports your strategy



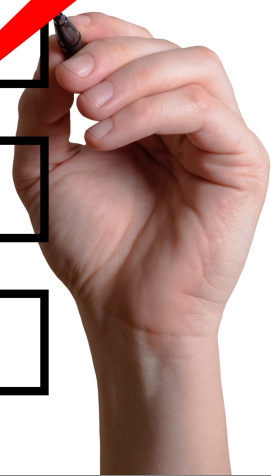
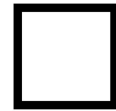
Walmart and Prada

- Two of the first retailers to adopt RFID
- Two very different approaches
 - Prada: Wow the customer
 - Walmart: Cut costs



Some Possible Strategies

- Reduce costs to enhance competitive advantage
- Create cool, high-end customer experience
 - Interactive shelves
 - Magic mirror
 - Smart dressing rooms
- Enable omnichannel retailing to enable millennials to buy anywhere, anytime from any device
- Offer the greatest selection of product



Everything Starts with Inventory Accuracy

- You need a wholistic view of what you have and where it is — right now
- That enables improvements in the customer experience and other strategies



Start Small and Expand

- You can start with one or two categories in one store
- Expand tracking in those categories to all stores
- Add additional categories
- Focus on execution of the strategy
- Don't forget about change management





Questions

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