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Arkansas Democrat Gazette

NORTHWEST ARKANSAS EDITION

ID-tag inventory study finds accuracy up 13%

BY STEVE PAINTER

Posted on Friday, March 14, 2008

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Inventory accuracy at eight Wal-Mart stores improved by 13 percent with the use of radiofrequency identification tags to track product movement, University of Arkansas at Fayetteville researchers found in a six-month study.

The results, released Thursday, suggest that Wal-Mart Stores Inc. could save millions of dollars through widespread deployment of the radio-frequency identification tags, said Bill Hardgrave, head of the university's RFID Research Center, which Wal-Mart helps fund.

"I think it's just a fantastic signal to the retail supply chain," Hardgrave said.

Wal-Mart, based in Bentonville, has been at the forefront of retailers pushing for implementation of the tags. Through the use of tiny tags that emit radio signals and receivers that read those signals, the company tracks pallets and cases of products at about 1, 000 of its nearly 4, 200 stores.

Earlier this year, Wal-Mart began assessing suppliers \$ 2 per pallet for untagged goods delivered to its Sam's Club distribution center in DeSoto, Texas, saying the fee was to cover the cost of manually attaching the tags at the center. The company intends to add the fee at four more Sam's distribution centers, including one in Searcy, on Oct. 31, according to a letter Wal-Mart sent vendors in January.

Bob Amster, principal of The Retail Technology Group, a consulting firm in Stamford, Conn., called the university's findings "extremely significant." "A 13 percent increase can be millions of dollars in inventory, or in lost-sales avoidance, what we typically call out-of-stocks," he said.

Scott McCall, senior vice president of consumables at Wal-Mart, said the study "validates our expectations." McCall said the study shows that not only Wal-Mart but its suppliers and customers will

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benefit from expanded radio-frequency identification tag use.

The university's study analyzed use of the tags at eight Wal-Mart stores and compared the results with eight non-tag stores with similar sales volumes. The study covered supercenters and Neighborhood Market grocery stores.

Hardgrave said the study focused on what retailers call perpetual inventory — the goods that store managers believe are on hand — versus actual inventory that researchers manually tracked. The study found that the tags enable retailers to reduce unnecessary inventory, he said.

"I was just really shocked at how much it could do that," he said. Hardgrave said inventory inaccuracy rates in retailing can reach as high as 65 percent. The study, conducted from May through October last year, focused on air freshener and related products — about 300 in total. Researchers have been analyzing the data since then, Hardgrave said.

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