

RTG Newsletter

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FROM THE PRINCIPAL'S OFFICE

In this quarterly issue we cover the Retail Systems show just ended and we boast about having predicted correctly certain trends in retail technology. When RFID came to the forefront of everyone's attention as the hot new technology, we wrote about item level tagging as the real pay-off. Now, studies are showing just how right we were.

Bob Amster - Principal, RTG

It's nice to be right once in a while

BY BOB AMSTER

We insisted that item level RFID was the real 'killer app' in a previous letter more than a year ago. Well, I am happy to report that the rest of the world is catching up to us. Below are a few examples of how the retail industry (other industries are also) is embracing item level RFID. Enjoy!

Top of the Net reports that German apparel supplier [Lemmi Fashion](#) utilizes consumable RFID hangtags from [Checkpoint Systems](#) as part of a strategic initiative to help improve speed to market, inventory management, and order accuracy. The RFID-enabled hangtags, which include a visible version of the RFID tag and a traditional barcode, contain data such as article number, size and color.

Boekhandels Groep Nederland (BGN), the Dutch bookseller, is testing radio frequency identification (RFID) at the item level according to Retail Wire.

Fifteen jewelry stores in the Middle East have begun using an RFID system designed to monitor the movement of each piece of jewelry. The system was designed by [The Jewellery Store](#) (TJS), a startup in Dubai, United Arab Emirates, specifically launched in October 2005 to develop and market the jewelry-tracking system. Jewelers in the Middle East have a special incentive to implement an RFID inventory-tracking solution. The jewelry industry there is dictated largely by the price of gold, Nasser says. For example, a gold chain's value depends strictly on its weight. Because of that, insurance costs can rise and fall with the

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fluctuations of the price of gold. When that price rises, Nasser says, many Middle Eastern stores can be forced out of business, unable to pay the additional cost of keeping that jewelry in their inventory.

U.K. clothing, food and home-products retailer Marks & Spencer will expand its [RFID](#) trial to 53 stores starting in the spring of 2006. According to the retailer, the move is based on the success of its current yearlong RFID trial involving men's suits at nine of its stores. In addition to expanding the number of stores using RFID, the company will also extend tagging to five other clothing departments and ask its suppliers to add [RFID tag](#) their products before shipping them to the retailer.

RFID Journal recently published an article on [Item Tagging Barriers and Benefits](#). It's worth a read.

The results of early Item-Level RFID pilots, as reported by RFID Journal have been dramatic:

- Inventory accuracy has increased up to 20%.
- OOS are down by as much as 50%.
- Sales are up by as much as 10%.
- Safety Stock is down by as much as 50%.
- Cycle-counting time is down by as much as 90%.
- Shrinkage is down by as much as 50%.

In another quote from Top of the Net, is a dramatic approach by consumer electronics retailer Best Buy "Imagine a consumer going into a store and not having to pass out of the checkout," said Best Buy CIO Bob Willett at a session during the recent Retail Systems 2006 Conference & Exposition. "The first store to do that will be forever remembered in a fond way by the consumer. My objective is to create the first checkout-less store."

Willett is already seeing the benefits of RFID technology at one of his stores in Minnesota. The store is putting RFID tags on all of its video games. In addition to allowing Best Buy to know the location of every video game in the store via computer, the RFID tags have also contributed to a considerable increase in the store's video game department's overall sales.

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As presented recently by Pete Abell, now Program Director - RFID, IDC - Manufacturing Insights, The Apparel Footwear Report (AAFA) states, "Waiting to start makes little sense." In the same presentation Pete urges:

- Start Yesterday - Two Years for High Integrity Data - Two Years for RFID Technology Implementation.
- Focus on Early Achievable Benefits
 - Trading Partners Will Listen
 - EDIINT AS2 + Data Synchronization + RFID = Requirements
- Review Capital Asset Purchases - Now
 - Production Facilities
 - Warehouse
 - Supply Chain Assets - Containers/Pallets/Totes etc.
- Use Professional RF Engineers to Acquire New Assets

Says Pete: "Retailers such as Best Buy, Wal-Mart, Target and others who sell High-Tech or Consumer Electronic products will quickly provide the appropriate DC and store-level infrastructure to take advantage of doing what the more strategic companies have realized all along, economics will drive the adoption not a mandate. Assume that retailers provide the infrastructure which will reduce shrink, increase sales, provide numerous consumer benefits such as automated warranties, and rebates, quicker repairs and probably lower price to those consumers opting in with their loyalty cards when they purchase these items."

But the statement with the most impact was this: "Tagging items has higher ROI for many product categories and will benefit companies on both top and bottom lines."

In a recent article appearing in RFID Journal, Mark Roberti stated: "Companies are more knowledgeable about RFID's capabilities, and early, limited pilots have shown promising results. Tag costs have come down, making the cost of tagging lots of items less prohibitive. The technology is also improving, and RFID hardware and software vendors are introducing new products to help companies tag profitably at the item level."

An example of why we have touted the inevitable use of item-level tagging is the following: "At an RDFI-enabled store, it takes one

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person half an hour [to take a physical inventory]. As a result, retailers are seeing a 10 percent to 15 percent improvement in sales on items that have been tagged [because store associates have more free time in which to promote sales].

RS 2006

BY BOB AMSTER

It's not only sad, but also hard for this professional to understand. The Retail systems Annual conference, which as of 3 years ago had surpassed the NRF show, in my opinion, has now fallen into the category of an almost non-event. Retailers at the executive level - the ones who make purchasing decisions - just didn't show up in sufficient numbers to lend the event the importance it needs to survive. A couple of well-known solution provider/exhibitors also didn't exhibit at the show, probably as a result of a disappointing performance the previous year.

Some people to whom I spoke ventured that Chicago is not an interesting enough city in which to have this event, and that a place like Las Vegas would draw bigger. I don't agree with that assessment. Chicago is friendly town, with excellent restaurants, and the weather in May was great.

I continue to insist that it is the responsibility of C- and Director-level IS and Operations executives to attend these conferences, wherein they can network, learn about new technologies and offerings, in an environment away from their office.

WHAT'S NEW

Visit our Web site!

Obtain more information about us at www.RetailTechnologyGroup.com.

Fresh Produce Sportswear

We are pleased to announce that we have been selected Fresh Produce Sportswear, Boulder, CO, to assist with selection of all encompassing retail software. Fresh Produce is a manufacturer and also operates over 20 retail stores in resort destinations.

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Coach Leather

We continue to provide critical services to Coach Leather. This successful retailer of upscale leather products and accessories continues to show wonderful sales results. We have enjoyed a relationship with Coach for three years.

RS&S

Strategic partner Retail Systems and Services has continued its support of an auto parts retailer chain to develop their new merchandise planning, store planning and store clustering processes in preparation for new Advanced Planning systems.

RS&S is continuing its support for a major Department Store Chain as they address new processes and systems for Assortment Planning and Store Clustering. They recently did a review of the first phase of the Assortment Planning Systems development.

RS&S recently began the evaluation of the planning process and planning systems for a women's specialty chain. RS&S will be supporting the development of enhanced processes for merchandise planning, assortment planning, store planning and store clustering. The overall systems approach will be defined and new systems will be selected as needed.

RS&S has recently completed the one day Merchandise Planning Symposium held as a pre-show for the Retail Systems Conference and Exhibition. Terry Donofrio provided an overview of forecasting and optimization within the planning process and a panel discussion was conducted between attendees, sponsors and speakers.

RS&S announced its annual Merchandise Planning seminar to be held in Orlando at the Disney Boardwalk Resort from Nov 11-13th 2006. You may contact RS&S at <http://www.rs-s.com/>

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