



Five Steps to Piloting RFID for Unprecedented Inventory Visibility

REDEFINING INVENTORY MANAGEMENT ACCURACY

Competing in the retail revolution means near-perfect inventory visibility is critical to transforming the customer experience. Today, inventory accuracy across retail sectors, from department stores, specialty retail and full-line grocery to big-box chains, apparel merchants and consumer electronics retailers hovers at around 60%, according to the Auburn University RFID Lab.¹ That shortfall causes retailers to lose out on potential sales and puts customer loyalty at risk. How do retailers address this issue? RFID or radio frequency identification is 10 times more efficient at cycle counting and can increase inventory accuracy across the supply chain by up to 99.5%, enabling retailers to truly compete in the highly competitive omnichannel world.

¹ Auburn University RFID Lab, *Key Considerations for RFID Pilots and Deployments*.

BOOSTING INVENTORY ACCURACY AND EFFICIENCY

A substantial \$427 billion in e-commerce sales is now complicating retail supply chains like never before.² Competing efficiently in an omnichannel landscape dotted by consumers' physical and digital footsteps means that near-perfect inventory visibility, from the warehouse to the store floor, is crucial.

RFID technology can track inventory in substantially less time and is designed to meet the needs of today's shoppers, who expect a seamless experience whether buying from their smartphones, laptops or in store. The technology also equips retailers to accurately fulfill consumers' growing demand for in-store pickup of online orders while reducing shrink.

When it comes to implementing RFID technology, launching a pilot program in stores or departments can help retailers effectively measure the benefits and ROI of RFID before launching a full deployment. This guide outlines the five essential steps to launching a successful RFID pilot.

FIVE STEPS FOR A SUCCESSFUL RFID PILOT



STEP 1:
CREATE GOALS WITH A KEY
PERFORMANCE INDICATOR
(KPI) CHECKLIST



STEP 2:
ASSESS INVENTORY
VISIBILITY NEEDS



STEP 3:
SECURE KEY
STAKEHOLDERS



STEP 4:
DEFINE TAGGING
REQUIREMENTS



STEP 5:
STRATEGIZE, EXECUTE
AND MONITOR

²Business Insider, National Retail Federation estimates 8-12% US e-commerce growth in 2017.

STEP 1: CREATE GOALS WITH A KEY PERFORMANCE INDICATOR (KPI) CHECKLIST



TOP 3 RFID BUSINESS DRIVERS:

- 1 Reduce out of stocks
- 2 Improve conversion rates
- 3 Increase sales

For retailers, determining the payoff of RFID is the first step in understanding the full potential benefits to their business. Improving inventory accuracy is a universal goal and retail's top reason for RFID adoption. Focus on the technology's top three business drivers: reducing out of stocks, improving conversion rates and increasing sales. Additional benefits, such as loss prevention, can be measured as secondary benefits; however, it is important to gauge success of the pilot on the key metrics identified.

Benchmark your strategic goals against a complete checklist of the technology's KPIs such as Auburn University RFID Lab's findings³:

- Reduce out of stocks by 60% and 80%
- Improve conversion rates up to 92%
- Increase sales by 4% to 21%
- Cut receiving time of inventory shipments up to 91%
- Slash inventory cycle count time by 75% to 92%
- Reduce inventory carrying costs by 30% to 59%
- Increase units and dollars per transaction by 19% and 6%, respectively

IMPORTANT CONSIDERATION



Keep the Pilot Focused.

Pick a maximum of three key strategic goals and their corresponding performance indicators.

³Auburn University RFID Lab Studies, RFID.auburn.edu.

STEP 2: ASSESS INVENTORY VISIBILITY NEEDS



IDENTIFY PAIN POINTS BY:



Embarking on an RFID pilot starts with identifying pain points to determine visibility solutions, which will vary by retailer.

KEEP VISUAL DISPLAYS UP TO DATE: Is there a particular store item that is chronically low on inventory? Is an apparel merchant's sweater table consistently unkempt, routinely missing sizes, colors and styles and failing a vendor's visual display compliance agreement? In these cases, a retailer might consider an RFID pilot designed to improve merchandising standards for labor-intensive product categories.

OPTIMIZE BUY ONLINE PICK UP IN STORE (CLICK AND COLLECT): Do you offer a buy online, pick up in store (click and collect) offering? Today, one in three consumers picks up their online orders in store.⁴ If locating the stock in the store is a long and arduous process, utilizing RFID could reduce the replenishment dwell time of moving inventory from the back of the store or the floor to the in-store pickup location. RFID is vital to achieving success in omnichannel fulfillment.

REALIZE FULFILLMENT COST SAVINGS: RFID technology also generates cost savings for retailers by enabling store associates to fulfill online orders. That's because as a general proposition, fulfilling online orders in-store, versus from a distribution center, is far less expensive for merchants.

PROVIDE ACCURATE STOCK AVAILABILITY: One of consumers' top demands is the ability to check online an items availability at a given store, but only 28% of retailers can meet it.⁵ With RFID technology, that local store-level real time, item-level visibility is now possible.

PERSONALIZING YOUR PILOT STRATEGY: A BON-TON CASE STUDY



The Bon-Ton Stores set out to improve the shopper experience and sales efficiency of its shoe and luggage departments. Store associates lacked the data and time necessary to accurately replenish merchandise. Up to 20% of available product went missing during a given week, resulting in lost sales.

To automate the display compliance process, Bon-Ton conducted a three-store RFID pilot and expanded it to 150 additional stores. Today, displays are restocked in a fraction of the time, requiring less labor, improving customer service and increasing sales.

⁴2017 Zebra Shopper Study ⁵Accenture, *Retail Customers are Shouting—Are You Adapting?*

STEP 3: SECURE KEY STAKEHOLDERS



RFID technology serves critical cross-department functions, as inventory visibility is essential to many parts of the retail operation. An effective RFID pilot calls for engaging stakeholders across the organization, which can mean collaborating with groups that have never worked together before.

RFID touches merchandising, supply chain, omnichannel fulfillment, information technology, loss prevention and procurement functions, among others. An RFID pilot can be led by any number of department heads, from a chief information officer or operations director to emerging roles such as a chief omnichannel officer. No matter the role, it is important to select a clear leader for the pilot.

When it comes to communicating the benefits of inventory accuracy through RFID — whether it is to enable in-store picking to fulfill click and collect orders, seeing a lift in sales or quickly locating stock for a waiting customer — getting key stakeholder buy-in to an RFID pilot is critical to maximizing its success.

KEY RETAIL STAKEHOLDERS:

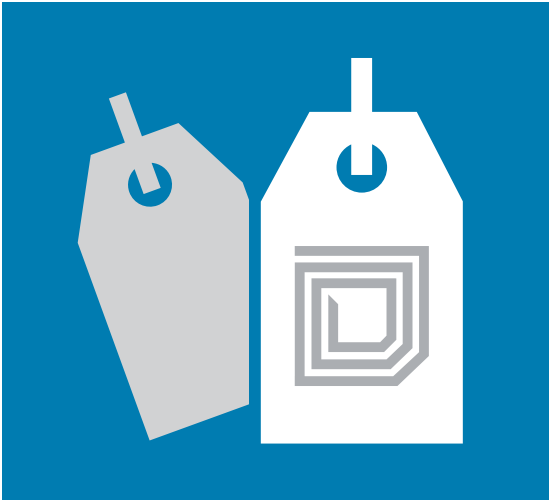
- Merchandising
- Supply Chain
- Omnichannel Fulfillment
- Information Technology
- Loss Prevention
- Procurement
- Store Associates

IMPORTANT CONSIDERATION



Properly Equip Your People and Partners.
An RFID deployment touches multiple departments, from merchandising to supply chain operations. Make sure all relevant retail departments are engaged in the pilot and that your software provider is equipped to address the differences between traditional barcode and RFID data.

STEP 4: DEFINE TAGGING REQUIREMENTS



TAGGING CONSIDERATIONS:

Which items should be tagged?

What is the best location and orientation for affixing a tag?

Where will tagging take place?

- At the manufacturer
- In the distribution center
- In the store

How will returns be handled?

Product inventory tagging enables “source to store” item-level visibility while automating product verification and store associate order-picking processes that were previously manual and prone to human error. Plotting a product-tagging strategy and determining tagging needs is essential to an effective RFID pilot.

Best practices dictate that every item within the pilot area should be tagged. Generally, RFID tagging at the source level, the point of manufacture, will generate the most cost savings for a retailer. The further up the supply chain tagging can occur, the more visibility the item will be able to deliver. Tagging at the distribution center as well as in store is possible but often comes with additional labor and technology costs.

Assess what should be tagged to optimize the pilot: Does every item need to be tagged within the store? A specific department? A particular line or brand? Auburn University RFID Lab offers these key guidelines:

- If there are fewer than 50,000 items in a store, then tag all items in a handful of stores.
- If there are more than 100,000 items in a store, choose two or more product categories in several stores.
- If a store carries between 50,000 and 100,000 items, then pilot a tagging strategy that combines the above.

For example, tag nearly every item in a store, or tag several categories in several stores.

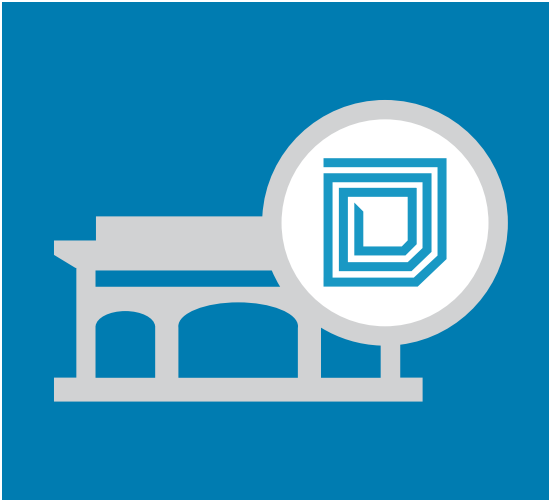
IMPORTANT CONSIDERATION



Concentrate on the Right Products.

Opt for high-value, high-turn goods, as well as ones with similar-looking yet distinctly different SKUs, like shoes and jeans. It is difficult to get an accurate measure of RFID’s potential benefit by testing products with obvious replenishment needs.

STEP 5: STRATEGIZE, EXECUTE AND MONITOR



EXECUTION CONSIDERATIONS:

Technology

Control Points

Training

Size and Scope

Document the execution strategy of your pilot, including technology, training, control points, principles and scope.

TECHNOLOGY: Make sure your use case drives the technology employed and not the other way around. For example, handheld RFID readers are suitable for cycle counting, but ceiling-mounted sensors at exits are more suitable for loss detection.

TRAINING: Provide each store with hands-on RFID training to ensure implementation success. Every associate must be clear about their roles and responsibilities and the importance of their efforts to the overall trial's success.

CONTROL POINTS: Establish control points for the RFID pilot by measuring results against a control store.

SCOPE: Remember that an RFID pilot is more than just readers and tags. It also includes mobile computers that work in conjunction with RFID systems and send real-time messages to store staff to replenish stock.

IMPORTANT CONSIDERATION



Test Along the Way.

Evaluate your RFID pilot along the way and make corrections when required to ensure a sound implementation and an accurate read of the ROI of the use case.

MOVING FROM PILOT TO DEPLOYMENT

For retailers, it's important to remember that an RFID pilot is a means to an end: The goal is to assess the technology's return on investment and determine the benefit of full deployment.



The average pilot runs from 90 to 120 days, and retailers should expect to generate ROI value in that timeframe.



Retailers should measure milestones every 30 days to ensure results received match expectations, so that adjustments can be made if necessary. These might include additional staff training, tag application changes and environmental changes.



Key points to capture include inventory counts, out of stocks, sales turns, dwell times, units per transaction, cash per transaction and stock room search times.



Weigh the costs of deployment against the savings derived from RFID during the pilot.



Consider expanding the pilot to more items, departments and store locations, if necessary, to further prove ROI.

At the conclusion of the pilot, carefully review the learnings and incorporate them into the full implementation plan. Remember that RFID is the enabler, not the total solution. Each pilot is a highly individualized experience based on your products, environment and systems capabilities. Using RFID suppliers with a solid track record whose products and services have been successfully used in real-world implementations is of key importance. The experience of these "trusted advisors" can make or break the success of your pilot and full-scale implementation.



THRIVING IN THE OMNICHANNEL ERA

The need for inventory visibility has never been more critical in a retail landscape transformed by the rise of online shopping. With RFID, retailers can track the precise location of merchandise throughout the supply chain, from the distribution center to the store floor, to dramatically reduce out of stocks and overstocks while boosting sales and customer satisfaction.

For more information about Zebra's RFID portfolio, visit us at www.zebra.com/RFID or contact us at www.zebra.com/contact



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