ECR COMMUNITY
EFFICIENT CONSUMER RESPONSE

SHRINKAGE AND OSA GROUP

The 60 Second Guide to the
MEASURING THE IMPACT OF RFID IN RETAILING

Based upon the experiences of 10 retail companies that have invested in RFID technologies, this research focused upon understanding the decision to invest, the results achieved, and the lessons learnt.

The 10 participating companies participated: Adidas; C&A; Decathlon; Lululemon; Jack Wills; John Lewis; MARC O'POLO; Marks & Spencer; River Island; Tesco. Collectively, they use at least 1.9 billion tags a year – equivalent to about 60 tags per second.

The research was sponsored by GS1 and the ECR Community Shrinkage and OSA Group**.**

The Business Context for Investment

Driving Sales: The primary goal of investing in RFID was to deliver improvements in inventory visibility and accuracy, which in turn would grow sales.

Optimising Stock Holding: Respondents also recognised the potential of RFID to optimise stock holding, reducing capital outlay and improving staff productivity.

Fewer Markdowns: Most case-study companies regarded RFID as a key tool in helping to reduce the amount of stock offered at discounted prices.

Helping to Drive Innovation and Business Efficiencies: RFID was frequently viewed as part of a broader organisational change project focussed on putting enabling technologies in place to drive transformational change to achieve future success.

Recognising the Omni Channel Imperative: RFID was viewed as a key driver in developing the capacity to deliver a profitable omni-channel consumer experience – in effect the organisational 'glue' that will hold together much of the architecture of 21st Century retailing.

Measures of Success

Increase in Sales: Seven of the 10 case studies shared data showing a sales improvement in the range of 1.5%-5.5%. For SKUs identified as being out of stock, the growth was even higher. For the 10 companies this could amount to a RFID-driven sales uplift of between €1.4 and €5.2 billion.

Improved Inventory Accuracy: Companies typically improved from 65%-75% to 93%-99%.

Stock Availability: Some companies were now findings SKU availability in the high 90% region.

Reduced Stock Holding: One-half of the case-study companies shared data on this measure, indicating stock reductions of between 2%-13%.

Lower Stock Loss: One company suggested that their shrinkage losses had been reduced by 15%.

Reduced Staff Costs: One company had measured a saving equivalent to 4% of their store staffing costs, which if rolled out across the case-study companies would be in the region of €378 million.

Return on Investment: All 10 companies were unequivocal that the ROI had been achieved, with further roll out across the business fully justified and embraced by the rest of the business.

Find out more

Get a free copy of the full report by clicking **HERE**

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Measuring the Impact of RFID in Retailing:
Keys Lessons from 10 Case-study Companies

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Learning Lessons

Role of Senior Management: The role of senior management in both the initiation and subsequent delivery of RFID was seen as paramount – without their active support and recognition of the financial imperative, virtually none of the projects would have been initiated.

Choosing a Business Leader: The RFID project leader was typically the person who had responsibility for on-shelf availability/stock integrity, regardless of where they were located within the business.

Engaging the Business: Respondents clearly articulated the importance of working hard at getting cross functional buy in – RFID projects have long tentacles embracing most retail functions.

Understanding Your Business Context: This was viewed as one of the biggest challenges – undertaking detailed product process mapping throughout the supply chain was key, as was assessing the impact of store environments and integration (or not) with legacy systems.

Challenges of Integration with Legacy Systems: This was by far and away the biggest headache. Some had not planned sufficiently well on how to resolve this issue and counselled future adopters to think very early on in the process the extent they want new and existing data systems to communicate.

Seeking External Help: Virtually all of the companies taking part in this research had sought some degree of external advice: RFID consultancies, technology providers, other retailers, and organisations developing common standards such as GS1 were used.

Choosing RFID Technologies: Most companies had adopted a circumspect, modest and highly price conscious approach to the selection and use of their RFID technologies – the mantra of 'keep it simple and highly focussed' was very apparent.

Tag Reliability: No companies had any concerns about the reliability of tags; a more prescient issue was ensuring the tag remained attached and its position on the product was optimised.

Choice of Readers: The predominate technology used was handhelds provided to store staff. Few were utilising any form of transition readers (to track product moving between different parts of the supply chain), integrated POS or exit detection readers.

Avoid Tagging in Store: All 10 companies had opted for a long-term strategy that involved RFID tags being applied at the point of manufacture.

Standards Matter: All agreed that without standards it would be more difficult to innovate and evolve in the future. Standards were key to reducing confusion in the supply chain and avoiding getting locked into any particular provider.

Undertaking Trials: All had undertaken a combination of Proof of Concept Trials, Pilot Trials and Development Trials. A number urged caution in the speed with which Pilot Trials in particular were undertaken to ensure that the full impact of introducing the technology could be fully understood.

Measuring Impact: Most case-study companies had relatively few KPIs – an improvement in sales being the most prominent. It was found to be important to understand how KPIs would be delivered, including identifying the organisational mechanisms that enable them to be achieved and measured.

Rolling Out RFID: All had committed to rolling out their RFID programme – a ringing endorsement for how valuable it was considered to be. Some counselled caution concerning the speed of roll out, citing numerous difficulties they had faced by moving too quickly.

Loss Prevention and RFID: Few regarded RFID as an effective tool to reduce stock loss, particularly malicious loss. Primarily this was because the tags used were easy to remove. Some were using RFID data to better identify at risk products as well as help in the evaluation of stock loss intervention trials. For one retailer, store staff now having more time to be on the shop floor enabled them act as a greater visible deterrent to prospective shop thieves.

Remember RFID is a Journey: Case-study companies were keen to remind prospective users that RFID systems are not a plug and forget technology – they require ongoing commitment to ensure they remain fit for purpose and capable of delivering agreed KPIs.

Keeping it Simple: The final advice was to keep RFID projects simple – do not over complicate and remember RFID merely provides data; if you do nothing with it then it is destined to fail.