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Putting Wal-Mart's Apparel Tagging in Context

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Here's what the news that the retailer is tracking inventory of men's jeans and basics means for EPC RFID adoption.

By Mark Roberti

Aug. 2, 2010—In 2003, when Wal-Mart Stores announced plans to have its top 100 consumer packaged goods (CPG) suppliers tag pallets and cases starting in January 2005, it seemed to signal the widespread adoption of radio frequency identification technology in the global supply chain—but it didn't happen. Now, Wal-Mart has announced that it is tracking inventory of men's jeans and basics with RFID based on EPCglobal's second-generation ultrahigh-frequency (UHF) standard (see Wal-Mart Relaunches EPC RFID Effort, Starting With Men's Jeans and Basics). Does this herald widespread adoption?

Before I answer that question, let's examine why Wal-Mart's 2003 announcement didn't lead to widespread use of EPC RFID in the global supply chain. I believe Wal-Mart expected more retailers to see the benefits of tracking goods with RFID, and that there would be a momentum that would lead to widespread use of the technology. That wasn't the case. Target and a few others jumped on board, but it seemed they were more interested in keeping abreast of what Wal-Mart was doing than in driving adoption.

As a result, Wal-Mart was forced to go it alone. And as such, suppliers pushed back. EPC RFID was seen as an additional cost, and suppliers would have to manage separate tagged inventory for Wal-Mart. So the retailer had two choices: Force suppliers to tag only for Wal-Mart, regardless of the complaints, pushback and negative press, or take a step back and rethink how it could use RFID internally, and in areas where the benefits were so significant that suppliers would be willing to work with Wal-Mart to tag at the point of manufacture.

Sam's Club began tagging pallets and charging suppliers a nominal fee (see Sam's Club Tells Suppliers to Tag or Pay) and using the tags internally (I don't know if they still are). Wal-Mart continued to track the products that CPG companies tagged, but it also began looking at using EPC RFID on some of its private-label products, such as Faded Glory jeans.

Wal-Mart realized there were significant benefits to using EPC RFID technology on products with many variations, which makes inventory management a challenge. Jeans was one example, as companies need to manage, size, style, color and fit. In my interview with Myron Burke, who heads Wal-Mart's domestic EPC RFID efforts, he also mentioned tires and some electronics products in addition to apparel items. Think about laptops, for instance—there could be a number of variations, including models with different processors, hard drives, graphics cards and so forth.

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Wal-Mart decided to start with men's jeans and basics, and to add new categories if and when it makes business sense to do so. Then, it will work with its suppliers to tag at the point of manufacture, so that both Wal-Mart and the suppliers will benefit. Just the two current categories will account for 250 million tags annually. That will make it one of the biggest—if not the largest—EPC RFID projects to date. And that's important news.

But what's even more significant is that Wal-Mart's initiative is one of the first major applications of EPC RFID in an open supply chain. Marks & Spencer, which uses 100 million tags annually, is a closed-loop supply chain, as are RFID deployments by American Apparel and Charles Vögele Group. To me, this is the start of real adoption in open supply chains.

There are other retailers in the United States that have conducted successful apparel pilots, including Dillard's, JCPenney and Macy's, and I believe that this time, more retailers will follow in Wal-Mart's path. And as they do, still more retailers will begin investigating the benefits of the technology, and more suppliers will be willing to put tags on apparel items. That will create the kind of momentum we never saw when the focus was on CPG products. As a large number of clothing items are tagged, tag prices will come down and even more companies will be enticed to use radio frequency identification. What's more, the growing use of RFID in the global apparel supply chain will likely be seen as a sign that the technology has reached a level of maturity and can be used on other retail products as well.

So yes, I do think this could be the start of more widespread adoption. I don't say that because Wal-Mart made the announcement. I say it because Wal-Mart's decision to tag apparel items was driven by real business benefits that others are seeing in their trials. Many people are skeptical about whether Wal-Mart will follow through on this EPC RFID effort, given that it didn't follow through on its plans to track pallets and cases, and that Sam's Club didn't follow through on its plans to track individual selling units. But this tagging initiative is different. There are real benefits for both retailers and their suppliers, which should move things forward. I believe Wal-Mart *will* follow through with tagging men's jeans and basics, and add new clothing categories and perhaps other products next year, and that will get a lot of other retailers to pay attention.

Over the past two years, I have come to see apparel as the thin edge of the adoption wedge. If RFID enters the tornado in apparel, to use Geoffrey Moore's term, that will do several things: It will generate profits for RFID companies, which can then be reinvested in new, more innovative products; it will drive down the cost of tags and readers, by increasing sales volume; and it will show those in every other industry that RFID is a mature technology that can be employed in their sector.

When history is written, the first RFID mandates might be seen as something of a warm-up exercise. Now, it seems, the games are about to begin.

Mark Roberti is the founder and editor of RFID Journal. *If you would like to comment on this article, click on the link below. To read more of Mark's opinions, visit the RFID Journal Blog or the Editor's Note archive.*

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