

The Retail Industry Leaders Association



**Representing The World's Leading Retailers and
Their Product & Service Suppliers**

Federal Trade Commission
RFID Workshop



Mission & Values

- The Retail Industry Leaders Association (RILA) is an alliance of the world's most successful and innovative retailer and supplier companies – the leaders of the retail industry. RILA members represent more than \$1 trillion in sales annually and operate more than 100,000 stores, manufacturing facilities and distribution centers nationwide. Its member retailers and suppliers have facilities in all 50 states, as well as internationally, and employ millions of workers domestically and worldwide. Through RILA, leaders in the critical disciplines of the retail industry work together to improve their businesses and the industry as a whole.
- The mission of RILA is to lead and serve the most successful and innovative retailers and suppliers through the delivery of world-class education, innovation and advocacy.

Sample Membership

- **AutoZone**
- **Best Buy Company**
- **Dollar General Corporation**
- **Family Dollar**
- **Food Lion**
- **The Home Depot**
- **The Gap**
- **Lowe's Companies**
- **Michaels Stores**
- **Petco**
- **Petsmart**
- **Target Corporation**
- **Tractor Supply Company**
- **Wal-Mart Stores**
- **3-M**
- **American Greetings**
- **Coca-Cola USA**
- **Eastman Kodak**
- **Energizer**
- **Federal Express**
- **The Gillette Company**
- **Hallmark**
- **Johnson & Johnson**
- **Procter & Gamble**
- **UPS**
- **Unilever**
- **Time Retail, Inc.**
- **VF Corporation**
- **Williamson Dickie**

Why is the retail industry doing this?

Global Supply Chain Total Annual Spending	Total Estimated Annual Loss due to Poor Visibility	Annual Cost of Waste
\$3 Trillion	6-10%	\$180-\$300 Billion

All figures in U.S. Dollars and represent worldwide spending and losses

Carnegie Mellon, Stanford University, AMR Research

Potential RFID Benefits for Retailers

- Reduced on-hand inventory and less use of “safety stock”
- Increased sales through reduced out of stocks
- Increased stock visibility and availability at point of shipment
- Reduced transportation cost and shipping volumes
- More accurate forecasts and stock replenishment
- Reduced shrink and theft in the supply chain

Potential RFID Benefits for Consumers

- Better in-stock - product on the shelf when you want it
- Improved Product Selection
- Product Freshness for Dated Goods
- Easier Identification on Recalls

Where we are

RFID deployment by the Retail Industry still very much in its infancy

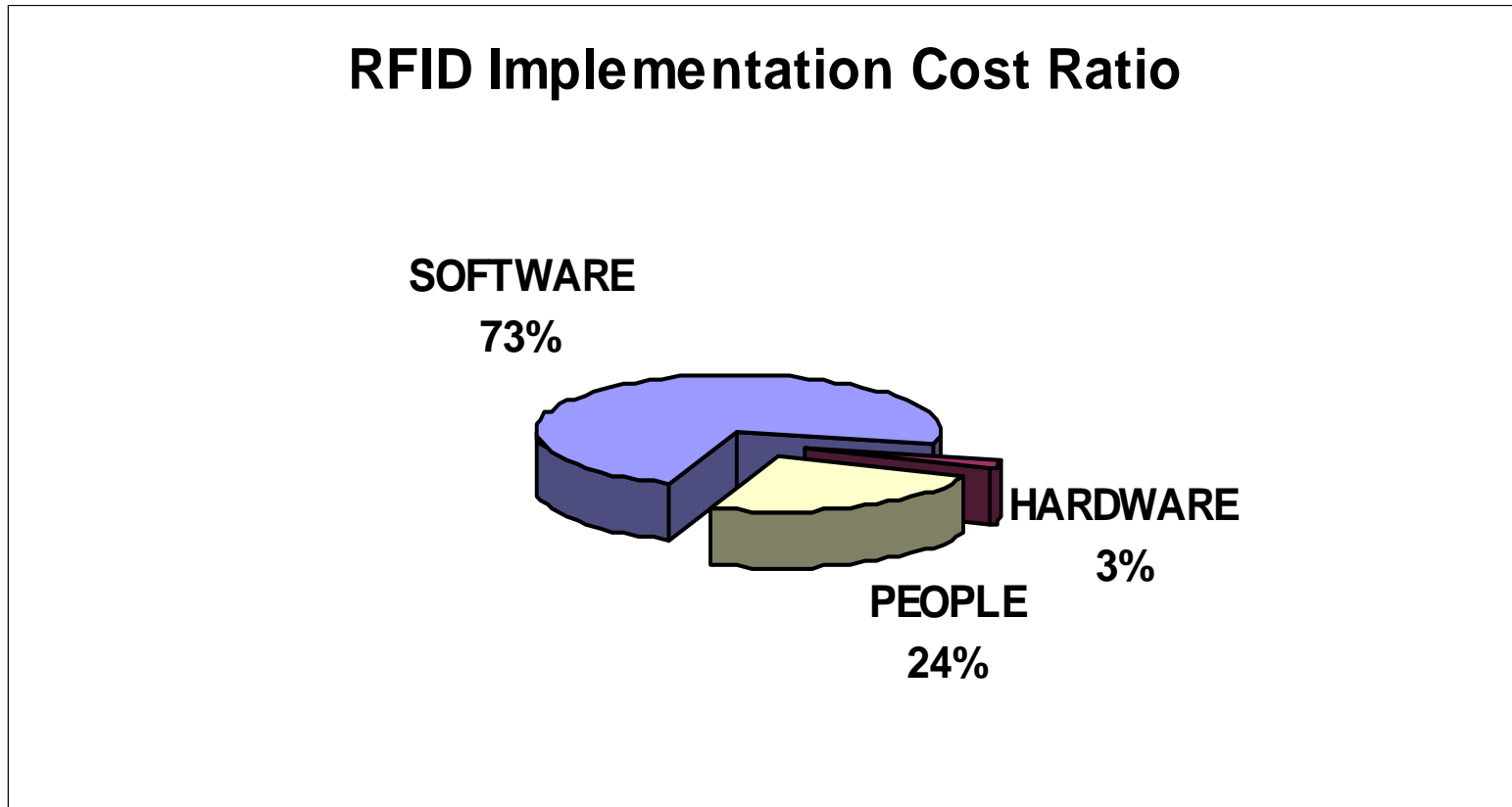
- As a whole industry is in a discovery & exploratory mode focused on the Supply Chain.
- Wal-Mart, Albertson's, Metro AG & Target have issued compliance targets
- Several others have pilots in the field
 - **Tests being conducted using the passive chips**
 - Some 900 MHz some 13.56 MHz
- Others have a 6 to 12 month plan to put a pilot in place
- Others are focused on issues like Data Sync
- Others may not implement RFID at all

Economics

Some test's on Item have proven that it will be an extremely cost intensive proposition

- If the tag costs get to 5 cents – it would be feasible for a manufacturer to tag some higher cost goods based on ROI.
- So costly that a leading technology firm did not foresee items under \$10 being item level tagged until 2017 at the earliest.
- Important to note a lot of focus is on tag costs, most expensive part of RFID is the software.

RFID Cost Implementation Scenario for Retailers



Alternative Uses

Retailers have discussed using RFID in different parts of the supply chain

- On high cost goods use it for warranty information or for software upgrades
- Reverse supply chain: After a product is returned, tracking product to supplier for repair and resell or for destruction

The Future

Item level tagging won't be in widespread use for at least 5 to 10 years.

- The economics won't support it
- The technology isn't ready
- Adoption of supply chain – which is economically feasible – is still slow to reach critical mass

CUSTOMER

Customers vote with their feet every day

- Retailers are focused on enhancing the shopping experience, they spend millions on making their stores more inviting to the consumer.
- Retailers have no interest in doing anything that will turn their customers away, as it will cost them dearly.

– Thank you