

# RFID Makes Nightly Inventory Possible

04/26/11



Few [retailers](#) are using RFID (radio frequency identification) in everyday life, but some have pilot programs. Hudson's Bay [Company](#) has three pilots planned. All involve taking inventory on a frequent basis as opposed to once a year. The point is to find out that [merchandise](#) isn't where we expect it to be early enough to solve the problem.

Every retailer knows that accuracy is huge because, inevitably, some items are received or sold incorrectly. Vendors may send a different mix of items than expected. Sales associates may record the brown, yellow and green items as three brown items, making all the inventory numbers for those units wrong. Or, the existing inventory method might provide inaccurate results.

We will work with women's shoes as one of our first tests, scanning the samples on the floor in minutes every night. In another more complicated pilot, we will use tags on items combined with special [RFID tags](#) on our fixture to ensure that items are placed where they are supposed to be according to our planogram. A planogram is a carefully designed diagram that dictates where every item in a store should be to optimize sales. If an item is in a stock room or hung in the wrong place, we may miss that sale. With RFID tagging, items can be returned to their correct place in the planogram more quickly, and we can reorder items more accurately.

## **RFID: Improved Sales, Lower Inventory Costs**

The first benefit we should see is a sales lift. Several pilots in very large retailers have had that result, and I've heard of sales increases of up to 10 percent. It sounds high, but you have to recognize that inventory issues cause retailers to miss sales opportunities.

Another benefit should be to lower the cost of taking inventory in stores. Retailers can save millions of dollars if they can take inventory every night as traffic is slowing down. In general, it would be done while straightening the sales floor for the next day or at the beginning of the following day, depending on the [management](#) style.

***RFID as a Game-changer***

I recommend that all retail chains consider an RFID pilot program. I have been following this technology for more than eight years. While carton-level ID -- rolled out by Walmart over the last three years -- works well, it is not a game-changer over bar-coded carton labels and Advanced Ship Notice. Item tagging is.

If you do not jump on board and get a program in the early days, competitors with reliable inventory will steal sales from you. Conversely, if you do adopt this technology and others do not, you will grab a bigger share of market.

Copyright (c) 2011 Studio One Networks. All rights reserved.