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Reported Wal-Mart Asian RFID Tagging Requirement Raise More Questions than Insight

Solving the Asian Sourcing Tagging Issue is Key to RFID Growth; Metro Provided Supplier Tags in 2007 Pilot

SCDigest Editorial Staff

Several media outlets last week repeated the story first reported in China Retail News that Wal-Mart was going to require that its Asian private label suppliers begin source tagging goods with RFID labels starting in January, 2009.

As the world works today, that basic report was repeated by a number of RFID web sites and blogs, none adding any value to the original short report. That story noted the cost impact on suppliers, which the original story said would be about 20 times the current cost of labeling goods.

The effort, if the report is accurate, may be tied into recently announced initiatives at Wal-Mart to get a better handle on its Asia sourcing programs to better ensure product quality and safety, after a series of incidents involving Asian goods over the past several years. Among the reported changes, the new sourcing rules will require suppliers to specifically identify each factory used to produce products for Wal-Mart, and to be more accountable for the work of their own suppliers and sub-contractors.

The original report raises a number of questions:

- At what pack level (pallet, case) are the new Asian tagging requirements?

- Are those suppliers currently just using "I 2 of 5" case code bar codes, which only encode the SKU number, or are they required to put on serialized shipping labels with a unique carton identifier for Wal-Mart (which is not a requirements for domestic suppliers).

- How will Wal-Mart be able to take advantage of the tagging, given the very incomplete reader

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network infrastructure Wal-Mart has deployed to date in its distribution centers and stores?

- What percent of Asian suppliers are capable enough of deploying sophisticated RFID encoding and tracking systems to make the program meaningful?

Is this a back-end way of re-energizing Wal-Mart's RFID initiative, using a supplier base that is perhaps more amenable to an RFID mandate than US suppliers?

Of course, it is likely that if the program was put in place, it would take several years before full tagging compliance was achieved.

The challenge of Asian RFID source tagging has been one SCDigest has long pointed to as a real barrier to large scale RFID deployment in the consumer goods to retail supply chain. This is true not only for individual Asian suppliers, which are often smaller companies without strong IT systems, but

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also because for many classes of goods the suppliers change frequently, especially in lower cost and commodity type products, such as basic toys.

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In fact, Germany's Metro Stores group supplied tags to a select group of Asian suppliers last year during its "Tag it Easy" RFID pilot program. In that program, suppliers had to do just three things:

1. Use the company's Metro Link portal to order pre-printed RFID labels for packages exported to Unna, Germany.
2. Manually attached the RFID labels to the export packages.
3. Manually read the data on the RFID labels affixed to the outgoing goods using a handheld reader.

"Providing suppliers with pre-encoded tags can work, but that doesn't really solve the problem,"

Are Asian Suppliers Ready for RFID Sourcing Tagging?

said SCDigest technology editor Mark Fralick. "The RFID data is only meaningful if the tag IDs are associated with a lot of other production information, and that's where these suppliers would have some trouble, as it's not easy even here in North America."

In the Metro example, ordered tags could be associated with a specific purchase order in the retailer's own system, which would provide some benefit, especially in streamlining the receiving process. But it would not tie specific cartons/shipments to other production information, such as lot, batch, manufacturing location, etc., that would be important for any safety or recall issues.