

## Staples Canada Finds Success with Closed-Loop Item Level RFID Program with Re-Usable Active Tags

### Large Pilot Shows Program Shows Strong ROI, Company Says; Getting Results Faster than Supply Chain Integration?

SCDigest Editorial Staff

The Canadian division of office products retailer Staples says it is receiving strong benefits from an item-level RFID application it has been running in a five-store pilot.

Those benefits are focused around reducing store labor by eliminating cycle counts and reducing lost sales and inventory obsolescence from better perpetual inventory and location tracking.

The Staples program is interesting, as it involves use of active RFID tags applied to high value products, primarily in the area of electronics. A series of readers in the stores provides real-time, location-specific visibility into those products within the store.

Active tags proactively broadcast their signals, as opposed to passive tags (such as the EPC tags most commonly used for retail supply chains), which rely on power from the reader itself to energize the tag and broadcast the information. Of course, active tags are expensive, as much as \$5-8.00 each for this kind of application. This would clearly be unaffordable for retail applications – unless the tags can be reused.

By re-using those tags, Staples or any other company can dramatically lower the effective costs of the tags. For example, if a \$6.00 tag could be reused 300 times, the cost per use would be only 2 cents each - a level that can drive high ROI.

In the pilot, Staples said it has been able to eliminate cycle count activities, which it performed every two weeks, for the products in the categories that are being tagged, as it has real-time, perpetual inventory for those SKUs. This saves substantial store

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labor – and moves perpetual store inventory levels from being prone to errors resulting from manual processes to being virtually 100% accurate.

That improvement in inventory accuracy – and the speed with which associates can find products in storage – means a reduction in lost sales and in buried inventory that doesn't sell or must be marked way down as a result of obsolescence. Staples said this is especially important for the “last unit” of a particular model that the company has in store inventory.

The retailer said it has also almost completely eliminated shrinkage in the tagged items, and also reduced the amount of product it has to return to vendors.

Interestingly, the system is “closed loop,” relying exclusively on processes and technologies within Staples itself.

In 2004, Staples had noted the challenges of making RFID work in an integrated supply chain environment.

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"To get (suppliers) on board, there is a substantial infrastructure investment required" a company spokesman said at the time, specific referring to item level tagging. "It's iffy as to whether we can get ROI."

Staples Canada has found the fastest path to ROI in many cases is simply to roll up your sleeves and get it done yourself. It expects to expand the test to other stores soon.

