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Lessons from the Bar Code Compliance Era

Looking back, Several Principals Leaned then are Applicable Today

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In what many are now referring to as the "post-Wal-Mart" RFID era, it may be worth looking back at the history of the bar code industry some two decades previously to see what lessons that experience has for the current RFID market.

Compliance Programs take a Lot of Time: Companies almost always over-estimate the time it will take for vendors to respond to compliance "mandates," even if they swing a pretty large stick, ala Wal-Mart.

This is especially true if the costs of the program are high and fall almost exclusively on suppliers.

In the early 1990s, for example, Kmart announced several programs that included serialized carton labeling (UCC-128s) tied to advanced ship notices, and told some shocked vendors that they had only 90 days to comply, a virtually impossible deadline.

Few hit the target dates, and many weren't complying years later.

The lesson: Don't over-estimate suppliers' ability or willingness to comply with new requirements when developing an overall schedule for the use of a new technology such as RFID.

Identification as Part of Manufacturing Process is Key: Labeling or tagging anything as part of distribution processes can be very time-consuming and expensive. Enabling that process to happen as part of manufacturing is often (but not always) the best choice in terms of cost and acceptance.

One reason why the Automotive Industry Action Group (AIAG) and US Department of Defense bar code labeling programs were so successful is that in general suppliers could easily do the labeling as part of manufacturing processes – no information was required on the label that would only be known at a later date. Ditto with basic case labeling in consumer goods to retail, where a case identifier (I 2 of 5 case code, the same for each carton of a given SKU) was used.

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UCC-128 serialized bar code labels, however, did require order specific information that meant the labeling usually had to be done as part of distribution processes. In the worse case, some retailers, such as Target, would order a full pallet quantity of goods, but then require that each case on that pallet receive a "mark for" label – a UCC-128 that identified the Target DC and then final store destination for each case.

This required vendors to break down pallets, label the cartons, and re-build the pallets, a very expen-

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sive process. It was much the same for many vendors participating in the Wal-Mart RFID program, because few vendors could reach the magic "tipping point" where volumes justified tagging in production. This operational challenge served as a major force of resistance among Wal-Mart vendors.

Serialized bar code shipping labels at the carton level were less of an issue in some industries, such as apparel, because they rarely shipped in full pallet quantities to begin with. Since each case was already being handled at that level, adding a label as part of the picking process, using an automatic print and apply device on a conveyor system, or other option did not disrupt existing processes to any major degree. Therefore, unique carton labeling became common in the apparel to department store supply chain.

But pallet-heavy sectors such as food and consumer packaged goods to grocery never adopted unique carton labeling because of the additional expense it would have caused.

The lesson: Make sure everyone understands how tagging requirements will really impact existing operational processes, and if the impact is substantial, the resistance will be high internally or with trading partners.

Vendors can Help Programs Gain Traction: In the early years of bar coding and EDI compliance, many retailers and manufacturers rolling out programs often partnered with one or more vendors of supporting technology to help suppliers get on-board. In many cases, this clearly sped ultimate supplier participation.

The scope of these partnerships varied, but in some cases went so far as the company giving vendor names and contacts to the technology partners.

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While forcing a supplier to use a specific technology package is generally not a good idea, unless the sponsoring company is footing the bill for the system, neither should companies be overly leery of picking a few technology providers to work closely with in terms of a roll out to suppliers.

The lesson: Don't let fear of the technology providers' self-interest prevent you from enlisting them directly to help improve program success.

There really are a number of parallels between the early years of bar code compliance and RFID. Remembering the lessons of history is generally a wise move.