

Omnichannel Leaders Reaffirm **The Value Of RFID**

Best-in-class retailers are generating long-term loyalty by providing shoppers with a variety of options to order and pick up products, or have items delivered to them.

Whether retailers decide to implement buy online/pick up in-store, buy online/return to store, buy in-store/ship to home or other strategies, it is imperative that they establish a 360-degree view of inventory availability.

Radio Frequency Identification

(RFID) enables retailers to achieve a comprehensive view of inventory levels across all channels. Although the benefits of the technology are numerous, few success stories have been spotlighted. But recently, retailers such as [Macy's](#), [Saks Fifth Avenue](#) and [Lord & Taylor](#) reported that RFID has helped them improve employee productivity, prevent out-of-stocks, drive customer satisfaction and boost the bottom line.

“The adoption of RFID is certainly going to grow as time goes on,” noted Dimitry Erez, Vice President and Practice Lead at [Boston Retail Partners](#). “The success stories will play a part in this. We believe that case studies from Macy's, American Apparel, Zara and others will accelerate RFID adoption by other retailers. With RFID, retailers get not

only a loss prevention solution, but also improved inventory visibility and cycle counting as well.”

[Inditex SA](#), the parent company of fast-fashion chain **Zara**, is one of the latest retailers to announce aggressive RFID implementation plans. The company is rolling RFID out in all locations to provide accurate visibility into all merchandise styles, colors and sizes. With a more detailed view of inventory, Zara will be equipped to develop more detailed merchandise plans and better tailor product assortments.

“Implementation of this next-generation technology is one of the most significant changes ever in how the stores operate,” said Pablo Isla, President of Inditex. More than 1,000 Zara stores will have RFID by the end of 2014, and the rollout will be complete by 2016.

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- Dimitry Erez,
Boston Retail Partners



Adoption Takes Flight

By implementing RFID, retailers can capture real-time inventory location. Associates also have the ability to count products faster and more frequently, a significant improvement from conducting random spot checks and intermittent manual cycle counts.

“In order to fully integrate inventory across channels it is most important to know where inventory is at all times,” Erez explained. “If an item that is in someone’s basket in the store is also in someone’s online shopping cart there is a good chance that one of the customers is going to end up unhappy.”

Because associates can count inventory faster and more efficiently, they can spend more time engaging with shoppers. “Inventory tracking in the store is a major time constraint for many associates,” said Michael Barbacovi, Senior Manager of Market Development at Zebra Technologies. “An exciting possibility for RFID is giving associates the ability to track inventory and control more efficiently so they can do more customer-facing activities.”

In addition to tracking inventory location and availability for omnichannel order fulfillment, RFID also allows retailers to keep tabs on theft.

“Retailers can know right away that an item was taken,” Erez noted, “which item was taken and make appropriate inventory adjustments.”

Despite the benefits, the cost of installing RFID readers at every inventory entry and exit point and purchasing RFID tags may prevent some retailers from implementing the technology, according to Erez. However, other industry experts believe that decrease in RFID tag price over time, coupled with news on implementation success stories, will encourage a spike in adoption.

“The technology has made significant strides in the last couple of years,” Barbacovi noted. “Retailers have been talking a lot about the tag price. The perception is that RFID would make a lot of sense but the price of the tags makes it prohibitive from an ROI perspective. But now, low-cost tags have become quite viable, and the use cases are there, so adoption really is starting to take flight.”

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Macy's, Saks And Lord & Taylor Lead The RFID Charge

Industry experts point to Macy's, Saks Fifth Avenue and Lord & Taylor as go-to case studies that highlight RFID success.

Since initially rolling out RFID in 2011, both **Macy's** and **Bloomingdale's** have seen "tangible results," according to [a recent announcement](#) from Macy's, Inc. RFID is a core component of the retailer's omnichannel strategy and has helped the retailer improve the accuracy of item-level inventory counting.

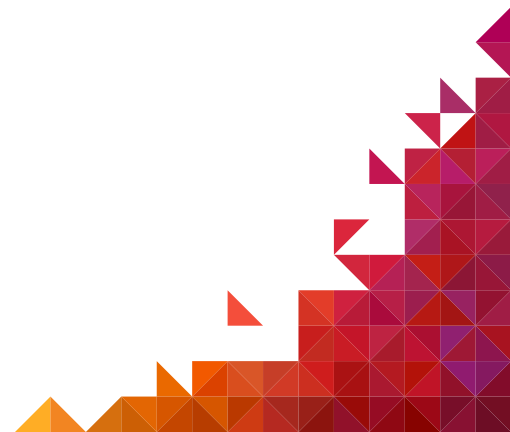
Initially, Macy's focused on basic size-intensive replenishment categories to ensure appropriate styles and sizes were efficiently placed on the selling floor. However, it recently expanded RFID adoption, and the retailer is piloting the technology in fashion categories, including social dresses, men's sport coats and men's slacks. After seeing improvements in sales, gross margins and markdowns, Macy's plans to roll out RFID tagging in other fashion categories during 2015.

RFID-enabled departments in Macy's stores outperformed controls by 10% between September 2013 and May 2014, according to a recent

Retail TouchPoints [webinar](#). Macy's also improved display rates from approximately 70% of product on the floor to 95%.

"There are many layers of best practices and ways to improve and there are strategic retailers that have created a culture to support the omnichannel journey," said Randy Dunn, Director of Global Sales and Professional Services at Tyco Retail Solutions. "Macy's is a primary example of this. They talk about their omnichannel strategy in every one of their strategy discussions and quarterly earnings calls. It is clearly critical to their culture and we have seen many signs of success."

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Saks Fifth Avenue initially rolled out RFID in the shoe section of its New York City flagship location. Using the TrueVUE Inventory Display Execution application from [Tyco Retail Solutions](#), associates can easily count shoes on the display floor and generate a report of all missing shoes to streamline the replenishment process. As a result, the retailer reached nearly 100% display compliance.

“To ensure the best possible footwear discovery experience for our customers, we wanted to maximize the number and availability of display shoes,” said Ed Stagman, SVP of Store Operations at Saks Fifth Avenue, in an [interview](#) with *Retail TouchPoints*. However, previous manual process made it “too time intensive to do so.”

With RFID, Saks has been able to ensure all 4,000 shoes on display were accounted for, which has encouraged a boost in sales.

Previously, store associates spent up to one week — several hours a day — tracking inventory on the entire floor, and only achieved 65% inventory accuracy. Now, the process takes 20 minutes a day to complete. Due to the success of the New York City store implementation, Saks expanded the RFID technology to three additional locations and piloted application for the handbag and denim departments.

Lord & Taylor saw similar success with its [RFID implementation](#), which kicked off with a pilot program in 2011. Placing RFID tags on shoes on the sales floor, sales associates only had to pass a handheld RFID reader along each display. Due to the pilot’s success, RFID has been implemented in stores nationwide, and the retailer has attributed a 4% sales lift to the technology.

Saks Fifth Avenue reached nearly 100% display compliance since implementing RFID in its New York City flagship location.



A Must-Have Ingredient For Omnichannel Success

As shoppers become more connected and demanding, retailers need to create a seamless browsing and buying journey across all channels.

RFID, in turn, is going to become a top technology investment for retailers moving forward, as establishing an

omnichannel inventory strategy becomes less of a competitive differentiator and more of a business necessity.

“The connected consumer is very actively in the driver seat,” Barbacovi said. “Inventory visibility and the whole notion of omnichannel fulfillment are both absolutely critical.”

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Want to learn more about how RFID can improve your retail business? Access this on-demand **Holiday Connected Consumer Series** webinar!

The graphic features a white background with a subtle pattern of snowflakes and holly leaves. At the top left, the word "Holiday" is written in a red, cursive font. Below it, the words "CONNECTED" and "CONSUMER" are written in a red, blocky, outlined font, separated by a black Wi-Fi symbol. A red ribbon is tied around the Wi-Fi symbol. To the right of "CONSUMER", the word "SERIES" is written in a smaller, red, blocky font. In the center, there is a large black play button icon with a white triangle pointing right. Below the play button, the text "Play webcast" is written in a small, white font. Below the play button, the title "Omnichannel And IoT: The Perfect RFID Storm" is written in a large, white, bold font. At the bottom left, the text "Presented by" is written in a small, black font, followed by the "retail TouchPoints" logo, which includes a red shopping cart icon. At the bottom right, the text "Sponsored by" is written in a small, black font, followed by the "ZEBRA TECHNOLOGIES" logo, which includes a black and white zebra head icon.



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