RFID Special Report: 20/20 In 2020 — Inventory Accuracy Takes Center Stage
By John-Pierre Kamel, Marshall Kay, Kristen Munroe, RFID Sherpas - 10/10/2019

Christmas came early last year. December 20th to be exact.

That is the day Nike’s chairman told a group of Wall Street analysts that Nike would begin putting RFID tags on all footwear and most of its apparel. Six months later, on another earnings call, he explained: “RFID gives us the most complete view of our inventory that we have ever had. It’s quickly becoming the most precise tool in our arsenal to meet an individual consumer’s specific need at the exact right moment.”

Not only is Nike positioning itself to “make the sale” whenever the desired item can be found in its own stores and warehouses. It also wants to tap into the inventory of its wholesale partners (such as Academy Sports) when needed.

Theoretically, all of this could be done without RFID. But without accurate visibility into its own inventory positions — and those of its partners — a bold program like this makes little sense. And it is precisely that sort of subtle nuance that escapes the attention of casual observers of the retail sector, and many full-time observers too.
Nike is a great example of a company that is positioning itself for the next 20 years. Chanel, Target and Zara are others that come to mind.

This report is our annual review of relevant marketplace developments. Part 1 of the report will focus on commercial topics. Part 2, which will be released separately, will focus on technology advances and considerations to guide future investment decisions.

The range of professionals within a retail enterprise who read this report has typically been broad. In addition to CEOs, CFOs and COOs, we usually see a variety of functional groups represented, including specialists in planning and allocation, visual merchandising, store operations, loss prevention, supply chain, production, sourcing, innovation, analytics and information technology.

Our goal is to position you to make informed decisions based on your organization’s unique objectives and commercial realities. As you read this report, bear in mind that there is a considerable amount of information that cannot be shared due to confidentiality obligations.

**Evolving Customer Needs**

Before launching into a discussion of the year’s biggest developments, it is important to put them into context. The range of pressures faced by retailers is no secret. And while some retailers are adapting much too slowly, rarely is ignorance the primary cause of delay.

Beyond the usual pressures such as declining mall traffic are a few others we find interesting:

1. **PRESSURE TO INCREASE DELIVERY SPEED**

Consumers are growing accustomed to speed. Amazon Prime is contributing to this, as is the acceleration of delivery fulfillment by Walmart and Target. Delivery within two days now seems like the “new normal,” and consumers expect retailers to pay for this improvement.

A study published in the July 2019 issue of the American Marketing Association’s *Journal Of Marketing Research*, titled “The Value Of Rapid Delivery In Omnichannel Retailing,” found that digital sales grew nearly 1.5 percent for every business day reduction in delivery time, from a baseline of seven business days.

2. **PRESSURE TO ADD BOPIS**

Consumers are quite interested in BOPIS — but not only for the reason you might guess. A January 2019 NRF study of consumers who had used BOPIS listed “the desire to avoid paying shipping costs” as the top reason for choosing BOPIS. Sixty-four percent of
respondents listed it as a motivator. By contrast, “needed items right away” ranked a distant second. It was cited by only 34 percent of respondents.

A 2019 study of U.S. consumers by Coresight Research found that the apparel category had more BOPIS shoppers than any other category. Electronics came second. Grocery ranked third.

Unfortunately, many retailers are reluctant to add BOPIS until they have improved their inventory accuracy and prepared their stores to handle this new service.

3. DECLINING CONSUMER DEMAND:

As noted by acclaimed retail expert Robin Lewis, publisher of The Robin Report, in his 2017 book Retail's Seismic Shift (co-authored with Michael Dart), younger people want to own fewer things than their predecessors, and Baby Boomers have downsized. One manifestation of this is the emergence of monthly “clothing as a service” subscription programs from companies such as Bloomingdale’s, Ann Taylor, American Eagle, VINCE and Anthropologie. Rent The Runway, which recently added a subscription program too, pioneered a separate category called special occasion rentals that could similarly dampen revenue for clothing retailers over time.

Commercial Developments

Big News from Bentonville?

We believe Walmart will be using RFID extensively in its stores by summer 2020. If true, this is big news.

Amazon and Walmart are the two heavyweights in the U.S. apparel market — each having market share around 8 percent to 9 percent. Their closest competitor is Target, sitting at about 5 percent. Macy’s and Kohl’s are closer to 4 percent.

It’s no secret that Walmart aims to offer excellent value and makes its clothing quite affordable. It’s also no secret that adding RFID to a label only costs about five or six cents. The upshot? It is now harder than ever for any retailer to contend that RFID is too expensive. If Walmart can find a solid business case, your company can too.

Victoria’s Secret Is No Longer a Secret

On an earnings call in May 2019 the CFO of L Brands (the parent company of Victoria’s Secret) mentioned that the company is introducing RFID in its stores to improve inventory accuracy and inventory visibility. He cited this as a precursor to the company’s introduction of BOPIS. More recently, at the company’s Investor Day, the COO announced that about 1,100 of the company’s stores are slated to begin using RFID by summer 2020, with almost 350 receiving these capabilities by the end of 2019.
Victoria’s Secret and PINK are two of retail’s largest specialty apparel brands. Ascena and Gap Inc. are now the only heavyweight specialty apparel conglomerates in North America that have yet to declare an intention to roll out RFID in their stores. The world’s largest specialty brand (Zara) completed its rollout years ago, and the world’s second and third largest (H&M and Uniqlo, respectively) are already using RFID in most of their stores.

Big Strides in the Athletic Sector

The world’s largest athletic brands are all “in the game.” Nike, adidas and Under Armour have each begun using RFID in their stores and supply chains. All three have global “source tagging” programs in place in apparel, footwear and other categories. Smaller athletic brands have similar programs underway.

The world’s largest sporting goods operator is Decathlon. One-hundred percent of its merchandise has an RFID tag, and 100 percent of its stores use RFID. Often called “the IKEA of Sporting Goods,” its mission is to make quality sporting goods affordable to all. It designs, produces and sells a wide range of apparel, footwear and equipment. Decathlon has now dipped its toe in the U.S. market, opening its first superstore in 2019 in California.

The Hare and the Tortoises

With the notable exception of Macy’s, most mid-market department stores in North America have not felt any urgency to race forward with RFID. In our estimation, more than 80 percent of merchandise received by Macy’s this year will have an RFID tag, applied upstream by the supplier. Macy’s is steadily approaching its goal of operating with 100 percent of its products tagged, and it has found many sophisticated ways to use the data RFID is providing.

It’s not as if Macy’s direct North American competitors are unaware of RFID. Several of them have completed exploratory trials in their stores. But most of them appear content to take modest steps in 2020 before initiating their fleetwide rollouts. None is exhibiting any palpable urgency.

In our opinion, the tremendous pressure being exerted on the entire mid-market department store sector has obscured the significant operational and financial benefits Macy’s has worked hard to achieve.

Final Thoughts

Whether/How/How Well

When evaluating the inventory management capabilities of a retailer (or brand), it’s no
longer a question of whether they are using RFID. The questions now are:

- How many different ways are they using RFID?
- How well are they executing?
- How well are they using the data?

Any retailer that continues to view RFID as a “nice to have” and not a “need to have” is putting itself at a significant disadvantage.

**Organizational Bandwidth**

We should always keep in mind the other things a retailer or brand must do well to survive. They must have great merchandise, at great prices, that is displayed and promoted effectively. They must also find ways to keep their brand fresh and give their customers reasons to want to return.

But pursuing excellence on these other fronts need not delay their introduction of RFID. The people within the enterprise focused on these other core objectives are not the ones who will be tasked with shaping and leading the company’s RFID program.

**Employee Satisfaction**

Store managers and store associates never want to revert to operating without RFID once the system is introduced across their company's fleet of stores. It makes their lives easier. It injects greater logic into their tasks and directives. It positions them to succeed. In short, it is highly respectful of their time, and the consumer’s time too.

Store employees will soon have another reason to love RFID. A small but growing number of retailers are eliminating the tedious annual inventory counts that are routinely performed for financial purposes. These counts are generally dreaded because they are monotonous, tiring and frequently require employees to work well into the wee hours of the night.

Retailers should not underestimate the role RFID is playing in boosting employee satisfaction, nor should they underestimate the impact that can have on customer satisfaction.

**John-Pierre Kamel** is a recognized leader in the Canadian and U.S. RFID communities. He has nearly 20 years of enterprise strategy and solutions integration experience. Prior to joining RFID Sherpas in 2010 he led the RFID practices of VeriSign and Bell Canada. Earlier in his career, John-Pierre was the Canadian Lead for the Mobility Solutions Practice of Capgemini.

Kristen Munroe Kristen’s deep understanding of retail processes and change management is informed by her 18 years of retail experience, most recently with Ralph Lauren. For eight years she has had national Retail Operations Director responsibilities. She has also led stores at the district level and served as National Director of Training & Recruitment. Kristen’s RFID experience dates back to 2013.

RFID Sherpas is a retail consulting practice that assists global brands and retailers at all stages of their RFID journeys. The firm is vendor agnostic and does not re-sell RFID hardware, software or tags. The firm’s services include: executive workshops, business case evaluation, process optimization, solution architecture, vendor selection, negotiation support, project management, analytics and reporting.
Mobility that Moves is Critical for Unified and Connected Retail Operations

Next-Gen 3D Solution from Browzwear Brings Digital Transformation

RELATED TOPICS

GET THE NEWSLETTER

Subscribe

GET ENGAGED WITH RIS

Connect with RIS