

# Is RFID An Important Strategic Objective In Retail?

By Dr. Paul Squires

Considering all the talk about scaling back on plans to implement RFID, one might ask if RFID is still considered a strategic objective in the retail industry. Wal-Mart's failure to achieve its goal of installing RFID in at least a dozen of its 137 distribution centres by the end of 2006 provides solid evidence that things have changed.

## Nearly 200 Retailers responded to the survey

The RFID Business Association, with the assistance and cooperation of the National Retail Federation, recently conducted a survey of retailers. Members of the NRF and attendees at the recent NRF convention in New York City were invited to share their thoughts and predictions. Nearly 200 retailers with RFID experience responded to the survey. The respondents represented organizations that ranged in size from small retail consulting organizations (20%) to large consumer goods packaging companies with over 10,000 employees (33%). The survey captured the opinions of retailers at all job levels, including senior managers (51%), middle managers (33%), individual contributors (11%), and front line retailers (4%). Among the 31 questions the respondents were asked, several addressed the current strategic importance of RFID. The findings of their responses are described in the following.

The survey results indicate that very few retailers have implemented RFID across the entire organization (1.2%) and nearly half have not even begun. However, approximately 40% have an RFID project in the planning stage or are in limited production. These results provide supporting evidence for the view that progress with RFID is going slowly and may have lost strategic importance.

One question in the survey directly addressed the question of the current strategic positioning of RFID. The majority (71%) of the respondents indicated that RFID is not currently a strategic objective. However, there were differing opinions among the respondents. When the same question was asked of senior managers, 35% stated that RFID was a key technology compared to 16% of middle managers. Another interesting difference of opinion was related to RFID implementation and who leads it. When Retail Operations was leading the project they were less likely to report it as strategic compared to when IT or Buyers and Merchandisers led the project. The latter described RFID as strategic 34% of the time compared to those in Retail Operations who described it as strategic 24% of the time.



Illustration by Andrew Neil Olscher

## Retailer size a factor

The survey gathered information about the size of organizations - measured in annual revenue. One third of the respondents represented organizations whose annual revenue was greater than \$1 billion, one third were from companies with annual revenues of \$100 million to \$1 billion, and one third were from companies with less than \$100 million annually. The size of an organization influenced opinions about the current strategic importance of RFID. Small or very large organizations believed in RFID's current strategic importance (33%) to a greater extent than medium sized companies (21%) whose revenues were in the \$100 million to \$250 million range. This result seems to be consistent with reports from industry experts who have stated that the ROI for very large organizations is easier to demonstrate than for

smaller companies. The strategic importance attributed to RFID by smaller companies may be due to the presence in the survey of a relatively larger number of consultants and small RFID vendors in the small organization group.

### UHF tags top choice - HF tags a close second

The survey also included questions about choices of tag technology and the integration of the RFID network into the overall enterprise network. When asked what types of tags your company is using or considering using, the winner was passive/high frequency UHF tags which was selected by 36% of the respondents followed closely by passive/low frequency HF tags, which was selected 32% of the time. Active and Semi-Passive tags were selected 19% and 13% of the time respectively. When the responses to this question were divided among those who believe RFID is currently strategically important and those who did not, the same pattern of preferences for tags was present. In other words, the strategic perspective did not influence the type of tag preferred.

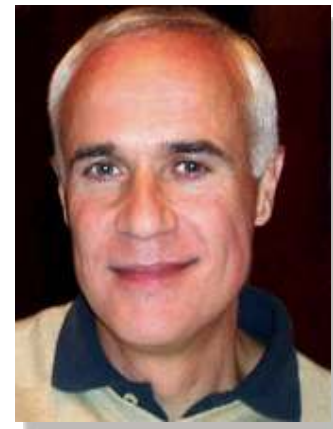
### Eating the entire enchilada

One additional finding worth noting was the relationship between opinions of the strategic importance of RFID and the survey respondents' answer to the question about their intent to integrate the RFID network into their enterprise network. Achieving complete integration is one of the major goals of organizations - akin to eating the entire enchilada. As might be expected, the survey results indicated that if the organization had already integrated their RFID network into their enterprise network or plan to do so, they were much more likely to respond affirmatively to the strategic importance of RFID. Forty percent of those who will do the integration stated that RFID is currently of strategic value and 80% of those who have integrated said so. Otherwise, only 20% viewed RFID as strategically important. These differences in strategic view were among the largest found in the survey results.

### Drawing conclusions

So, considering all of the survey findings reported in this review, what conclusion can we draw about the strategic importance of RFID? The answer seems to be that senior retail executives and those in large retail organizations (or RFID vendors and consultants) consider RFID more

**Dr. Paul Squires** is an industrial psychologist with over twenty years of experience with survey research, organizational assessment and design, process improvement, training evaluation, assessment development and validation, computer-based training and project management. Paul has been an adjunct professor at Stevens Institute of Technology since 1993. Prior to starting Applied Skills & Knowledge in 1999, he was Vice President and Practice Manager for Assessment Solutions Inc. Training and Development Services. Paul's client list includes Merrill Lynch, Bristol-Myers-Squibb, Abbott Labs, Siemens, Merck, Department of Labor, Department of Defense, Motorola, Hewlett-Packard, Avon, Novartis, to name a few.



Prior to his consulting career, Paul held senior positions at AT&T Corporate Human Resources with primary responsibility for selection, testing, employment and staffing, internal staffing systems and employee development. He was Director of Lucent Technologies Microelectronics International University responsible for developing a single world-wide training organization providing support to 18,000 employees. Paul holds a Ph.D. in Educational Psychology from Fordham University.

strategically important than others. The most promising finding is that when RFID is integrated into the enterprise (or will soon be so) the strategic value is greatest. In other words, you have to eat the whole enchilada before you can really appreciate the taste!

### More About The Survey

The National Retail Federation and The International RFID Business Association (RFIDba), conducted the RFID in Retail survey as part of the Big Show Event in New York City earlier this year. Experiences, opinions, perceptions and implementation realities with RFID in the retail industry were explored.

The RFIDba is an International, vendor neutral, educational, trade association which serves the education and business interests of RFID end-users around the world. Through partnerships with academia and industry organizations, the RFIDba produces university-level educational programs and conducts research on RFID in the workplace tailored to specific vertical markets.