

Is Walgreens the US Retail Leader in RFID Deployment?

Drug Store Chain Adds New Promotional Display Tracking System to Previous DC Enablement; Eight-Year Testing Effort Finally Pays Off

SCDigest Editorial Staff

Suddenly, fast growing drug store chain Walgreens is emerging as the leading retail adopter of RFID systems.

Globally, Germany's Metro Stores group is generally recognized as the retail RFID leader, pushing an aggressive if at times stumbling effort to adopt RFID throughout its supply chain and store operations. Other retailers in Europe and Asia, especially among smaller chains, have also made progress.

Not so in the US, as giant Wal-Mart's efforts have been mixed at best, and few other retailers have really jumped into the fray.

Walgreens, however, has quietly been making significant progress.

It is one of the few retailers that is really using RFID for distribution center operations. In 2008, it announced it had integrated RFID with its shipping, warehouse management and material handling operations at its Anderson, South Carolina distribution center.

This was a real substantial system deployment (not a pilot) that included 45 dock doors with integrated RFID readers that track more than 170,000 shipping totes and other reusable assets. Walgreens said at the time it expected the new DC to be 20% more productive than its previous generation of facilities, and some of those gains were attributable to RFID,

The RFID-based capabilities at that Walgreens DC include applications which verify that shipping totes contain the correct items for the order, that all totes required for the order are present, and that totes are

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loaded onto the truck in the proper order.

New Promotional Display Tracking System Eight Years in the Making

Last week, RFID systems vendor Goliath Solutions announced Walgreens was rolling out a system to manage promotional display execution at some 5000 of its stores nationwide.

Amazingly, the system rollout is the result of eight years of testing by Walgreens in partnership with Goliath. It is designed to solve the basic issue of promotional display execution that has plagued the consumer goods to retail supply chain for decades, and which companies such as Kimberly-Clark and Procter & Gamble have found RFID can bring very impressive results.

What is the main problem RFID-based data can solve? Manual store processes often result in a failure to move promotional displays from the backroom when they should be on the floor; sometimes they never make it at all, sometimes the timing

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versus the advertising promotion is off, and other issues, like using the display inventory to fill regular shelf space.

Walgreens is said to have ultimately found that by achieving better execution based on RFID data, sales from promotional displays from 200-400%. Tests for several years have been carried out in-store with cosmetic maker Revlon and other suppliers.

Antennas in the Ceiling

Tagging of promotional displays is thought to have a high ROI for several reasons, among them that putting just a single tag on the display presents a low cost burden. Combine that with the fact that an increasing percentage of CPG and retail sales come from promotional product and the notoriously low level of execution effectiveness, and this RFID application might even be considered "low hanging fruit."

At eight years in the making, the Walgreens development effort began before there even was an "EPCGlobal" organization or EPC standard.

Partly as a result, the system does not use EPC tags, but rather a "semi-passive" RFID tag provided by Goliath. Both Walgreens and Goliath are testing to see whether EPC-compliant tags might be used in the future, as tag costs would be lower, but the read ranges may be compromised as a result, and the cost of the tags for use with displays only is low in absolute dollar terms.

The Goliath system uses just a single RFID reader in the relatively small Walgreens store formats. That reader is connected to a series of

readers that are placed above the ceiling throughout the stores. This is important, because it enables the system to determine the physical location of the display on the floor based on which antenna picked up the tag signal. The promotional display tests at Wal-Mart were more geared at simply determining if the displays made it from the backroom to the floor.

This is where the semi-passive technology comes in to play, enabling longer read ranges from the ceiling mounted antennas than pure passive tags would support.

This system configuration enables Walgreens to see if displays are placed in the store. This not only allows merchandisers to see if the displays are where they are supposed to be, but also potentially to test the impact on sales of placing displays in different locations – on-going market research that would be almost impossible without RFID.

This will be accomplished by linking the RFID read data with POS system data in a new application developed for Walgreens.

"The information Goliath provides is a game-changer for us," said Walgreens vice president of purchasing **David Van Howe**. "Not only does it help us identify and purchase more effective programs, our store operations teams are embracing the data to improve execution throughout our chain. Store-level information about what is up and where it is in the store allows unprecedented accountability for achieving program potential."



Revlon has seen Strong Sales Lift from Promotional Displays at Walgreens