



## Item-Level RFID Update

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# Who is Vue Technology

- The leader in item level RFID
- 6 years focused exclusively item level RFID
- \$25 million invested in R&D on item level hardware & software solutions
- Growing rapidly

# Agenda

- Pilot results
- Privacy
- What's happening now?
- Considerations beyond the pilot
- Challenges
- Predictions
- Recommendations

# Item-Level RFID Pilot Results

- 50% reduction in out-of-stock at Tesco
- 98.7 in-stock rate on tagged goods at Best Buy
- 75% reduction in labor for restocking
- 14% increase in sales of tagged items at Best Buy (computer games)
- 13.3% increase in sales at Mitsukoshi (shoes)
- 12% increase in sales at BGN (books)
- Inventory accuracy improved from 85% to 99.5%
- 50% reduction in time to service average customer (Mitsukoshi)
- Significant reduction in employee theft
- Receiving time reduced by 90%
- Elimination in labor required for cycle-counts
- 50% reduction in safety stock

# Privacy

- Forrester Research
- Age old tradeoffs & decisions
- An insidious invasion... that we all embrace
- Item Level RFID Saves Lives
- Item Level RFID in apparel & footwear... does not
- Decisions being made about shoes and apparel and drugs and books and DVDs and ...
- Decisions about tagging
- The truth is our friend. Let the consumer make an educated decision.

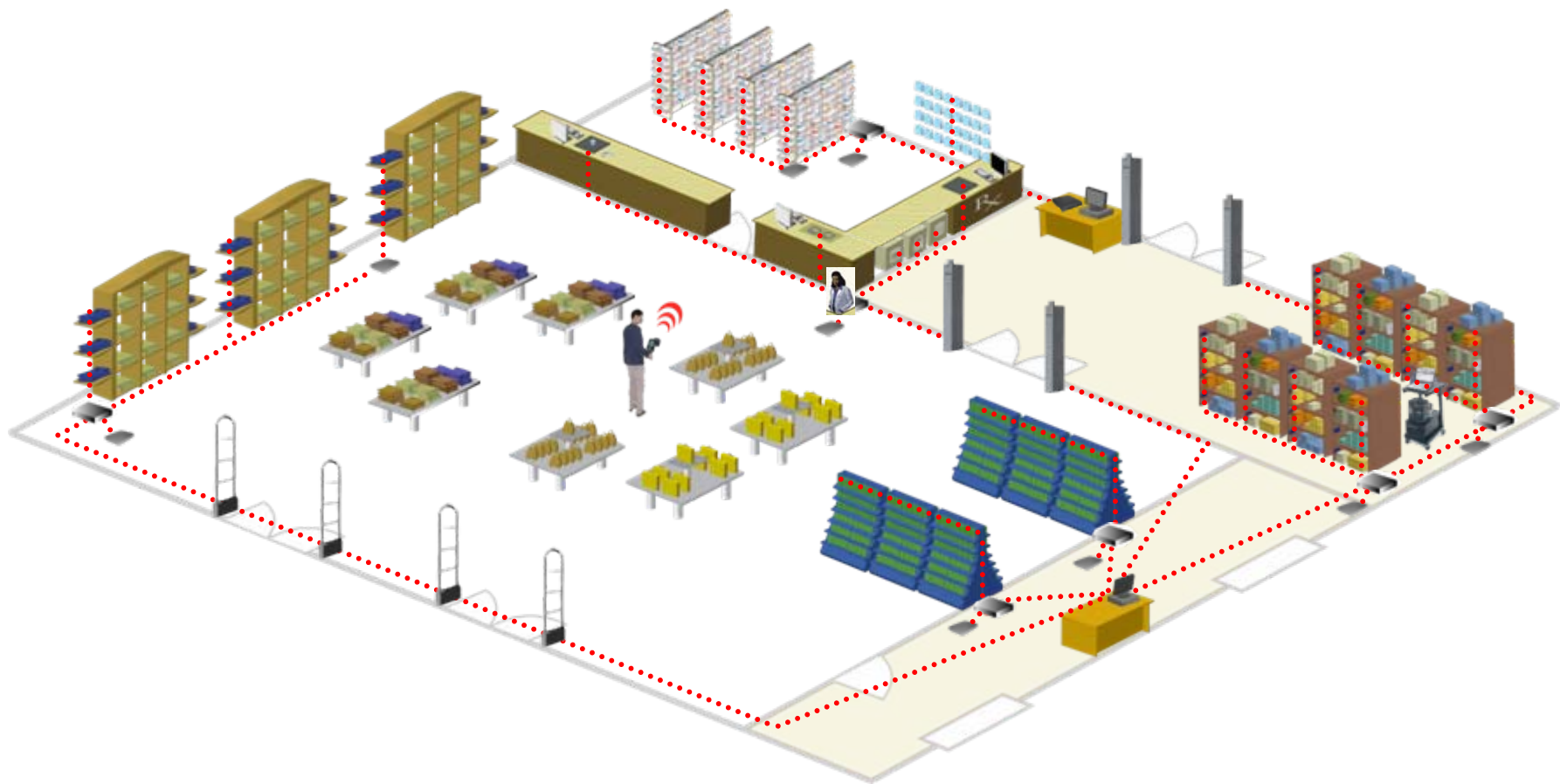
# What's happening now?

- Leading edge retailers have adopted best practices in item level RFID implementations – Communicate and educate
- Consumers voting with their feet & wallets – 10-15% increased sales
- Leading edge retailers are doing item level RFID and not talking about it
- Retailers who are doing it see item level RFID as a significant competitive advantage
- Leading edge retailers are making plans for rollout to lock in competitive advantage
- Retailers who are most worried about privacy in item level are often those who are not doing it

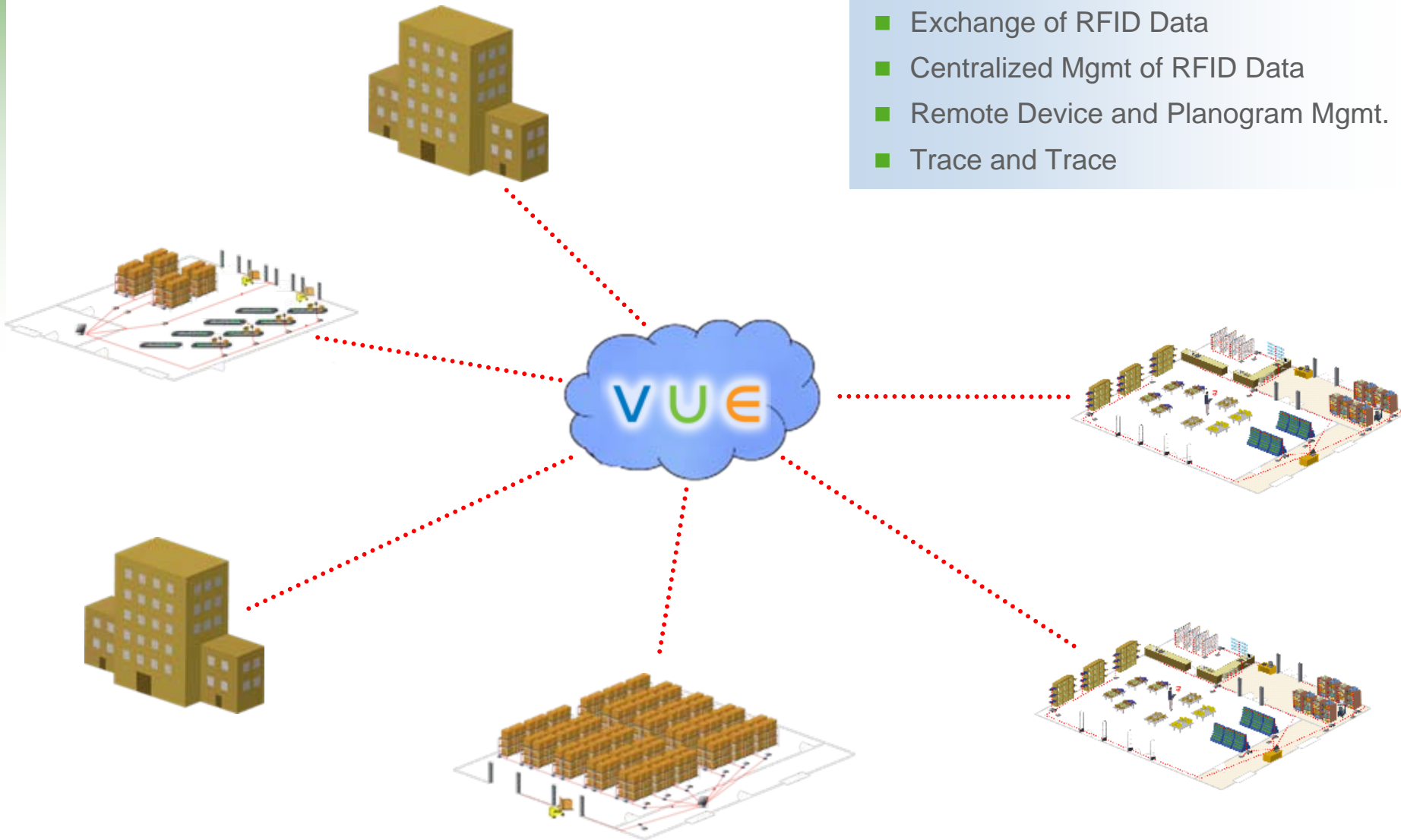
*"Those adopting item level tagging today do so willingly and are prepared to pay for good performance as they enjoy rapid multiple paybacks. This is in some contrast to pallet and case tagging where consumer goods companies are required by retailers to fit the tags regardless of economics."*

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# Vue Enabled Item Level Visibility



# Vue Enables Visibility Across the Enterprise



“There will be increased patient safety because of it, but also, we're never going to have to worry, in a full RFID world, about dispensing a drug that's on a call-in list, or worry about expiration dates. Because we'll have it right there in the package, and our systems will identify it and stop somebody from dispensing it. And that's a huge impact for Pharma, by the way, one that I'm not sure is fully recognized.”

David Bernauer, CEO Walgreen Company

“We are enabling our product shelves to become 'smart shelves'. There is obviously a cost, but we believe that the reduction in customer disappointment per visit will more than offset any cost over time, and it will also help fight piracy.”

Bob Willet, Best Buy International CEO

“...we have been able to use RFID technology to better serve our customers. The results are so good that we are expanding our item-level RFID implementation into our other stores across the Netherlands. We believe that item-level RFID delivers real business value to our business and has a brilliant future.”

Matthijs van der Lely, CEO of BGN

# Challenges

- Tagging:
  - Cost
  - Who's going to do it?
- Frequency Selection – HF vs. UHF
- Cost of the infrastructure
- Integration with legacy systems
- Network management

# Conclusion

- Item level RFID includes handhelds, intelligent shelving, mobile devices, kiosks, dock doors, EAS & more
- The technology is mature and there are vendors who are ready to roll out now
- Pilots have demonstrated conclusively that item level RFID provides significant hard benefits & competitive advantage
- More retailers are doing it than talking about it
- 2007 is the year the rollouts begin in earnest

# Recommendations

- Start with the business case
- Work with vendors who have done item level RFID before
- Start on a software platform that can grow with you from handhelds to mobile to smart shelves to sharing data across the enterprise and with partners
- You don't need to recreate the wheel
  - Leverage best practices, existing investments, and proven expertise of partners
- Be completely open with your customers
- Start now

# Experienced Vendors / Vue Partners



Q&A