

COLUMNS

7 reasons for RFID in luxury retailing

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By **Robert Amster**

The time for adoption of item-level RFID (radio-frequency identification) is finally here.

Item-level RFID differentiates itself from container- or case-level RFID in that the RFID tag identifies each unit of an item uniquely, as opposed to identifying a case or pallet of a number of packed units.

Notwithstanding how long after its inception retailers have resisted adopting and implementing item-level RFID (henceforth RFID), luxury apparel and accessories continue to be the optimal categories in which to implement this not-so-new technology.

Seven for all luxury kind

There are seven compelling reasons for this claim.

First, the value of the product to be protected is high so the cost of tags becomes a negligible factor for adoption and the cost of readers and associated software can be amortized over higher-value merchandise inventory.

Second, protecting branded product from grey market and diversion activities is of continued concern to all luxury brands, and RFID can be an effective tool in identifying grey market product, to whom it had been sold originally, and how it may have wound up in the grey market.

Third, RFID has been identified as a strong EAS (Electronic Article Surveillance) tool, whereby unpaid items "walking out the door" will trigger an alarm or message to associates, and inventory reduction without corresponding sales transactions can quickly point to a loss issue in a given location.

Fourth, the taking of physical inventories using RFID technology is accurate to 99 percent. No other inventory method is more effective, faster or accurate.

When the retail value of a single unit can reach thousands of dollars, even a misplacing a single unit is a significant issue.

Fifth, because of the capability that RFID offers to know how much of an item and where it is, in real time, by location, inventory management and customer satisfaction are both hugely enhanced. Only RFID offers this capability.

Sixth and this is true of all retail, not just luxury markets in an omnichannel retail operation, in which "buy-online-pickup-in-store" (BOPIS) is becoming almost a de rigueur offering, retailers are in a much better position to guarantee a satisfying, successful shopping experience if they can ascertain that the product exists or does not in the store of choice and ensure that it is removed from sellable inventory, packaged and tagged for the ecommerce customer in question, and is waiting in a designated "will-call" area for the customer to arrive.

Seventh, because brands exercise strong control over their manufacturing facilities and suppliers, the application of RFID tags can be achieved at the point of least cost: the manufacturing process.

Compared to having to attach RFID tags to the product in a retailer's distribution facility, luxury brands are in the enviable position of ensuring that RFID tagging is done at the most cost-effective point.

Furthermore, in some cases such as the grey market exposure RFID tags are best embedded in footwear and accessory products and that can be achieved only at the point of manufacture.

UNDERLYING ALL THESE arguments for the adoption of RFID are the facts that the tag technology works, the RFID readers work, and the middleware software that sits between the RFID readers and the retailer's systems works and continues to be enhanced.

All this begs the question: For what are we waiting, luxury retailers?

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