



# The DATA CAPTURE Report

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## Special SCAN: The DATA CAPTURE Report Reprint

### Checkpoint And Metro To Run RFID-Based EAS Trial

*The two retail giants say they are the first to test a system that complies with the recently announced GS1/EPCglobal RFID-based Electronic Article Surveillance (EAS)'s Strategic Overview Guide and Technical Implementation Guide.*

On Oct. 14, the same day **GS1 EPCglobal** announced its guidelines for RFID-based EAS, **Checkpoint Systems** and **Metro Group** publicized their intent to run a joint trial of Checkpoint's technology based on the company's Evolve platform. Both companies have a long history in the retail sector and are respected worldwide.

Commenting on the announcement, Checkpoint VP of Marketing Paul Cataldo told us, "RF is in our DNA, and Metro is a clear leader in the development and testing of RFID technology at the item level and beyond. This is a natural combination. Our companies have been working on joint projects for years.

"Checkpoint has a 40-year heritage in RF technology," he continued. "We helped lead the charge for source tagging in EAS, and today, through our worldwide CheckNet® service bureau—an 'RFID-ready' data management and logistics platform—we can provide everything retailers need to adopt RFID technology without an investment in hardware. EAS is already used

extensively in the retail sector; our Evolve platform provides a path to RFID. It's a great way to take RFID to market...a logical way to go."

We also spoke with Checkpoint CTO Venkat Krishnamurthy. "Our approach to the market enables Checkpoint customers to get the most out of RFID use," he stated. "It provides both visibility and EAS services. It will save costs by placing both an RFID chip and our EAS technology in one tag. At some point, both visibility and EAS may be covered by a single RFID chip.



*Paul Cataldo, VP of marketing, Checkpoint Systems, Inc.*

Continuing, Krishnamurthy told *SCAN/DCR*, "Metro was a big help during the development process for this new technology. Not only did they advise us with respect to customer needs, they also offered testing services all along the way. Some passive RFID systems read tags up to 30 ft. away. In many cases, we're getting too much info coming into host computers. By working together, we have made tremendous strides in solving this problem."

"METRO Group is working with Checkpoint to deliver standards-compliant, RFID-based EAS to both mitigate loss and optimize our merchandise management," said Dr. Gerd Wolfram, Head of CIO-Office, METRO AG. "This effort is in line with our stated RFID strategy to use tags for multiple purposes along the supply chain. We are pleased to

continue our partnership with Checkpoint, and we are convinced that the GS1 enhanced standards-based solutions are bringing benefits for retailers and suppliers.”

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**Dr. Gerd Wolfram, Head of CIO-Office,  
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Checkpoint’s new technology allows users to leverage their existing investments, while still paving the way for use of a single RFID tag system. The current combo tags are still embedded at the source and read at retailers’ doors.

“Our combination tags are available today,” said Cataldo. “The single-chip RFID system is still in production.”

### **Reaction to the new technology**

When asked how users view the new system, Cataldo replied, “There have been no formal polls, but users have expressed tremendous interest in this type of technology. Retailers involved in apparel and footwear seem to be the most interested. Their goods come with multiple prices, sizes, styles, and colors. They want a system that provides perpetual inventorying. It’s extremely important to maintain the proper stock and quantities. And, of course, they also want to reduce shrink. Our technology offers a very compelling value proposition.”

“There is no question that RFID-based EAS represents an exciting long-term vision of convergence in retail,” said Drew Nathanson, director of research operations at **VDC (Venture Development Corporation) Research Group**. “Although there are many technical hurdles associated with this opportunity, companies possessing experience and solutions in RF-item level technologies are well positioned to address these challenges and bring effective solutions to market.”

Brand L. Elverston, director asset protection systems and analysis at **Walmart Stores, Inc.** commented, “By combining the advantages of EAS and EPC/RFID technology, we potentially realize the benefits of visibility throughout the supply chain together with the capability of deterring and detecting theft.”

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**Editor:** Rick Morgan  
PH (814) 866-1146  
rickm@scandcr.com

**Founding Editor:**  
George Goldberg

**Publisher:**  
RMG Enterprises, Inc.  
4003 Wood St.  
Erie, PA 16509  
PH (814) 866-1146  
rickm@scandcr.com

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## **The big push**

The technology certainly sounds like a winner, so we asked how Checkpoint will get the word out to the market. “First, we’ll do a lot of education,” Cataldo answered, “We owe that to our customers and the retail industry in general. In our educational outreach, we will utilize testimonials from users of the new system. Nothing speaks louder to the market than hearing from a giant user that has had success with RFID-based EAS. This is definitely a technology that will be sold by word of mouth.”

Over the years, most retailers—particularly grocers—have run on slim margins. And, they often have been reluctant to share information on their technology purchases because they view them as a competitive advantage. So, we asked Cataldo how Checkpoint prods its customers to speak publicly about a new technology.



**Venkat  
Krishnamurthy,  
CTO, Checkpoint  
Systems, Inc.**

“I think times have changed, to some extent,” he replied. “Early adopters now feel enlightened when they try something new successfully. They seem willing to share what they have learned. That said, it is often to their benefit to encourage widespread adoption. As the RFID industry grows, costs come down. Both vendors and users benefit from an economy of scale. When money is flowing in regularly, vendors can increase their R&D budgets to provide better and less costly hardware and software.”

## **If you build it they will come**

Cataldo firmly believes that retailers will adopt this technology—eventually in large numbers. “RFID is a powerful technology,” he asserted. “It provides visibility that was previously unheard of. Switching from traditional AIDC technologies to RFID will be like switching from analogue to digital technology.”

## **Encouraging news**

No matter how good a technology might be, sales can only increase if customers are making purchases. And, in the first quarter of 2009, there wasn’t much purchasing going on in the global economy. Cataldo told us that’s changing.

“There’s still not as much happening in the market as we’d like to see with respect to sales,” he stated. “However, we are seeing things beginning to loosen with respect to orders and financing. It’s not a floodgate, but the economy is looking brighter.

“There’s a lot of talk in the retail sector about

running leaner inventories,” Cataldo continued. “The mass media is telling the general public to buy now because the items you want may not be their later in the holiday season. But, leaner inventories can equate to smaller sales. With RFID, businesses have the visibility to make quick decisions with respect to inventories. Retailers can run lean without losing sales. RFID cuts the fat from spending.”

## **GS1 EPCglobal guide**

As we noted in our intro paragraph, GS1 EPCglobal introduced a guideline for RFID-based EAS the same day as the Metro/Checkpoint announcement. Those who would like to see the guide in its entirety can do so at: [www.epcglobalinc.org/standards/implementation\\_guidelines/](http://www.epcglobalinc.org/standards/implementation_guidelines/).

Checkpoint believes the guidelines will help retailers adopt this new technology more quickly. RFID-based EAS addresses an important challenge for retailers: inaccurate perpetual inventory caused by shrink. RFID enables retailers to not only know that a theft event has occurred but also what specific merchandise was stolen. This insight gives retailers a far more accurate picture of inventory levels, allowing them to promptly restock shelves. Improved stock positions and on-shelf availability lead to increased sales.

Rob van der Merwe, chairman, president and CEO of Checkpoint Systems, commented, “As a contributor to the GS1 EPCglobal Guides, Checkpoint was committed from the outset to deliver a comprehensive, industry-leading, RFID-based EAS solution. Radio frequency is at the core of Checkpoint’s business, as demonstrated by our long history of developing RF solutions for retail applications. RFID-based EAS is a natural and very exciting evolution for our company.”

“GS1 EPCglobal’s RFID-based EAS guides that we released today present a new model for the way in which retailers will monitor and manage shrink,” said Chris Adcock, president of EPCglobal Inc. “EPC/RFID delivers high-resolution visibility, enabling retailers to reduce stock-outs, enhance the shopper’s buying experience, and increase sales in an unprecedented way.”

## **Closing**

Both Checkpoint and Metro will continue to develop innovative new solutions for the retail sector, according to Krishnamurthy. And, both companies will benefit from their collaboration. Standards and guidelines, such as those from GS1 EPCglobal will help adoption happen more quickly. Perhaps the real winners are global consumers who

will benefit from new RFID-based EAS solutions. Shrink costs retailers billions of dollars annually, and we all know who ends up bearing those costs—consumers. But, perhaps the biggest benefit is the ability to find what they're looking for when they enter a store. The right product, in the right size and

color, at the right time is very important to shoppers with limited time on their hands.

For more information: **Checkpoint Systems**,  
 Thorofare, NJ, PH (800) 257-5540,  
 Email: Jennifer.Henry@checkpt.com. **SCAN**

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