

Wal-Mart's RFID Deployment – How is it Going?

**Summary Version of
Market Research**

By



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*These sections contain graphs, data tables, or both

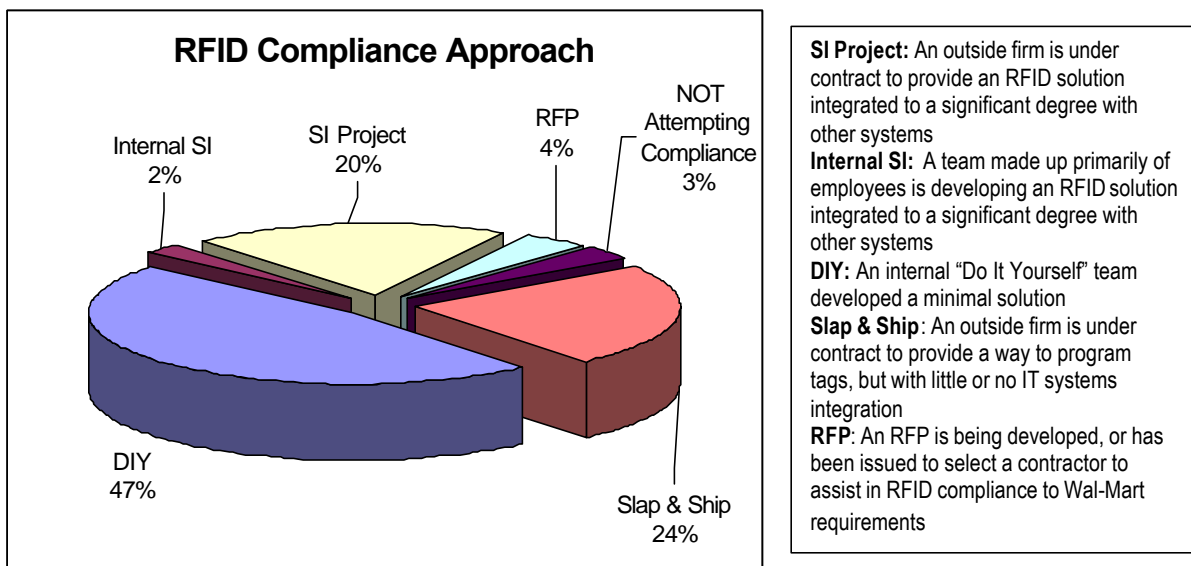
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In total, we used roughly 1500 separate inputs to build this report. These included over 200 telephone calls targeted at firms thought to be in The 137. It also involved collecting statements of capability from over 200 RFID suppliers who want to sell services, software, tags, labels, and readers. We conducted executive level interviews with officials from number of firms at several places in the RFID value chain. We also reviewed several hundred press releases, patent filings, product data sheets, news stories, SEC filings, and other public statements. We also consulted with some of the leading firms selling RFID equipment and solutions, who shared their "box scores" on The 137, who had won contracts to support them, and so on.

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During November and December, we explored preparations for Wal-Mart's RFID deadlines in 2005. 137 firms are supposed to ship RFID tagged goods to Wal-Mart in this period. We found several different responses to Wal-Mart's mandate, and found some surprising facts. Among the surprises were the following findings:

- **Active resistance was much less common than has been widely reported.** We found the vast majority of firms selected for the trials are making efforts to comply, with only 4 firms making essentially no effort to comply to the mandate – only about 3% of The 137.
- **Spending per vendor has been far less than many sources projected.** We estimate the average spending by these 137 firms to be just under \$500,000 to purchase RFID related goods and services, and perhaps more dramatic, the median spending was less \$200,000. We found this level of spending, lower than many had predicted, was caused by at least three factors (see Section IV). Spending in 2005 will grow, but "T" portion of ROI is smaller than most have claimed.
- **The most promising areas of ROI for Wal-Mart and its CPG suppliers may be provable by mid-2005.** If Wal-Mart chooses to share this information, the debate on ROI could end quickly (see Section VIII).



- **We found many firms achieving 100% read rate success.** Success in compliance varies widely at this point, but the degree of variance will probably diminish quickly with nearly all SKUs and vendors achieving compliance with Wal-Mart's requirements.
- **RFID solutions and product firms with large promotion budgets have not been able to leverage their name recognition into System Integrator wins.** Brand name and aggressive advertising have had little effect on the pragmatic, performance driven buyers who support logistics in Wal-Mart's vendor community. Successful solutions providers are building strong customer references, which could provide significant competitive advantage in the next wave of deployments.
- **Other large players in RFID have yet to demonstrate they can ride this new wave.** New firms like Alien, R4, Thing Magic, and Xterprise are winning more market share than their older, larger peers (see Section VII).