A SUPPLEMENT TO RIS NEWS

10TH ANNUAL

STORE SYSTEMS STUDY 2013

RETAIL TECHNOLOGY SPEND TRENDS

MOBILITY CHANGES EVERYTHING

- CUSTOMER-DRIVEN CONVERGENCE
- APPETITE FOR GROWTH ACCELERATES
- SHIFTING STORE PRIORITIES
- THE MOBILE-DRIVEN STORE
- CROSS-CHANNEL MOMENTUM

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Customer-Driven Convergence

Customer-facing and associate-facing technologies converge in the store

By Lee Holman and Greg Buzek

This study marks the tenth anniversary of the collaborative efforts of *RIS News* and IHL Group to produce the definitive annual Store Systems Study for the retail industry, which looks at how retailers are making IT plans for 2013 and beyond. The push by mobile technology into all aspects of the retail enterprise, including the consumers' own devices, is in the process of forever changing retail. This study examines some of the most pertinent aspects of the mobile revolution as well as some macro trends in the current economic climate that will have an impact on technology strategies.

According to the Census Bureau, the U.S. population increased by a little more than 1% and retail sales increased 4.4% from 3Q11 to 3Q12. This sounds like a positive development, and it is when compared to what the industry experienced in the downturn. But it needs to be tempered by the fact that during the same one-year period the overall consumer price index (CPI) increased 2.4% (key contributors include gasoline up 9.1%, medical care up 3.7%, apparel up 3.0% and food away from home up 2.7%). This means that a good portion of increased retail sales is due to inflation.

That being said, sentiment by retailers in the study is increasingly positive as they make plans for growth. Enterprise IT spending for 2013, for example, is expected to rise 4.8% from 2012 levels and store IT spend will go up 4.0%.

Part of the growth in IT spending will be aimed at increasing head count, an area we see rising 3.2%. Store counts will also grow 3.7% from last year.

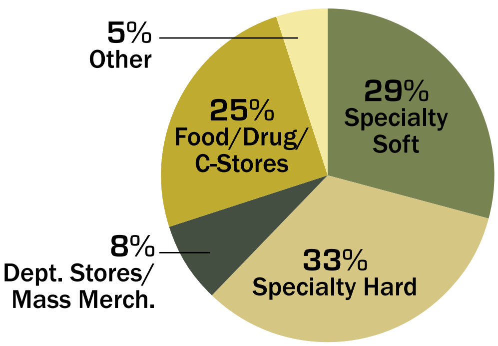
KEY TAKEAWAYS

We can draw some pretty strong conclusions from the data in the study including:

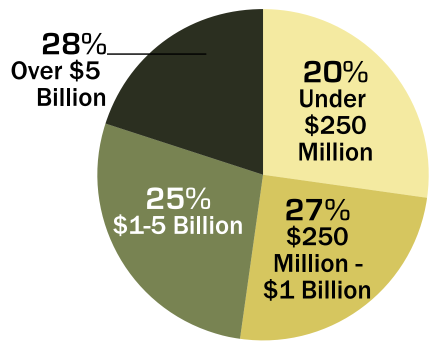
- Retailers expect to step up the pace of expansion – 66% of respondents are planning new stores in 2013 and 58% are planning an increase in IT head count.
- Increased expansion parallels increased IT investment with the average IT budget growth up 4.8% over 2012.
- POS shipments are showing steady but slower growth than in 2012. Food/grocery retailers are the leading targets for POS hardware (25% plan to purchase in the next 12 months) and software (31%).
- As in the past couple of years, mobility looms large – nearly one third of retailers are looking to adopt tablets or non-rugged handhelds in the next 12 months.
- Specialty retailers, already the leaders for in-store mobility, expect to extend their leadership role. Specialty softgoods and hardgoods retailers plan to increase mobility spending 7.2% and 5.5% respectively. Softgoods retailers will be buying tablets (38% claim a planned purchase). Hardgoods retailers will be buying non-rugged handhelds (smartphones, 44%).
- Thirty-eight percent (38%) of food/grocery retailers plan to purchase tablets in the next 12 months.
- Retailers planning to use mobile POS in the next 3 years anticipate a 12.4% decline

Amount of IT budget increase planned for 2013
4.8%

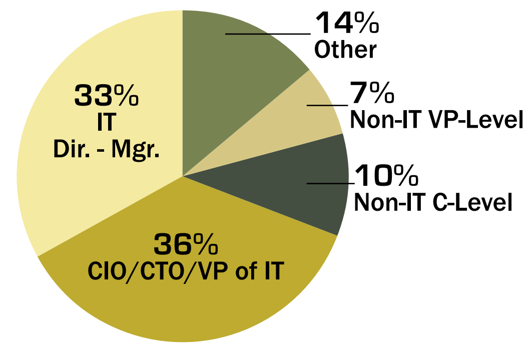
RESPONDENTS BY RETAIL SEGMENT



RESPONDENTS BY ANNUAL REVENUE



RESPONDENTS BY TITLE/POSITION



in the number of traditional POS terminals they will purchase.

- Big Data makes its presence known this year, as 74% of respondents expect their IT spending on it to increase. Food/drug/c-stores and specialty softgoods retailers are the most bullish and expect to increase spending 5.8% and 5.6% respectively.
- Over one-quarter of retailers (27%) indicated that they will adopt item-level RFID for most of their SKUs within three years.

METHODOLOGY

In this year's study 53% of responses came from retailers with more than $1 billion in revenue. These include such retailers as TJX, Meijer, Sears, Home Depot, BJ's Wholesale, Hannaford Brothers, IKEA, Rite Aid, Macy's and Walgreens. Of those, 23 had revenue in excess of $5 billion. We value every response but recognize that large retailers drive total IT spending and industry direction.

74% Retailers that will increase Big Data spending

Thirteen percent (13%) of respondents had between $500 million and $1 billion in annual revenue, and 34% had less than $500 million.

As in previous years, the three dominant categories of respondents were specialty hardgoods (33%), specialty softgoods (29%) and food/drug/c-stores (25%), which together accounted for 87% of the survey responses.

Approximately 69% of survey respondents indicated that their job responsibilities were IT-related. The most common position/title was CIO/CTO/VP of MIS (36%). In second place was IT Director/Manager (33%). Another 17% indicated they were C- or VP-level executives. As with previous studies, we are confident that the results reflect the opinions of decision makers who have the necessary positions within their companies to offer insight into operational and IT plans, and who are able to provide the most up-to-date perspectives.

27% Retailers that will adopt item-level RFID for most SKUs within three years

One final note: the summary results presented here are a small part of available data from the study. Anyone who needs more detailed data and analysis (particularly in POS, payment systems, mobility and Big Data) can contact IHL Group at www.ihlservices.com. •

Lee Holman
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IHL Group is an independent business-consulting organization headquartered in Franklin, Tennessee. It specializes in business consulting, professional and technology referral, market analysis and business planning for retailers and information technology companies that focus on the retail industry.

HARD DATA, SMART DECISIONS

Appetite for Growth Accelerates

The multi-year trend of growth and expansion continues and shows signs of accelerating

For the past handful of years the retail mantra has been "do more with less," but we now see a shift happening toward growth and rising technology investments. Right now we see enterprise IT budgets growing at the fastest rate among such areas as store technology, store count expansion and IT hiring.

This is a significant change from last year, when we saw large retailers reducing enterprise spending. Despite economic forecasts for 2013 that are uncertain at best, retailers are not hesitating when it comes to spending plans. The real question is, "How will spending plans actually play out?"

Obviously, if a retailer is planning to open more stores, then it must purchase technology to equip those stores, but will the investments be in the form of mobility solutions or more traditional POS and store solutions? If a retailer plans to hire more IT staff will it be in the form of internal staff or outsourcing? Will declining prices for some technologies enable retailers to replace technology without actually increasing the budget? Will new government mandates on health care benefits put the brakes on some current investment plans?

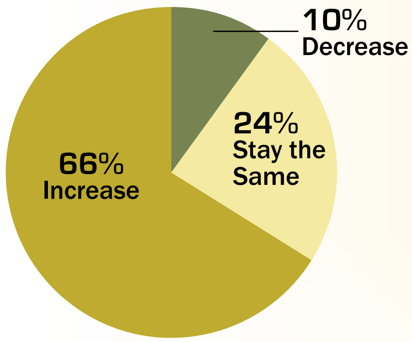
All of these factors will play out in 2013 and have an impact on actual versus forecast spending.

THE GROWTH MANTRA

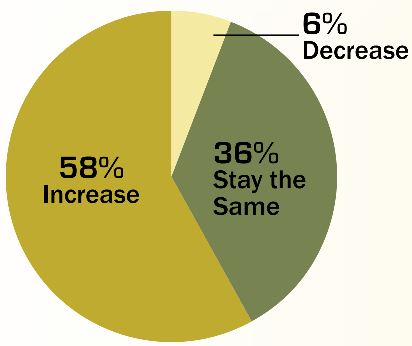
This is the third consecutive year we see plans for growing store counts and therefore growth has to be considered a major trend. This is encouraging, since retailers are apparently on a steady path of gaining confidence in their long-term prospects.

Food/Grocery retailers are the most bullish when it comes to expectations for 2013. Of this group, 88% expect to increase store counts and 69% expect to increase IT hiring. Specialty softgoods retailers are not too far behind with 67% expecting to increase store counts as well as IT hiring. Among specialty hardgoods retailers, 61% say they will increase store counts and 54% say they will increase IT hiring. Those retailers with annual revenue greater than $25

STORE COUNT GROWTH FOR 2013



IT HIRING FOR 2013

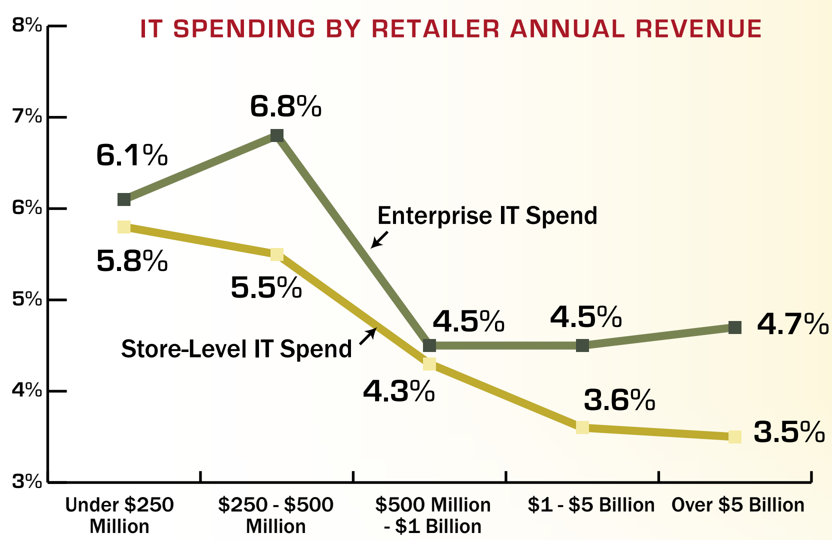


billion are the laggards, with only 40% expecting store counts to grow and 20% anticipating IT hiring to increase. However, when all retailers with revenue greater than $1 billion are analyzed, we find that 68% anticipate increasing store counts.

Last year we saw that IT spending was expected to rise modestly – 2.6% for enterprise IT and 3.1% for store IT. This year those numbers jump to 4.8% for enterprise IT and 4.0% for store IT. This would seem to suggest that growth is accelerating. We might not be on a highway of growth, but we have left the school zone.

Enterprise IT spending for the largest retailers showed a 0.6% decline last year, while this year it is up 4.7%. This is significant since these retailers represent the bulk of overall IT spending in the retail sector. We believe that spending on Big Data and healthcare-related IT overhead is responsible for this anticipated increase. The smallest retailers show the heaviest planned increase in IT spending growth, probably due in part to the adoption of mobile technologies.

Those with plans for increasing their store counts in 2013 are also more inclined to increase their IT spending. As a result, we see enterprise IT spend going up 5.8% and store IT spend going up 5.4%. It is important to note that retailers do not necessarily look at capital spending for store expansion and capital spending for technology as an either/or proposition. They can do both in measured amounts, and the data indicates that is what they plan to do at greater levels than in 2012.



The flip side is also valid, and retailers who anticipate a net decrease in store counts are also expecting to see a decrease in enterprise IT spending (1.6%) and a decrease in store IT spending (4.3%).

BUDGET BREAKOUTS

Looking a bit closer at the data, 74% plan to increase their enterprise IT spending in 2013 (compared to 54% from last year's study). Of those, the average increase was 7.0%. For those planning a decrease in enterprise IT spending for 2013, the average decrease was 4.9%. Those planning to maintain current levels of enterprise IT spending totaled 19%.

When it comes to store IT spending, 76% planned an increase for 2013, which is up from 52% last year. The average increase for these retailers is 6.0%, which is down considerably from last year's 7.6%.

Fifteen percent (15%) of all retailers are anticipating flat store IT spending for 2013. Of those, 69% claim their current POS terminals are up-to-date, which means they have no serious upgrade plans for the next year. These datapoints, coupled with others from previous years, confirm the cyclical trend governing POS hardware replacement, and the impact of mobile.

When looking at the segment level, we find that general merchandise (GMS) retailers (department stores, specialty retailers) are only slightly more aggressive in their enterprise IT spending plans than are food/drug/C-store retailers (FDC) by a margin of 4.8% to 4.6%. For store IT spending, the situation is reversed, with GMS retailers trailing their FDC cousins 3.8% to 4.2%. The takeaway here is that FDC retailers who sell sustenance are currently characterized by their fairly aggressive stance concerning store IT investment. •

Retailers who plan to increase enterprise IT spending in 2013. Of those, the average increase will be a robust 7.0%

74%

Shifting Store Priorities

Mobility dominates store investment plans and its impact on related technologies is pervasive

Two years ago, we noted that retailers had been fairly consistent when it came to their top store systems priorities. Five priorities had dominated for many years — better tools for associates, PCI compliance, advanced CRM/loyalty, inventory visibility and speed through checkout. That started to change in 2011 with a shift toward mobility and it continues this year where we see that more than 82% of respondents cited mobility (for either associates or customer engagement) as a top priority. This is the single highest percentage on the priority list in the past seven years.

Clearly, mobility is a big point of focus for such retailers as The Home Depot, Lowe's, Nordstrom and others, which have rolled out hundreds of thousands of devices to their stores. The motivation, in part, is to put store associates on a somewhat equal footing with smartphone-wielding customers.

Breaking the numbers down we see that mobile for associates was claimed as a priority by 61%, down slightly from last year's 63%, and mobile for consumers was cited by 58% (up from 48%).

Close behind mobility was advanced CRM/loyalty programs, which is the only priority that retailers have placed in the top five each of the last seven years. This year it moved from fifth to third, bumping cross-channel Integration down one notch.

For its part, cross-channel integration has seen a pretty impressive move up the rankings since 2007 when it was 14th on the list. This is motivated by the consumer's desire to access multiple sales channels for purchasing, receiving and returning items. Retailers that get this right the quickest will reap great rewards. General merchandise (GMS) retailers, especially department stores (80%), cite this as a major priority. So do specialty softgoods retailers (71%).

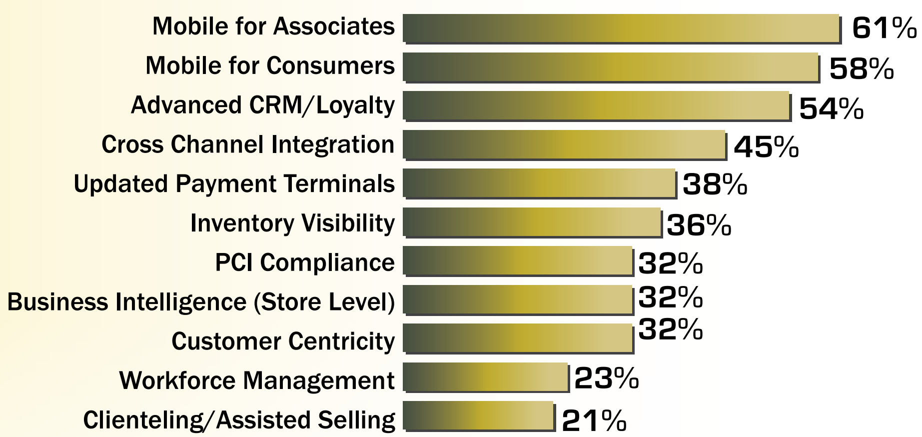
The next tier of priorities includes updated payment terminals, which continues to be a major concern, especially in light of pressure by major credit card issuers to step up EMV adoption in the U.S. Inventory visibility takes on added significance as retailers incorporate this functionality into mobile devices, both for use by associates and for customer access.

PCI compliance continues its descent down the list of priorities. When it first became an issue, retailers ranked it as the number one store systems priority in 2008 and 2009 as they struggled to come to grips with cyber criminals and the steps needed to counter them. This year it has dropped to seventh place on the priority list.

POS PRIORITIES

Over the past couple of years, we have seen a steady de-emphasis on traditional POS systems, which historically have not only been the most noticeable technology in stores but also the largest piece of the store IT budget. This year only 16% of retailers are planning to replace their POS hardware in the next 12 months. Combine this number with the fact that only 40% to 50% of those who

TOP STORE SYSTEM PRIORITIES



plan to make a replacement actually do so, and the conclusion is that 2013 will be the leanest year in recent memory for POS hardware purchases. That said, survey results suggest that the two retail groups that will do the most upgrades are specialty softgoods and food/grocery (both at 25%).

Retailers were slightly more enthusiastic about planning a POS Software purchase in the next year — 22% (up from last year's 18%). The key verticals for software upgrades are the same as those identified with POS hardware activity.

It is clear that mobile technology has already begun to affect POS purchases in 2012 and beyond. POS vendors without a mobile strategy today are late to the party and not as attractive to retailers, especially to those in the department store and specialty store categories.

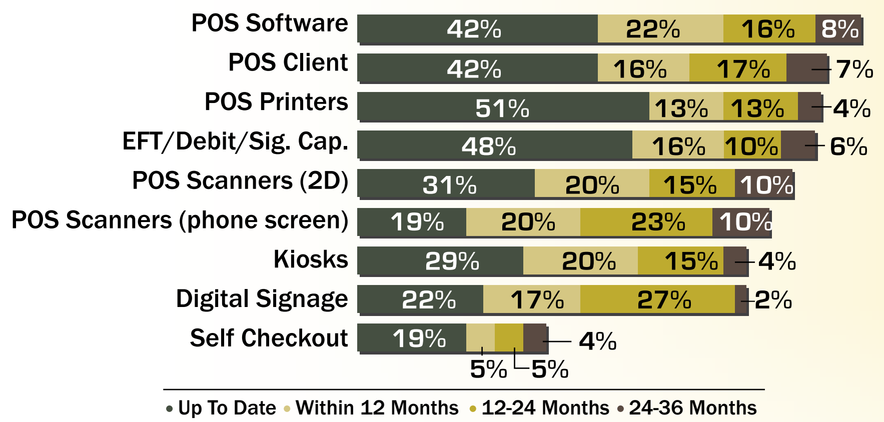
Kiosks and POS scanners (both 2D and those that can scan a coupon off a mobile phone) at 20% are the next most desirable technology items for retailers to purchase in the next 12 months.

POS printers, like POS hardware, also showed a dip in anticipated purchases in the next 12 months. Interest declined from 18% last year to 13% this year. Only specialty softgoods retailers show an increased level of investment with 22% planning a new decision in the next 12 months.

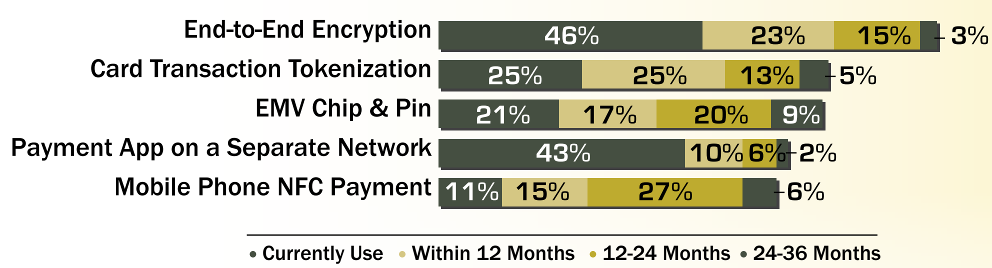
This is the fifth year where we identify the top POS software vendors in retail. Each respondent was provided with a list of 22 leading POS vendors to select from.

Last year's leading vote getter, Epicor, topped the list this year as well but with a twist – MICROS-Retail and Retalix tied Epicor at 23%. Epicor garnered 35% of specialty softgoods and 28% of specialty hardgoods retailers. MICROS-retail also had 35% specialty softgoods and 20% of specialty hardgoods retailers. Retalix had a much different mix with 100% of convenience stores and 25% of department stores. •

NEXT STORE SYSTEM PURCHASE



PAYMENT SECURITY PLANS



TOP POS SOFTWARE VENDORS BEING CONSIDERED

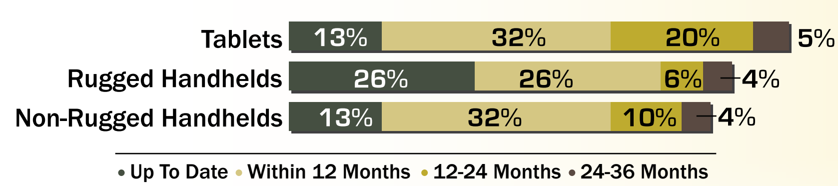
Food/Drug/C-Stores	%	GENERAL MERCHANDISERS	%
Retalix	44%	Epicor	30%
NCR	28%	MICROS-Retail	24%
Fujitsu	17%	Oracle	24%
MICROS-Retail	17%	Microsoft	16%
Microsoft	17%	Fujitsu	14%
Oracle	17%	NCR	14%
		Retalix	14%

The Mobile-Driven Store

Mobility in stores has become a way of retail life with astonishing speed

SPENDING PLANS FOR MOBILITY IN STORES			
Retail Segment	% Who Expect Store Mobile Spend to Increase from 2012	Expected Store Mobile Spend Increase	Expected Store IT Spend Increase
Overall	77%	5.6%	4.8%
Specialty Softgoods	88%	7.2%	5.7%
Food/Drug/C-Stores	86%	5.1%	4.2%
Specialty Hardgoods	71%	5.5%	3.2%
Department Stores	40%	2.9%	–1.4%

STORE ASSOCIATE MOBILE DEVICE ADOPTION



The mobility revolution in retail has been nothing short of astonishing over the past four years. We originally introduced mobility as a secondary topic in the study and then promoted it to a primary subject. Then it became a serious game changer and now, finally, it is a way of retail life. Mobile devices have turned the 340 year history of retail in North America on its head and caused retailers to completely rethink the manner in which store associates interact with customers.

Let's start our examination by looking at how specific retail segments plan to approach mobility in stores in the next 12 months. Approximately 80% of Specialty retailers plan to increase their mobile budgets in stores in 2013. This segment is proving to be the leading adopter of in-store mobility. Specialty Softgoods and Specialty Hardgoods retailers plan increases of 7.2% and 5.5%, respectively.

Department stores, on the other hand, plan an increase of about half this level of mobile spending. This is noteworthy because while they plan to decrease overall IT spending in stores in 2013 they plan to increase the in-store mobility budget.

Both tablets and non-rugged handhelds (NRHH, which includes iPhones, iPod Touches and other smartphones) show current penetration of 13%. Note that this does not entail an either/or decision and that 43% are either currently using or are considering using more than one mobile device type in their stores.

Department Stores have no apparent qualms about using mobile devices and show a current adoption rate of 60% for NRHH and 20% for tablets (and 40% planned adoption in the next 12 months). Surprisingly, Food/Grocery retailers are next in penetration with an unexpectedly healthy embrace of tablets (19% currently use and 38% will roll out in the next 12 months) and NRHH (13% currently use and 27% will roll out in 2013).

The Specialty Hardgoods segment shows 69% adoption of tablets and 60% adoption of NRHH over the next two years; Specialty Softgoods are 63% and 48% respectively. Key segments that will roll out tablets in the next 12 months are Department Stores, Food/Grocery and Specialty Softgoods. For NRHH the top segments are Specialty Hardgoods, Specialty Softgoods and Food/Grocery, in that order.

MOBILE PLATFORMS

We asked retailers about the mobile platforms they plan to use in stores and elsewhere in the retail enterprise. Currently, the iPad is the clear leader, with the iPhone tied for second place. Android is widely reported to be growing faster than iOS, and it shares second place at the store level. Android's lower non-store presence is due in part to the lingering installed base of the Blackberry operating system.

The various flavors of the Windows operating system make a good showing. We believe this has to do with the ability of the retailers to develop mobile applications on a Windows platform without having to subject them to Apple for approval. Windows 8 tablets were just being released as the study data was being analyzed and we expect Windows devices to grow dramatically in 2013 in retail. RIM's Blackberry operating system continues to slide down the scale in importance.

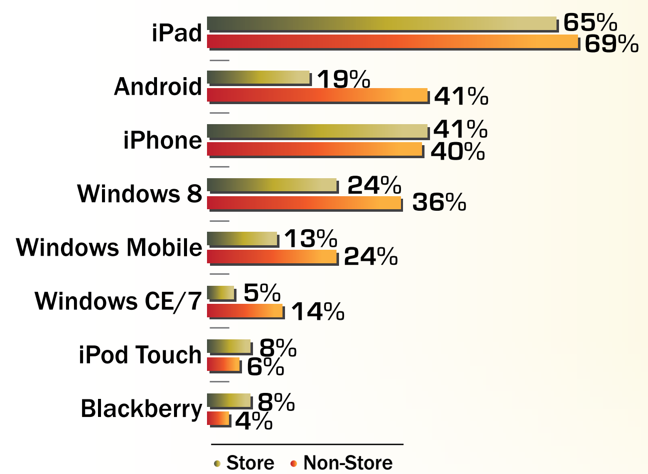
In the past year and a half, retailers have been busy making sure their store associates are not "outgunned" by consumers wielding smartphones. Inventory management functions, including inventory visibility, clearly help retailers accomplish this goal.

Mobile POS with tender was the leader last year in terms of adoption, but it has slid down the list a bit. We think this is actually a good thing for several reasons. First, we are still in the "hype phase" of mobile POS, and the technology is changing so fast it is tough to keep up. Second, previous research shows that only about one-third of retailers have an overall mobile POS plan in place. Finally, let's not forget about payment security.

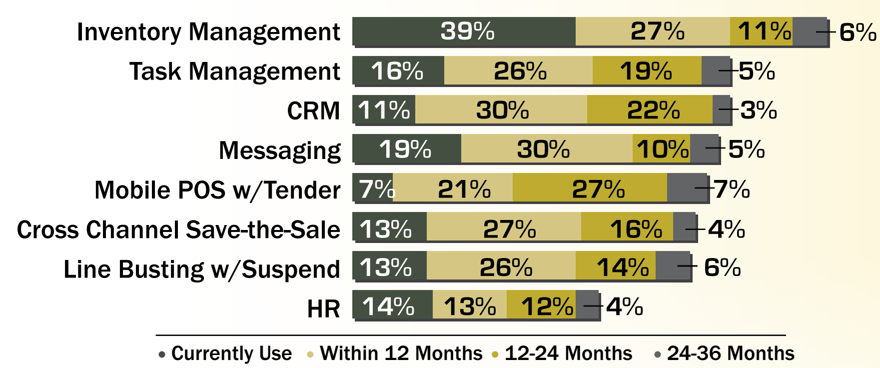
Line busting has been around for a while, and has sometimes been confused with mobile POS. We differentiate by describing true mobile POS as the ability to initiate and complete a POS transaction through tendering. Line busting is the ability to initiate and then suspend the transaction prior to tendering. Line busting currently has nearly twice the number of users that mobile POS has, but the adoption rate is slower going forward. This is due to the rapid advancement of mobile POS capabilities, which can easily incorporate a line busting function and eliminate the need for two separate apps.

Task management has come into finer focus as retail store managers attempt to do more with less while adhering to increasing promotional efforts pushed by headquarters. Six-

MOBILE PLATFORMS UNDER CONSIDERATION



STORE ASSOCIATE MOBILITY APPS



teen percent (16%) say they currently use this technology and almost twice that number show intent to purchase it in the next year. Specialty Hardgoods retailers show the keenest interest.

IMPACT OF MOBILE ON TRADITIONAL POS

We looked at the impact mobile was having on traditional POS for the first time last year, and the results were startling. Our question asked retailers who were planning to use mobile devices for POS over the next three years what percentage of decline they foresee in the number of traditional POS terminals they plan to purchase. Last year's response was 13.1%, which represents a watershed moment in retail IT. This year we see the decline is similar at 12.4%.

Putting retail functions on the consumer's own device, either inside or outside the store, has been a part of the landscape for several years now. Inventory on hand capabilities transfer a significant amount of workload from the store associate to the consumer. Local search and geolocation can be viewed as a collaborative effort among complementary retailers. Both apps have shown growth in terms of penetration from last year.

Competitive pricing is the one app that has the potential to cause a sea change because it affects the way in which retailers interact with customers. The day the stock camera app on a smartphone automatically recognizes a barcode and launches an application for price comparison will be a bad day for retailers not able to do price match guarantees, and retail will never be the same.

Last year we saw that 20% of retailers enabled scanning a coupon off the screen of a mobile device. This year, it has risen to 27% with a 50% adoption rate expected in the next 12 months.

Daily deals/flash sales show steady adoption with 18% saying they currently have this mobile technology with another 29% planning a rollout in the next 12 months. Support for regular barcode scanning revealed 18% of retailers currently have the capability and two-year plans are at 60%.

Delivering coupons via NFC continues to struggle with just 6% of retailers currently using it (but two out of three Drug Stores). That said, nearly 50% of retailers claim that they expect to adopt it within the next two years.

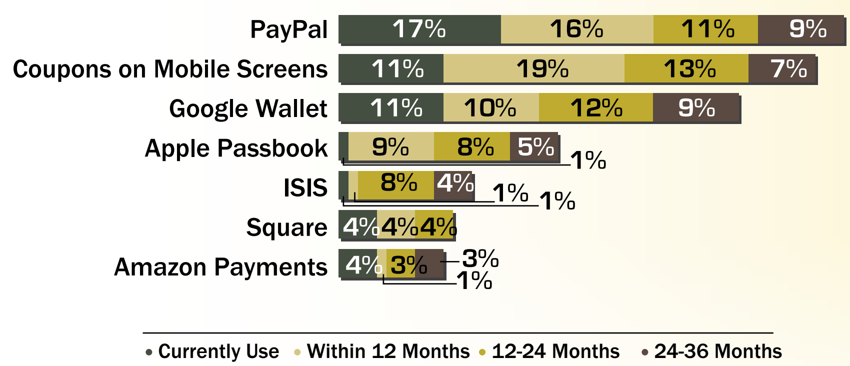
Last year, we saw only two payment solutions for which retailers were claiming adoption for mobile payments: Google Wallet, which showed 3% current penetration, and PayPal, which showed 12% penetration. Both had strong long-term growth plans among retailers. This year both have grown in penetration but only PayPal is progressing along a strong long-term adoption path. Google Wallet has fallen off due to deployment and security issues.

There are four others that are new and show promise. These are Amazon Payments, ISIS, Square and Apple Passbook. The most talked about is Square, which currently shows 4% penetration. •

EXPECTED REDUCTION IN POS TERMINAL PURCHASES DUE TO MOBILE

Segment	Expected POS Reduction
Overall	– 12.4%
Food, Drug, C-Stores	– 6.1%
General Merchandisers	– 14.3%

PAYMENT TECHNOLOGY PLANS



Cross-Channel Momentum

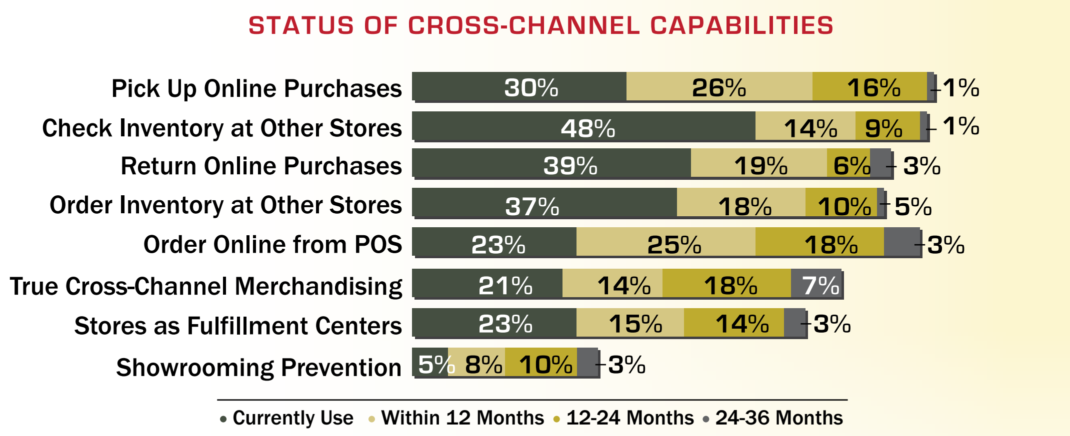
The key is empowering stores with online capabilities and a secret ingredient – RFID

The days of the famous Sears catalog marked a period in retail when customers expected to see different product lines in separate channels with different pricing strategies. Those days are gone, but retailers are still a long way from meeting the customer's expectations in a multi-channel world.

That said, the technologies addressed in the cross-channel section of the study enjoy a higher adoption rate than most of the other technologies covered. The ability to deal with online purchases at a local store (either pickup or return) is one good example of cross-channel retailing and a real win for the consumer.

As noted in past reports, the data again shows a higher penetration of technologies required for returning an item purchased online than for picking one up. This would seem backwards, since the returns process involves higher costs (for processing, shipping, etc.). That said, the need to deliver true customer service is a powerful motivator, and retailers are ensuring they have a satisfied customer when she walks into a store to return an online product. This helps to lay the groundwork for establishing a successful cross-channel relationship with shoppers.

That said, the numbers for returning online purchases at a local store have not budged much from last year with current penetration at 39% and another 19% who say they plan to adopt within 12 months. These are almost exactly the same figures as last year.



The ability to check inventory at another store continues to gain momentum with 48% of respondents already using the technology (up from 38% last year) and another 14% expected to do so within the year. The penetration across verticals is broad with the obvious exception of food/grocery and convenience retailers.

The ability to order inventory from another store is a logical extension to checking inventory at another store and adoption rates of both are increasing. Order online from the POS continues to gain momentum (23% currently use it, which is up from 15% last year), and adoption is expected to nearly triple in the next two years.

Retailers are making great efforts in getting their merchandise planning and allocation processes truly integrated across channels. We see this trend tracking nicely from last year's study. At that time, 17% said they already had this ability and just over 50% expected to have it within three years. Now, 21% say they have it and another 32% will adopt it in the next two years.

RFID ROUND TWO

In this year's survey we included a couple of questions that address the use of RFID throughout the supply chain. Readers will remember the huge buzz around RFID in the last decade, especially the hype about every SKU in the store tagged with an RFID chip that makes checkout as easy as carrying a bag of products through a scanning arch. Well, RFID has evolved and is no longer a technology of the future. It is already being deployed by some major national retailers.

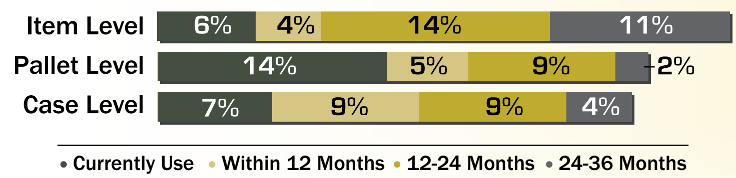
Historically, RFID has referred to pallet- and case-level systems in the supply chain, not to metnion those systems have been deployed at the boxcar-level for years. So it is not surprising that we see 14% of retailers are using it at pallet-level and another 7% using it at the case-level. Three year projections show an adoption pickup of approximately 20% for both.

Interestingly, 100% of those who currently use case-level RFID are also using pallet-level RFID. Further, 60% of those who are using item-level RFID are also using the other two (and 60% of these have annual revenue of less than $1 billion).

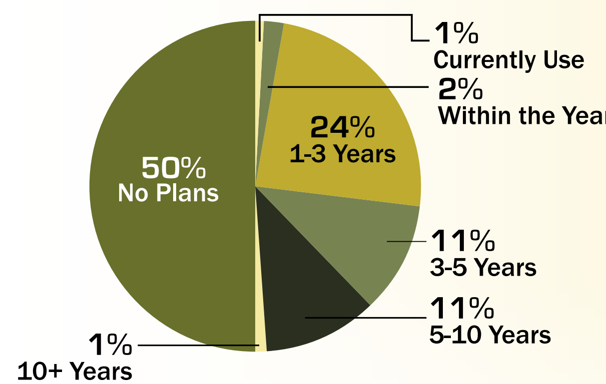
The research from early adopters shows that the real value of RFID at the item level is not loss prevention, although this is important, or learning that a stolen item went out a particular door or was never actually delivered to the store. Rather, the real value is improving inventory accuracy and the ability to meet customer needs while they are in the store.

This is confirmed by other IHL research that shows consumers in some segments are leaving stores 37% of the time without buying at least one item. This is because the real inventory count may be off by as much as 25%. Stores are in the dark about this so they are not re-ordering items that are actually out of stock. RFID promises to solve this problem because cycle counts and physical inventory audits can be done multiple times per week instead of twice a year. This level of accuracy means that cross-channel fulfillment and shipping from stores, for example,

STATUS OF RFID IMPLEMENTATION



TIMEFRAME FOR ITEM-LEVEL ADOPTION (MOST SKUS)



are now real possibilities. Shipping from stores simply does not work in an environment where physical inventory is not accurate to a high degree and updated on a frequent basis.

That said, only a handful of retailers, including the industry's poster child, Macy's, are far enough down the road with this kind of RFID deployment to begin seeing real benefits in the immediate future. However, reports indicate the increase in sales for product categories covered by RFID are often substantial. It's amazing what happens when you are actually in stock for what customers come in to buy.

Most retailers however have not deployed that kind of advanced technology. Only 1% currently use RFID at the item level, and only 16% of those have it deployed on most of their SKUs.

About a quarter say they will adopt it within three years, and another 22% say it will take them between three and 10 years. The rest have no plans for deploying it.

In future studies we expect to see dramatic increases in the number of retailers deploying RFID at the item level. It may not be a replacement for electronic article surveillance tags or even barcodes, but it will become a key technology for core SKUs to ensure inventory availability. Immediate gratification is a key advantage stores have over online channels and competitors, and item-level RFID will help retailers keep their advantage. •

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