

CASE STUDY

Russell Corporation

RFID Strategy and Implementation Achieves Wal-Mart Compliance with Multiple Cost Savings and Infrastructure for Future Initiatives

Challenge

With a sizeable portion of its total revenue being created through Wal-Mart sales, Russell Corporation was tasked with responding to Wal-Mart's top 100 suppliers' RFID tagging mandate.

Solution

Russell initiated their RFID action plan to:

- Perform a proof-of-concept to validate technology and chose the best vendors for each of the solution's components (tags, readers, and middleware)
- Integrate RFID solutions to mesh well with current supply chain systems and processes
- Create a long-term road map for the paced, flexible rollout of RFID across Russell brands and divisions

Benefits

The RFID strategy and implementation enabled Russell to meet today's requirements and to align their RFID adoption for future business growth. Furthermore, this approach has positioned them for future requirements from other retail channels. Instead of creating a stopgap solution through a slap-and-ship approach, Russell created an implementation strategy that was a part of the shipping process and not simply an extra step at the end of the distribution process. Russell's ability to predict tag consumption over the long-term and utilize a tag volume contract will result in better planning and cost savings.

"Clarkston implemented more than a point solution. They partnered with us to take our 'must do' project and turn it into a strategy and plan for the future."

Russ Brown,
Director of Information Services,
Russell Corporation

Introduction

Despite ongoing work around global standards, privacy protection, and cost, basic RFID technology has finally reached a level of sophistication and economy of scale that makes mass adoption possible within the next four to six years. Meta Group/Gartner predicts that by 2008, 30% of all manufactured goods will have RFID tags attached to them with a growing trend to over 80% by the end of 2013.¹

This trend will be fueled by the enormous potential of RFID uses in multiple facets of the value chain. Benefits as they apply to the supply chain include:

Manufacturing

- Reduced batch record review in item/batch/lot tracking
- Reduced order lead time for procurement
- Reduced order cycle time in production

Transportation

- Reduced loss of assets for asset management
- Decreased exceptions management during contract compliance
- Dynamic routing

Warehouse

- Decrease unloading times
- Increase accuracy of accepted shipments
- Increased accuracy of orders
- Increased order fill rate
- Exception Product Location
- Reduced shrinkage

Cross-Channel

- Reduced or eliminated out-of-stocks
- Decreased order lead time

One of the earliest adopters of RFID and the one of the first to issue a mandate requiring RFID tagging, Wal-Mart looks to gain in multiple areas through the ability to identify individual items without increased labor costs. In the second quarter of 2003, Wal-Mart announced that by January 1, 2005 it would be able to receive RFID tagged shipments. Wal-Mart developed a plan for its top 100 suppliers across product breakdowns to begin shipment of case and pallet level tagged items by January 1, 2005.

Then in October 2004, Wal-Mart listed all of the sites to be RFID enabled by January 1, 2006.

As the Wal-Mart deadline drew near, there were almost as many approaches on how to respond, as there were participants. Possible approaches to compliance ranged from a wait and see if Wal-Mart will execute the mandate, to slap-and-ship, to larger investments moving to item level tagging immediately.

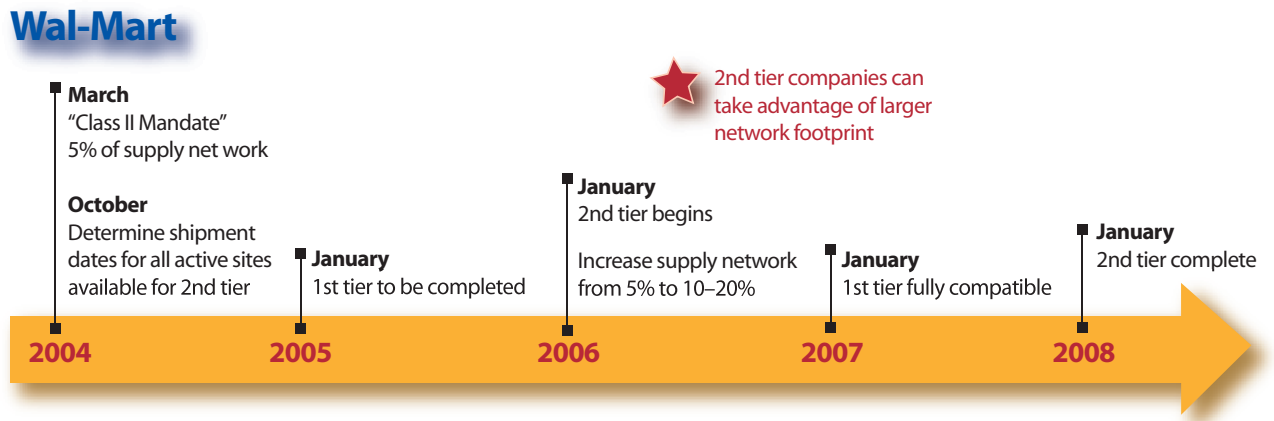
Business Challenge

As one of Wal-Mart's top 100 suppliers, Russell became subject to Wal-Mart's mandate to begin the tagging of products shipped to select Wal-Mart Texas facilities by January 1, 2005. Founded in 1902, Russell is a pioneer in the athletic team uniform business and one of the first companies to produce the most popular athletic product of all—the sweatshirt. With Wal-Mart business accounting for a sizeable portion of Russell's total revenues including well-known brands such as JERZEES, Mossy Oak, Spalding and Huffy Sports, a suitable approach had to be created in time for the first update meeting with Wal-Mart in March of 2004.

However, Russell wanted more than just a stopgap fix for an RFID solution that could have valuable benefits in the future. Russell laid the groundwork for internal efficiencies across their entire distribution network based on RFID adoption, such as:

- Simplified warehouse processes
- Better tracking of goods in the supply chain
- Lower inventories and reduced out-of-stocks

Since RFID solutions in the consumer products industry were emerging, Russell looked for outside expertise to meet its business needs. Russell engaged Clarkston Consulting to navigate the rapidly changing RFID business landscape, and provide industry expertise on integrating the technology into existing distribution processes and technologies. Clarkston's experience within the consumer products industry, supply chain strategies, business process design, and integration provided Russell the capabilities needed to approach the RFID solution from a strategic perspective.

Figure 1. Wal-Mart Mandate Time Line.

Business Solution

In an effort to avoid having to re-implement RFID technology later, Clarkston assisted Russell in a long-term, global planning approach. By considering more than compliance with Wal-Mart, a plan was created to pace implementation with Wal-Mart across brands and provide for flexibility in the event of future business or brand acquisition.

In the initial steps of the project, Clarkston worked with Russell to:

- Provide education and training on the various technology solutions and providers
- Coordinate vendor presentations and choose the most appropriate solution
- Test RFID friendliness of distribution centers to gauge readiness for implementation
- Identify and test the first products to be tagged

The first step of this long-term planning solution was to map all existing processes across multiple brands and locations in order to create an implementation solution that was applicable to all. By choosing the best components (tags, readers, and middleware) for their solution Clarkston worked with Russell to tailor the implementations at each site.

Working together, Clarkston and Russell rolled out the RFID implementation in phases. The rollout encom-

passed four brands and locations where the initial go-lives were staggered over the first six months of 2005. This flexible approach enabled Russell to incorporate Huffly Sports basketball products located in Wisconsin that had been purchased after the rollout had been initiated. In addition, Russell was also able to plan for the future equipment needs and negotiate long-term volume contracts for tags.

Business Benefits

Russell shipped its first RFID-tagged product to Wal-Mart in December of 2004, thus meeting Wal-Mart's January 2005 mandate. As a result of the long-term planning strategy, Russell was able to meet and exceed customer expectations through a paced rollout instead of one multiple location implementation. By rolling out the implementations at individual locations over the first six months of 2005, Russell lowered the cost of implementation through the end of 2005 by over 15%. Another cost saving is Russell's ability to predict tag consumption over the long-term. By utilizing a tag volume contract, Russell is able to see significant savings over simply purchasing tags at the time of consumption.

By implementing a solution that allows for rollouts to continue through minimal changes to the current system, Russell can respond to any requests around RFID. With the successful RFID strategy and implementation,

Russell puts itself in a position to be a credible and valuable partner to Wal-Mart and other retailers as all companies look for greater efficiencies in the supply chain.

Note

1. Cappelli, Will. February 12, 2004. "RFID: Obstacles and infrastructure." (Meta Group report)

Clarkston Consulting is a leading management and technology consulting firm that provides strategic business solutions for clients within the life sciences and consumer products industries worldwide. These market leaders turn to Clarkston to help them bridge the gap between strategy and execution to sustain a competitive advantage. Clarkston is a sought-after business partner because of its recognized industry thought-leadership and superior client relationships, as measured by The Conference Board's survey on client satisfaction. For more information, visit www.clarkstonconsulting.com.