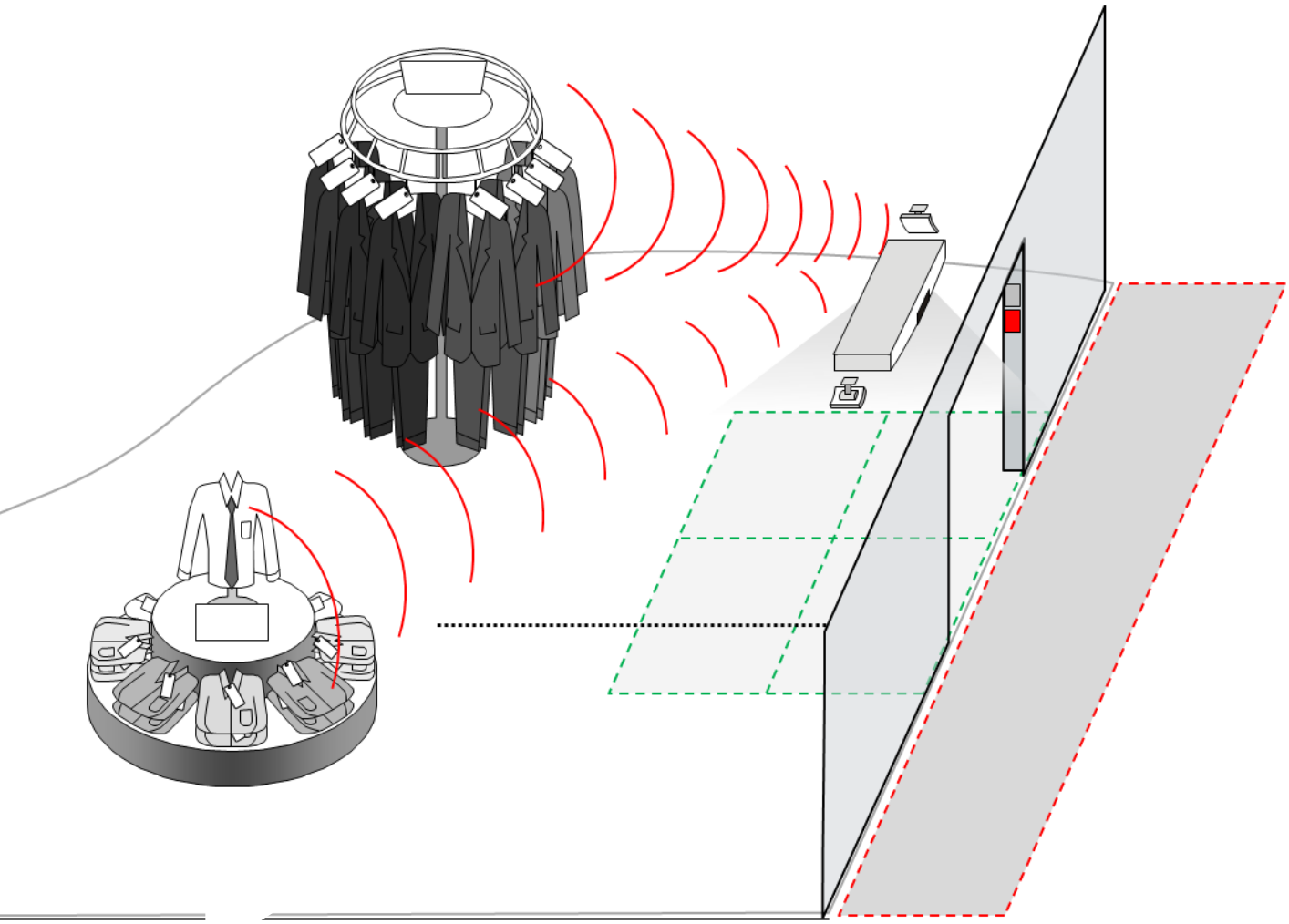
RFID FOR LOSS PREVENTION

PLANNING GUIDE



Checkpoint®

Helping Retailers Grow Profitably

WHAT'S DRIVING RFID ADOPTION IN RETAIL?

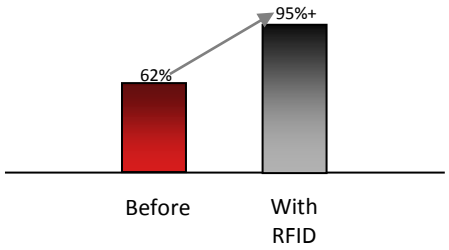
The traditional success factors of reducing cost, optimizing inventory, improving shelf availability and increasing sales and margins are more crucial to retailers today than ever before. Effective inventory management is critical to retailers' profitability.

Many retailers are adopting RFID technology to increase inventory accuracy, resulting in reduced out of stocks, reduced working capital and increased sales.

Retailers are experiencing significant benefits with RFID

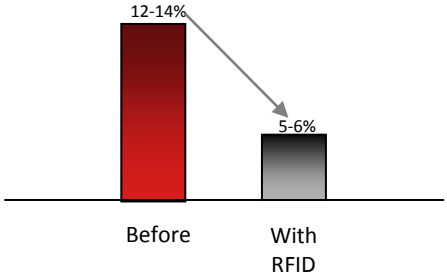
Increased Inventory Accuracy

Example shows industry average inventory accuracy



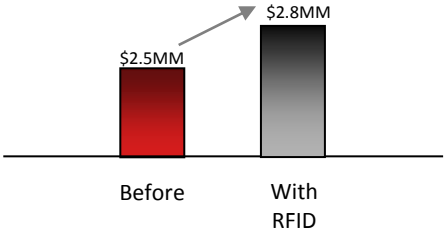
Reduced Out-of-Stocks

Example shows industry average OOS rate



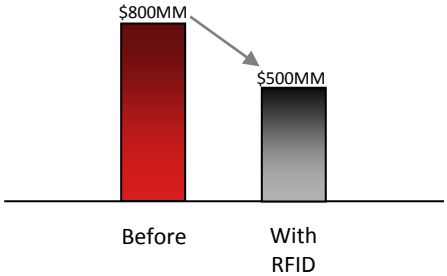
Increased Sales

Example shows typical integrated specialty apparel retailer



Reduced Working Capital

Example shows typical integrated specialty apparel retailer



Additionally, retailers are increasingly leveraging RFID for its loss prevention benefits. This planning guide explains why, and how retailers can get started with RFID for LP.

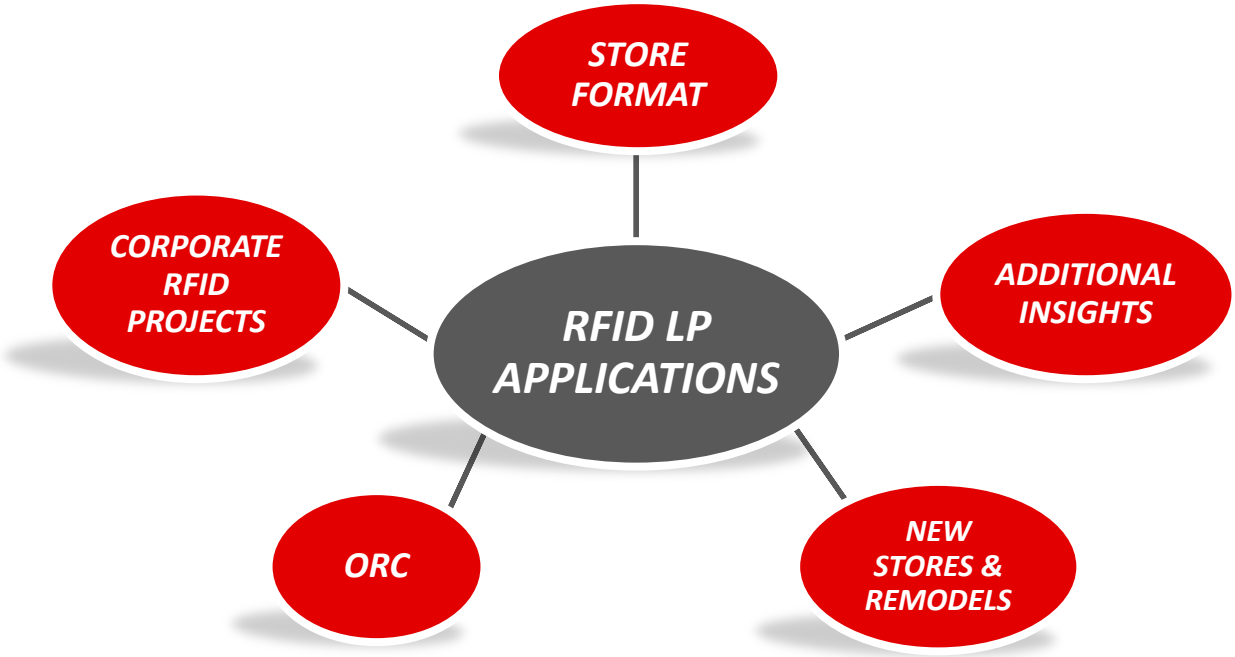
WHAT'S IN THE PLANNING GUIDE?

This guide is designed to provide LP professionals with the background information to incorporate their goals in the RFID planning process, including:

- *Business Drivers for RFID LP Deployments*
- *How RFID Works for LP*
- *RFID System Components*
- *LP Adoption Paths for RFID*
- *RFID for LP Planning Checklist*

WHAT'S DRIVING RFID ADOPTION IN LP?

Loss Prevention professionals are investigating RFID for numerous reasons, including design considerations, store expansion plans, understanding and addressing patterns of theft and increasing the value of corporate RFID initiatives.



1. *STORE FORMAT:* Mall stores often have open entrances, with merchandising close to the exit door. Some luxury stores want LP solutions that are seamlessly integrated into the store design, to enhance the shopping environment. RFID-based EAS provides more format and usage flexibility, while being more cost effective than floor-based systems.

2. *ADDITIONAL INSIGHTS:* Beyond informing retailers that a theft event may have occurred, RFID can provide important information about quantity, value and description of the inventory, enabling restocking to ensure shelf availability.

3. *NEW STORES & REMODELS:* RFID-based EAS can serve as a "futureproof" technology that can accommodate new formats and information sharing down the road.

4. *ORGANIZED RETAIL CRIME:* RFID is a new tool in the fight against ORC, providing differentiated alarms for high volumes of merchandise and high-value items leaving the exit door, as well as analysis to help prevent future incidents.

5. *CORPORATE RFID PROJECTS:* When a retailer uses RFID tags on merchandise for inventory management, the same tags can be used for Loss Prevention, at a significant cost savings and labor savings for the organization.

HOW DOES RFID WORK FOR LP?

Since RFID is a multi-modal technology that 1)can be placed not only at the exit door but throughout the store, and 2)integrates informatively and in real-time with store operations and inventory systems. It provides specific benefits for Loss Prevention, as shown in the table below.

SOURCES OF LOSS	RFID-BASED DETECTION & PREVENTION
SHOPLIFTING AND ORC	• Protection for multiple merchandising formats – Mall Stores, Luxury Stores, and more • Differentiated Alarms – by quantity, value of items stolen • Item-level detail on what was stolen, enabling re-stocking to improve shelf availability • Extending EAS to the dressing room and other pre-POS areas of the store • Automated, chain-wide alerts for ORC • Ability to analyze patterns of theft over time and respond
EMPLOYEE THEFT	• Extending EAS to the dressing room and other "pre-POS" areas of the store • Improved inventory visibility throughout the store • Ability to analyze patterns of theft over time and respond
ADMINISTRATIVE ERROR	• Automated cycle counting to identify anomalies and sources of shrink more quickly and easily • Electronic proof of delivery at DC and stores
VENDOR FRAUD	• Electronic proof of delivery at DC and stores

RFID SYSTEM COMPONENTS

Every RFID system has the same basic components, although the specific components differ based on the nature of each deployment. For instance, apparel retailers often use a combination of hard tags and soft tags based on the type of merchandise and loss prevention practices. Luxury retailers often select readers integrated into their store design, for a seamless customer experience.

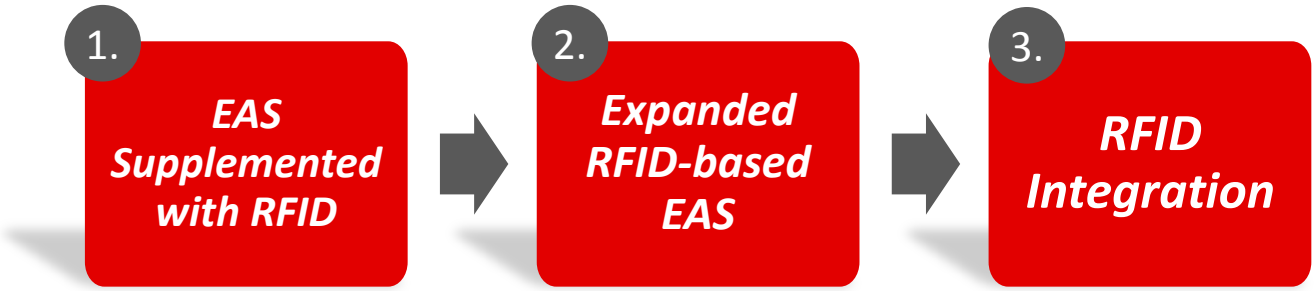
	OPTIONS	CONSIDERATIONS
TAGS	• Hard Tags • Hang Tags • Combo Tags	• Tagging process • Tag cost • Whether the tag needs to serve as a visual deterrent • Whether the tag needs to be removed at POS, or can be used to validate returns • Value of merchandise being tagged
READERS	• Portal • Overhead • Handheld	• Aesthetics and store design • Where the reader will be located (exit door, dressing room, back room, receiving dock) • Whether the reader will be used for both inventory management and loss prevention • Whether the reader needs to be integrated into the store design or merchandising plan
SOFTWARE	• Solution Software • Integration Software • LP Applications	• How different readers will be configured and managed (locally, remotely, centralized mgt) • How LP data will be used/analyzed (exit door alarms, differentiated alarms based on qty/value stolen, post-event analysis) • Which systems need to be informed: inventory mgt, POS, CCTV, other LP systems • How data will be centralized for chain-wide reporting
SERVICES	• Design • Implementation • Integration	• Services needed for testing and deployment (system design, hardware installation, use case configuration, training, integration, ongoing support) • Which system platforms need integration with LP data (IBM, Oracle, SAP, in-house, etc.)

LP ADOPTION PATHS FOR RFID

The rate of RFID adoption varies by each retailers' individual operations. As a starting point, many retailers choose to adopt RFID-based EAS in their new and remodeled stores, and leverage their existing source tagging programs. By using a single hybrid tag containing both RFID and EAS, retailers can streamline their tagging operations (and tagging costs) as they expand RFID across multiple stores, even as they continue to use traditional EAS in other stores.

As as a retailer becomes comfortable using RFID for loss prevention, they can move to Step 2: rolling out to additional stores, as well as extending the same protection to other areas of the store or DC. They can begin incorporating some of the additional benefits of RFID-based EAS, such as being able to utilize coveted floor space near the exit for merchandising or categorizing theft prone items for alarm differentiation.

As Step 3, a retailer can begin to integrate the solution into the store's inventory management system, so the perpetual inventory can be updated automatically if something is stolen. Loss Prevention and Store Operations can also start to analyze the data to uncover certain patterns of theft or inefficient employee processes. And as the store is now fully rolled out, they can transition the chain from an RFID/EAS Combo Tag back to an RFID-only tag for cost savings.



Starting Point

- Pilot programs
- Hybrid environments, multiple store formats

Enhanced LP

- Merchandising/ store format flexibility
- Extend EAS to other areas of the store
- Differentiated alarms for ORC
- "Future-proof" technology for new/renovated stores
- Single tag reduces labor, consumables cost

Proactive LP

- Integrate store operations & inventory systems for additional visibility and proactivity
- Enhanced metrics & data analysis to uncover patterns
- Source tagging to reduce labor costs, improve compliance

PLANNING YOUR RFID LP PROJECT

Loss Prevention professionals have multiple considerations for RFID deployments beyond inventory management and supply chain visibility.

RFID LP Planning Checklist

1. What types of store formats need protection?

- ❑ Standalone stores
- ❑ Mall stores with open entrances
- ❑ Luxury or boutique store format

2. What specific merchandise needs to be protected?

- ❑ All merchandise
- ❑ High value or high-theft items only
- ❑ Bulk shipments of merchandise

3. What areas need to be protected?

- ❑ In-store exit door, displays, dressing rooms
- ❑ Store back room, receiving area
- ❑ DC shipping and receiving
- ❑ Logistics operations

4. Does the data need to be shared with existing systems/hardware?

- ❑ POS Systems
- ❑ Inventory Systems
- ❑ LP Systems (describe) _____
- ❑ Other_____

5. What sorts of theft indicators need to be tested?

- ❑ False Alarms due to deactivated tags from other stores
- ❑ Quantity, value, category of items stolen
- ❑ Differentiated alarms and alerts
- ❑ Other_____

6. What is our practice of using RFID for inventory management?

- ❑ Already RFID-tagging merchandise
- ❑ Planning to RFID-enable in the future
- ❑ Starting RFID implementation with LP

7. What should our cost considerations be?

- ❑ Current LP tag/tagging
- ❑ Leveraging single tag for multiple benefits

ABOUT CHECKPOINT SYSTEMS

Checkpoint Systems is a global leader in shrink management, merchandise visibility and apparel labeling solutions. Checkpoint partners with retailers and their suppliers to reduce shrink, improve shelf availability and leverage real-time data to achieve operational excellence. Checkpoint solutions are built upon 40 years of RF technology expertise, diverse shrink management offerings, a broad portfolio of apparel labeling solutions, market-leading RFID applications, innovative high-theft solutions and its Web-based Check-Net data management platform.

Checkpoint's solutions enable retailers to enhance the shopping experience for consumers, and grow their business profitably.

Checkpoint®

Helping Retailers Grow Profitably

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