

Why RFID could save the retail industry billions from theft

by Rachel Powell | Sep 5, 2016 | News | 0 comments

Retailers globally rely on security systems to protect their goods from the manufacturers door all the way to the store where the product is eventually sold. However, there is a very significant issue within the industry as retail shrinkage is increasing worldwide and retailers are losing significant profits due to shoplifting, employee fraud and inventory errors.

In fact, combined losses due to shrinkage cost the retail industry more than \$123 billion according to the Global Retail Theft Barometer 2015. The study also found shoplifting to be biggest cause of retail shrinkage in 18 of the 24 countries that were surveyed; proving that theft is a sting currently felt globally by retailers.

Furthermore, in the UK retail crime has hit a record high at £613m. In 2015 alone, 750,144 incidents were reported by retailers to the police with a noticeable rise in sophisticated equipment being utilised to steal high-end, luxury products.

With shrinkage seemingly increasing and theft becoming more commonplace, despite increased security efforts, retailers are at a crossroads and must decide how to best address this industry affliction. Stephan Buehler looks at the positives of both EAS and RFID solutions, highlighting the more up to date features of woven RFID tags.

EAS: An outdated form of protection?

Electronic Article Surveillance (EAS) systems were first invented in 1966 and since then, according to the Association of Automated Identification Manufacturers (AAIM), have been installed in over 800,000 retailer outlets worldwide. Having been widely adopted by the retail industry, EAS has been the principal way in which the industry has combatted theft and fraud.

Using an electronic tag fixed to merchandise, the EAS sounds an alarm if it hasn't been deactivated by an employee at point of purchase and alerts the store of an intended theft. Whilst this method has been hugely embraced, technology has progressed to the point where some may be sceptical about the efficiency of using EAS.

Traditional EAS methods of theft prevention only alert the retailer to the fact that something is being stolen. However, it provides no information about what is missing in real-time and therefore increases the risk of a lost sale if merchandise isn't replenished on the sales floor. This can cause further issues with disgruntled customers, not finding products they want as they aren't registered as out of stock and ultimately losing a retailer even more money through lack of sales.

EAS tags do present a physical deterrent to potential thieves with a large grey tag on merchandise. This warns a thief that an alarm WILL sound if it is not deactivated at the till by an employee. However, some criticism has risen where EAS tags can seem a very one dimensional product that serves only one purpose – to sound an alarm when an item is taken out of the store. Although at that point it is often too late to prevent the loss of the product.

A need for seamless protection

Although RFID technology has been around since the 1940's, the retail sector has only recently started to see the benefits the technology presents to inventory accuracy, shrink reduction and security.

Unlike traditional EAS tags, RFID technology has evolved significantly in recent years and can provide a much sleeker and discreet proposition for retailers. With RFID tags now being integrated into the brand labels of clothing, there is no risk of tags falling off, damaging clothing or ruining the aesthetic appeal of a store. Woven RFID tags provide retailers with a full proof method of ensuring their items are protected not only against thieves but also against counterfeit products.

The technology is also well suited to track and protect retail merchandise around the stores themselves which could actively prevent a theft from occurring. For example, if a fashion retailer installs a RFID reader outside the changing rooms, this can tell staff how many items each customer has taken to try on. It can also identify how long those items have been in the changing rooms for and alert staff to any suspicious movement in order to flag a potential theft and prevent it from happening.

Whereas EAS tags don't identify and differentiate separate items of merchandise, RFID tags give each item a unique identification code. This means that if something is stolen, you can immediately identify what was taken and immediately replenish this item to prevent the loss of a sale.

With theft still presenting a significant challenge within the industry, retailers need to implement a solid security measure. Have traditional EAS tags outstayed their welcome within an industry that has evolved so rapidly and seen new challenges arise?

For example, the Global Retail Theft Barometer 2015 study looked into the cause of shrinkage and missing goods. It found that alarmingly employee theft was just as common as shoplifting with 28% of global loss due to dishonest staff. In the US this statistic was notably higher with 39% of all shrinkage down to employee theft.

Therefore, how effective are traditional EAS tags in combatting merchandise theft when a high percentage of thieves are staff and have access to the tools to remove them?

Although EAS systems, can act as a deterrent to thieves, and prevent many cases of theft. RFID tags present a modern, full proof system that can trace each item which begins at the manufacturing stage and protects your product all the way to leaving your store doors.

Stephan Buehler, CEO of TexTrace