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Tracking moving merchandise

Market expected to hit \$20 billion. Tags help retailers keep tabs on inventory

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A sneaker gets tagged with a radio chip and its movement is tracked from factory floor to warehouse to the cash register before leaving the shoe store. It can't be lost, misplaced, or stolen without alerting the seller.

Such technology could seem prohibitively costly, but a Montreal firm has pioneered a way to make it cheap and reusable.

To prove this, it got one of the world's top tech resellers behind it.

AbsoluteSKY Solutions Inc. got into the burgeoning business of radio-frequency ID (RFID) tags for specialty retailers.

A growing market that's expected to hit as much as \$20 billion in five years, RFID is used on everything from access badges to concert tickets to library books and medical bracelets.

The excitement is over a tiny chip that stores information read by a computer. Typically, they don't have a battery, but draw their power from a reader's radio waves. They respond with their own signal, which can be detected a few inches away.

AbsoluteSKY is modifying the technology, making tags that emit a radio signal every 1.5 seconds with a range of 100 metres. A retailer equipped with its system can know where every item in the store is in real time.

"It's a local positioning system for merchandise," said John Frabasile, AbsoluteSKY's president and CEO.

Its tags are battery powered and therefore more expensive than passive chips. However, its reusability makes up for the cost, Frabasile said.

"Retailers are willing to look at the cost per use," he said. "So, if a tag lasts five years and a retailer uses it twice a year, it's really 10 tags in one."

Testing on a 220-store retail chain, AbsoluteSKY found that a lease of \$450 per month per store for their tags resulted in \$420 in savings on inventory counting. "And that's excluding reduction of loss, physical tracking, and lost sales due to slow service," Frabasile said.

This excited Fujitsu Ltd., a multinational business IT reseller, and Universal Surveillance Systems, which sells anti-theft tags to stores.



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John Frabasile, CEO of AbsoluteSKY, says the firm's special tags enable retailers to speed service and reduce the loss of goods.

The partnership immediately made Best Buy, Canadian Tire, Staples and Liz Claiborne their customers.

"Fujitsu will probably bring a lot of market potential to their product line," said Dan Lawrence of IDTechEx, a Britain-based RFID consulting firm.

Retail giant Wal-Mart kick-started the RFID market, requiring that its suppliers tag crates and pallets with the chips.

And while they have been reporting encouraging savings and efficiency, a system that works for a general retailer doesn't transfer well to specialty stores like apparel and electronics.

Frabasile explained: "With grocers, you want to make sure nothing is out of stock, by having enough of everything in your inventory. But specialty retailers want to make sure the right inventory is in the right outlet."

Hence their need to tag each item, not only cartons.

"If a retailer tags at the factory, it eliminates the errors that come with human counting," Frabasile said.

So far, item-level tagging is done at high-end stores like Marks & Spencer in Britain. The men's fashion store uses it to quickly find the correct size of garments for a client waiting in the fitting rooms.

The company has been quietly developing the technology at its sleek St. Laurent suite since 2003, funded by Frabasile's past business riches and private investors.

It's leaving the labs this fall, when it does live pilot tests with a handful of retailers.

The 20-member team wanted to be sure the tags also worked as an anti-theft device, which the real-time tracking does naturally: If a tag is removed or concealed before a sale, the system detects it.

"Not only does it alert when it's being tampered, it also tells the computer: 'I'm a fur coat and I'm on Aisle 4'," COO Robert Egery said.

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