

**Switzerland's largest clothing retailer says that despite the economic recession, the best time for retailers and product suppliers to invest in RFID technology is now.**

By Claire Swedberg

Apr. 29, 2009—[Charles Vögele Group](#), the largest clothing retailer in Switzerland, finds that using RFID technology has helped it illuminate what it calls the "black holes" in its supply chain, while also reducing stock-outs and the amount of time spent counting inventory by 50 percent, according to Thomas Beckmann, the company's head of supply chain. At [RFID Journal LIVE! 2009](#), being held this week in Orlando, Fla., Beckmann described the retailer's progress with RFID to track its products from factory to store. Despite the economic recession, he indicated, the best time for an investment in RFID technology by retailers or other members of the supply chain could be now.

Beckmann, as well as other keynote speakers at the RFID Journal LIVE! conference, focused on how their companies have benefited from RFID during economic hard times. Total attendance at the event reached 2,400, consisting of users and potential users of radio frequency identification, as well as RFID technology vendors.

The system went live in 2008 following two years of development and piloting, Beckmann told a packed auditorium at the event. By using RFID, the company was able to achieve a 50 percent reduction in inventory-related labor, as well as gain visibility into weak points in the supply chain, from eight factories in Shanghai to four stores in Slovenia.

Charles Vögele sells fashion products at 851 stores throughout Europe, including Switzerland, as well as Poland, Germany and the Czech Republic, with 7,800 employees, and reported annual earnings of 1.5 billion Swiss francs (\$1.3 billion). Because it has a relatively complex supply chain—with products manufactured in Asia and passing through several distribution centers before arriving at one of those stores—the company sought greater visibility of its products.

Even before the RFID installation, Vögele had focused on visibility in the supply chain. The company employs a team of quality inspectors who examine products at the manufacturer and report the results to the retailer before the items are shipped, in addition to a supply chain team that oversees whether products meet their delivery dates. From the manufacturing site, Beckmann told those in attendance, products travel to one of 34 freight stations. There, deliveries are sorted and consolidated, then forwarded via ship or plane to the company's European hub in Germany, where inspectors conduct quality inspection once more, before the products are shipped to stores. While the largely paper-based system was extensive, providing the firm with much of the supply chain details, the company found gaps in the data flow—which it dubbed "black holes."

Those "black holes have been quite interesting to us," Beckmann said. The company wanted to learn where product was delayed or misrouted, or where other supply chain problems emerged. In addition, he noted, Vögele wanted to employ RFID technology to improve its customer service, so it chose to tag

at the item level. The goal was to have all products available on store racks for customers to purchase. By using RFID, the clothing retailer aimed to ensure there were no out-of-stocks at the stores, thus resulting in lost sales. To address all of these issues, especially during the economic recession, the firm has sought out innovative solutions. "If we don't look at innovation to improve what we do," Beckmann stated, "we will lose our competitiveness."

To implement its RFID solutions, Beckmann said, Vögele needed to conduct considerable training, simply to increase the RFID-related comfort level of its manufacturing workers in China, as well as its store employees in Slovenia. The firm found that workers at the Shanghai manufacturing site were leery of scanning RFID tags—in some cases, they did not speak English, and the company turned to interpreters at the [University of Shanghai](#) to train them. Vögele also translated its software into Chinese.

This kind of versatility was part of what made the implementation successful, Beckmann said. "We tried to predefine the process the way we wanted it, then amended it and sometimes had to find unusual solutions," he added, in reference to the training and language translations. All information related to RFID reads was then stored on Vögele's Web-based central enterprise resource planning (ERP) system.

As a result of the RFID system, the company was able to reduce labor involved in stock counting by 50 percent. According to Beckmann, [Checkpoint Systems](#) provided passive EPC Gen 2 RFID tags and interrogator antennas, and was a business partner on the project. And [KooBra Software](#) provided software enabling Vögele to collect and interpret data provided by the interrogators.

At the stores in Slovenia (the only stores, to date, with the system in place), Charles Vögele installed Checkpoint's RFID readers on shelves (to track which items are available in the store front), as well as in fitting room (to monitor how many items customers bring in with them, and how many are purchased). The KooBra software allowed Vögele to create what the company called a heat map (a map of the store front, with icons displaying where customers travel in the building), thus allowing the store to quantify the differences in shopping behavior between males and females. In this case, employees provided consumers with an active RFID tag, then watched their movements throughout the store. "In this way," Beckmann explained, "we were able to find out what part of the store is hotter. We know where people bought products, and where they didn't."

In regard to the supply chain, Beckmann said, the system removed the potential for human error by allowing the interrogators to transmit data to the back-end system automatically. For instance, he noted, instead of waiting to learn about an item's location from a warehouse manager, "a product is telling you it is somewhere in a warehouse, and that is a revolution in the supply chain."

Following Beckmann's presentation, Colin Masson, [Microsoft's](#) worldwide director of CRM, ERP and supply chain solution areas, reiterated the need for the kinds of improvements achieved by Charles Vögele Group's RFID-enabled supply chain—particularly in the current economy. "Supply chains are

even more critical in the economic turndown," Masson told attendees.

According to Masson, Microsoft continues to hear from customers that the two business areas in which companies are not cutting back are the supply chain and customer care. Specifically, he said, organizations indicate they are focusing on innovative customer care—paying attention to customer service, not just customer acquisition—and building a cost-effective yet optimal supply chain enabling organizations to provide better customer service.

"How are you going to do that?" Masson asked. "Instrument your supply chains with sensor technologies, such as RFID and other technologies," he explained.

Microsoft also took time—during its keynote presentation, as part of the conference's kick-off—to discuss its new BizTalk Server 2009. The firm invited three of its customers, [American Apparel](#), [Continental Automotive Systems US](#) and [Vail Resorts](#), to inform attendees about their own RFID initiatives (see [Microsoft Announces Availability of BizTalk Server 2009](#)).

Thomas Beckmann, Charles Vögele's head of supply chain management, will appear in a live webinar on May 19 to discuss this award-winning deployment. To register, please visit [www2.gotomeeting.com/register](http://www2.gotomeeting.com/register)

*Beth Bacheldor contributed additional reporting to this story.*