



Retail Case Study

Australian Fashion Leader

**Innovative source tagging recirculation
demonstrates ROI within 12 months**

“We already had great success around the world in source tagging from results our customers achieved. The possibilities for the Australian market are exciting.”

Lorraine Chisholm - Source Tagging Manager, Tyco Retail Solutions



// Summary

- Industry:** Apparel
- Solutions:** Sensormatic Source Tagging Recirculation
- Benefits:** Labor Savings, Reduced Shrink, Increased Sales, Tagging Consistency, Cost Savings

An Australian fashion industry leader, with a portfolio of iconic brands, partnered with Tyco Retail Solutions to deliver Australia's first source tagging recirculation program featuring Sensormatic Acousto-Magnetic (AM) technology.

The renowned retailer has long recognized the effectiveness of AM EAS (Electronic Article Surveillance) technology in helping minimize shrink and maximize profitability. Utilizing discreet anti-theft tags and labels which can be attached directly to garments, clothing labels or hang tags, EAS systems have been the loss prevention solution of choice in the industry for more than 20 years. However, as a sluggish Australian economy continued to impact the retail sector, the need to identify more efficient and cost-effective ways of protecting merchandise from theft became even more important.

For most companies, completely overhauling old processes and developing a new way of doing things – an approach that no other Australian company had tried before – would be quite a challenge. From the outset it was clear that a key to the program's success would be buy-in from a number of different departments – buying, operations, manufacturing, loss prevention and management.

Challenge

The process began by evaluating how tags were applied to garments. With the traditional approach, new stock arrived in stores and associates would be required to apply EAS tags before moving merchandise to the sales floor for customer purchase.

Initially, the issue identified with this approach meant store associates spent time applying tags in the back room instead of on the selling floor serving customers. Stock would normally arrive early in the week, during traditionally quieter sales periods, but the retailer would still need the same number of employees as they would on a busier day to ensure sales could continue during tag application.

In a competitive retail environment, where indecisive customers are attracted to new merchandise and out-of-stocks translate to critical missed sales opportunities, another issue was identified. The EAS tagging process impacted merchandise speed to floor – and the total time it takes for items to arrive in store – then reach store windows, fixtures and shelves.

Consistency was another issue for a number of reasons. For anti-theft tags and labels to be most effective in combating theft there must be consistent tagging compliance to ensure optimal protection of goods. Aesthetics should be taken into consideration in equal parts to the tag's potential impact on the garment. And to assist speed through check-out and easy tag removal or label deactivation, having tags applied consistently on the garment saves time and minimizes customer frustration.

Finally, due to increased commercial leasing fees, some store footprints were getting smaller, forcing retailers to do more with less space. With limited room to store stock, tagging on site was often no longer viable.

Solution

Source tagging is a system whereby EAS tags or labels are applied at the point of manufacture. Tags can be attached conventionally, labels can be sewn

into garments or in some products like hardware the tag can be embedded inside the item packaging. The advantage for fashion retailers is that stock arrives in store with a security tag attached in a predetermined, consistent and aesthetically pleasing location, ready for immediate sale.

Recognizing the savings that could be achieved, efficiencies to be gained and potential reductions in waste, the manufacturer was also eager to explore the viability of a tag recirculation program, whereby tags are returned to the tag supplier after use to be cleaned, reactivated and placed back into stock - ready to be re-ordered for application to new garments back at the manufacturing source.

Tyco Retail Solutions offers a complete source tagging recirculation solution. It is the only company in the world with three automated tag recirculating processing centers and eight tag distribution centers geographically positioned close to garment manufacturing bases globally to help save retailers the cost of freight and other fees normally associated with purchasing source tags. With significant infrastructure in place, Tyco has the unparalleled ability to provide hard tags in large volume capacities quickly and easily.

Tyco's management worked with the manufacturer to begin assessing the viability of implementing a source tagging recirculation program.

As part of the assessment there were a number of key considerations and stakeholders to consult. While it was determined that a source tagging recirculation program would involve some risk, start-up cost and an initial learning curve for manufacturers and stores, it was outweighed by the benefits of a fully operational program. Particularly appealing was that the stores could get tagged merchandise to the sales floor much faster and staff productivity could be improved.

Project Scope

Retailers

Although some retail stores were initially hesitant the promised benefits of the

source tagging recirculation program were also attractive.

While the manufacturer's own retail stores were unaccustomed to recycling EAS hard tags, they were confident in the program's success since they had control over staff training and procedures.

Department stores however, with floor staff working across multiple brands, presented more difficulty. To make the process as easy as possible, a system was developed whereby tags are collected from the checkout area, deposited into clear plastic bags, and staff returns the tags directly to Tyco for processing. Then, Tyco uses automated technology to sort, count, clean, reactivate and repackage the tags before sending them back to garment manufacturers for tagging new merchandise.

Manufacturers

Apparel is often sourced from many different manufacturers. Implementing a source tagging program is where some complexity often lies.

Tyco Retail Solutions worked with these manufacturers to integrate tagging into the manufacturing process of each individual garment. This involved developing consistent tagging guidelines and including them in each manufacturer's operating manuals. Also some training was required to ensure manufacturers understood tagging application, taking into consideration the unique characteristics of certain fabrics and materials.

Another consideration at the point of manufacture was ensuring tag supply met garment manufacturing levels. To avoid costly delays in shipping due to lack of tags and ensure no garments were shipped without tags, a corresponding number of tags had to be dispatched to factories ahead of garment manufacture. By reviewing supply chain mechanisms with the manufacturers, a new automatic ordering system was developed linking garment production and tag purchasing.

Results

Tyco Retail Solutions worked closely with the Australian fashion retailer in implementing the source tagging recirculation program. While source tagging is efficient, it is a process that requires careful planning to be effective, especially with overseas manufacturing bases.

Key Benefits of Source Tagging Recirculation

- // **Labor savings:** fewer payroll hours at the store to apply tags; a higher percentage of staff time spent on sales and customer service
- // **Reduced shrink:** more tags on more items throughout the store with 100% compliance and 100% consistency; no merchandise left untagged in back rooms
- // **Increased sales:** better speed to floor; fewer stock outs on popular items; staff more focused on customer service
- // **Consistency:** application in manufacturing environment means fewer damages and a better appearance; more reliable detection rates
- // **Cost savings:** overall tagging cost is reduced by recirculating the tag back in to production compared to utilizing the tag just once



"The Sensormatic source tagging recirculation program implemented has had a positive and tangible effect on our fashion customer's retail operations. Clothing arrives tagged and ready to go straight to the floor, reducing the opportunity for employee theft and fraud and saving staff valuable time. Furthermore, store managers can rest assured that the tag has been applied in a way and location that is consistent with store policy and will protect the garment from customer theft."

~ Lorraine Chisholm, National Source Tagging Manager, Tyco Retail Solutions



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Leverage our strength and experience

Tyco Retail Solutions is a leading global provider of integrated retail performance and security solutions, deployed today at more than 80 percent of the world's top 200 retailers. Customers range from single-store boutiques to global retail enterprises. Operating in more than 70 countries worldwide, Tyco Retail Solutions provides retailers with real-time visibility to their inventory and assets to improve operations, optimize profitability and create memorable shopper experiences.

The Tyco Retail Solutions portfolio for retailers is sold direct through Tyco businesses and authorized business partners around the world.

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