

# Source Tagging Recirculation

**Combats shrink;  
achieves item-level  
visibility**



# Source tagging recirculation is an important bridge to RFID for end-to-end visibility.

## Executive Summary

In today's challenging retail world, businesses have little time to spare. Every day, retailers are under extreme pressure to reduce shrink, improve store operations, increase profits and enhance the customer experience, all at the same time. When every minute counts, time-saving solutions like source tagging, can help.

The time retailers spend applying hard tags in-store can slow speed-to-floor, cause inefficient store operations and prevent associates from serving shoppers. Plus, if shoppers can't find what they're looking for because merchandise is waiting to be tagged in the back room, they'll leave unhappy and empty-handed. With source tagging, products arrive pre-tagged and ready to sell. This efficiency leaves associates free to engage with customers, preserves category assortments and helps increase sales. By implementing source tagging along with other loss prevention methods, retailers are better equipped to solve both shrink and store performance challenges.

### Why Source Tagging?

Successful retailers know how to maximize operational efficiencies, cut costs, and grow year-over-year sales. Part of this success

lies with loss prevention (LP). LP personnel manage the difficult balancing act between protecting their high-risk merchandise with product tagging expenses and employee productivity.

In addition to LP, retailers must focus on store execution and all factors influencing the customer experience and in-store purchases. With on-line sales increasing and the adoption of omni-channel strategies, brick-and-mortar stores are experiencing the need to be more sensitive to customers' preferences. If today's demanding consumers don't get the attention, product assortment and smooth checkout process they desire, they can and will likely shop elsewhere. That's why it's

critical to have motivated, engaged store associates to spend time serving customers and executing tasks on the sales floor. And source tagging facilitates many of these operational synergies in the value chain at retail.

Source tagging has been popular with hard-goods retailers for over twenty years. In fact, today more than half of Sensormatic Electronic Article Surveillance (EAS) labels are applied by product manufacturers or packagers. Apparel retailers, on the other hand, were initially more hesitant to adopt this program. When presented with the option to tag at the store versus at the source, many apparel retailers felt they had to choose between product security



*A leading global specialty apparel retailer switched from in-store to source tagging, and moved 30% to 50% more merchandise to the sales floor per hour*



(hard tags as visual deterrents) and the increase in store efficiencies that comes with source tagging (embedded, small form factor labels). More often than not, apparel retailers chose product security. But thanks to the introduction of the Visible Source Tag (VST), apparel retailers can now have the best of both worlds.

***Today, retailers and manufacturers alike can experience benefits with the adoption of a visual source tagging program:***

<b>Source Tagging Benefits</b>	<b>Retailer</b>	<b>Manufacturer</b>
Increases sales with a consistent order flow		X
Reduces out-of-stocks	X	X
Provides competitive advantage	X	X
Ensures goods are immediately available for sale	X	X
Enhances brand experience	X	X
Reduces shrink (including shoplifting and employee theft)	X	
Improves merchandising flexibility and effectiveness	X	
Reduces EAS program cost of ownership	X	
Allows redirection of in-store labor	X	
Increases focus on customer service	X	
Ensures tagging compliance	X	
Improves supplier re-order accuracy	X	

## Taking Source Tagging Further with Recirculation

Source Tagging has a large role in revolutionizing retail logistics, store merchandising and loss prevention practices. But the benefits don't stop there. Tyco also offers an additional service called Visible Source Tag Recirculation.

### Here's how it works...

The Manufacturer orders Sensormatic-Certified hard tags through a secure online portal. (Figure 1) The tags are received directly from the same Tyco Distribution Centers that service their accounts — so no third-party contractors are involved. To ensure a seamless process, Tyco carries local hard tag inventory and provides global operation support in local languages and time zones.

After applying the hard tags, the manufacturer ships the merchandise to the retailer. Once the retailer receives the tagged merchandise, they can bring it directly to the sales floor. When a tagged

item is purchased, employees remove the hard tag at the point of sale. The tags are collected and shipped to the nearest Tyco Recirculation Center. And since the retailer is actually selling the tags back to Tyco, the retailer gets money back for their tags, helping reduce overall tagging costs.

The Tyco Recirculation Centers were created exclusively for Tyco's Source Tagging Recirculation program. Designed to assume the tag recirculation role formerly taken by stores, these centers use the following highly automated, multi-step manufacturing process for recertification:

- // **Receive, sort and count:** Received tags are separated from buttons, coins and other extraneous items
- // **Clean:** Tags are dry-brushed to eliminate dirt
- // **Functional test and certification:** Each tag is tested, Sensormatic Certified or discarded

Clean, certified Sensormatic tags are then sent back to the Tyco Distribution Centers and are ready for another round through the apparel supply chain. The Distribution Centers also provide training, program design and other services to manufacturers through their dedicated worldwide sales and services team.

### Why Choose Tyco

Tyco is a full-service source tag recirculation provider. To date, Tyco has protected over 50 billion products through our Source Tagging program and certified more than 4,000 SKUs for tagging each year.

Additional Tyco Source Tagging milestones include:

- // Industry's first source tagging of garments with EAS labels applied at the manufacturing source (15 years)
- // First source tagging with sewn-in EAS labels (10 years)
- // First source tagging using Visible Source Tags (VST), or hard tag recirculation

Figure 1 - Tyco Retail Solutions HardTag Recirculation Program





**Figure 2:** Tyco HardTag Distribution and Recirculation Centers—locations and coverage are optimized across time zones, business languages, shipping routes, and expansion opportunities.

- // 5 billion in apparel tags applied at the source
- // Nearly one billion dual tech AM/RFID tags in circulation
- // Estimated 100,000 UPCs certified for tagging

**So, what's the Tyco Source Tag Recirculation Program advantage? We are...**

- **Global:** Global distribution centers minimize duties, freight, taxes and merchandise delays (*Figure 2*)
- **Automated:** Three automated recirculation centers enable high throughput and speed to market
- **Quality-controlled:** ISO-certified manufacturing and recirculation centers provide strict quality control
- **Scalable:** Supported by an efficient logistics infrastructure and a global support team, Tyco has the flexibility to manage unforeseen demand
- **Tailored:** Driven by individual operational needs, capabilities and goals, Tyco consults with each retailer to build the most productive program. We also share equity in the program by bearing the hard tag inventory risk and offering retailers a buy-back incentive to reduce cost of ownership.

- **Innovative:** The dual Acousto-Magnetic/Radio-Frequency Identification (AM/RFID) tagging option leverages standard source tagging recirculation processes to provide item-level visibility. This visibility increases inventory accuracy, reduces out-of-stocks and helps increase top line revenues.

**Source Tagging and RFID**

By applying dual AM/RFID hard tags at the source, retailers are automatically extending their traditional LP benefits to enhanced inventory and shrink visibility. These additional benefits include the ability to:

**Shrink Visibility**

- // Track real-time shrink data at the SKU level
- // Increase intelligence on the sources of shrink
- // Differentiate between actual store shrink and other forms of inventory distortion
- // Develop real-time response and predictive analytics capabilities
- // Enable preventative measures

## **Inventory Visibility**

- // Improve inventory planning and allocation at the item level
- // Reduce out-of-stock conditions and needless markdowns
- // Increase sales, inventory turns and gross margin
- // Ensure successful omni-channel retailing
- // Increase customers satisfaction and brand loyalty

## **Conclusion**

With almost 50 years of Electronic Article Surveillance (EAS) excellence in retail, Tyco Retail Solutions is the global leader in source tagging. We value our ability to provide anti-theft protection and help improve store efficiencies through our Source Tagging program across a wide range of theft-prone product categories including: apparel, building supplies, computer products, grocery, health and beauty care, multimedia, and power tools. With hard tag recirculation, retailers get world-class security with visual deterrence, enhanced store productivity plus the ability to increase sales.

### ***Effective retailing doesn't end there.***

Successful retailers consistently show excellence across all areas of their companies and most often use technology to support that excellence. "High growth retailers recognize their employees need help. But they also recognize the challenge isn't just in giving their associates access to more product information; it's in getting more out of them all the way around." Paula Rosenblum Managing Partner RSR Research.

Tyco's solutions, including our Source Tagging Program, and our store performance platform promote successful retailing by integrating information across the store to:

- Minimize shrink
- Increase conversion rates
- Optimize inventory
- Improve workforce productivity

This enhanced store performance is what drives retail excellence and helps win new customers.

When applications — including real-time inventory management, store traffic and loss prevention, workforce and task management, and customer support tools — are connected via the Tyco store performance platform, retailers can drive better operational efficiencies, workforce satisfaction, and customer loyalty.

Learn more about [Tyco's Source Tagging Recirculation Program](#). For other retail solutions, visit [www.tycoretailsolutions.com](http://www.tycoretailsolutions.com).

**“The top business challenge for high growth retailers: the need for more consistent store execution/employee productivity.”**

*Paula Rosenblum  
Managing Partner RSR Research*







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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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[www.tycoretailsolutions.com](http://www.tycoretailsolutions.com)

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