

RFID JOURNAL

RFID Targets Gray Market in Europe

Italian clothing designer G&P Net uses RFID to track its garment inventory, helping it identify and eliminate the source of gray market sales.

By Claire Swedberg

July 8, 2009—European businesses, especially those in Southern and Eastern Europe, suffer from a legal but unauthorized practice known as the gray market, in which a retailer authorized to sell a product sell one that is unauthorized—sometimes in another country. The system not only hurts the image of a product intended for a limited group of retailers, but the cost to European businesses from unauthorized sales at unsanctioned prices can be millions of euros each year, both in reduced product value and in litigation, as manufacturers attempt to identify and stop unauthorized sellers.

One Italian garment manufacturer, G&P Net, is combating the problem, as well as improving its inventory and logistics management, using RFID technology. G&P Net manufactures high-end jackets under brand names such as **Geospirit** and **Peuterey**. The system, which G&P Net deployed at its four distribution centers (DCs) in Italy one year ago, enables the company to verify the authenticity of products and track the shipment route of a specific item based on an **Alien Technology** RFID tag attached to that garment.



G&P is tagging all of its jackets, including the Geospirit Argo

the garment manufacturer track the quantity, style and color of products being shipped, but did not track each individual item of clothing.

The system was provided to G&P Net by Italian RFID technology company **Aton**, which first installed the firm's warehouse management system (WMS) software in 2006. In 2007, Aton and G&P Net began discussing an RFID solution that would help the company track the origins of any of its garments it might find being sold by unauthorized retailers. Prior to using RFID, when the firm discovered an unauthorized seller of its jackets, it could be impossible to determine where that garment had come from. Once apparel was shipped from a DC to a retailer, there was no way to know those items' exact locations, or which retailers currently possessed them. As such, if a store sold them to another retailer, G&P Net had no way to trace that event. Without RFID, the Aton WMS software helped

With RFID, G&P Net has much greater visibility, says Otello Azzali, Aton's vice president. At garment factories throughout Europe and Asia, workers attach an ALN-9634 EPC Gen 2 UHF tag, measuring 2 inches by 2 inches in size, to each jacket. The unique ID number encoded to the tag is then linked to data regarding the specific garment, such as its size and style, as well as where and when it was manufactured. The garments are shipped to one of the DCs.

Upon arrival, they are carried through a portal at the warehouse doors, where Alien ALR 8800 interrogators capture each tag's unique ID number. That ID, along with the time and date of the read, are transmitted to the back-end Aton WMS software, where the information is then stored. When an order from a retailer is received and the garments are shipped out, they pass through another portal that reads the tags once more, connecting that read and the tag's ID number with the specific order in the back-end system, including the name of the retailer that will receive the garment.

In this way, G&P Net can maintain a record as to which retailer received each specific item. In the event that the company learns of an unauthorized seller, G&P Net can scan the RFID number on the garment's tag and immediately determine who previously had possession of that product.

According to Azzali, the system was first piloted at one distribution center to prove the technology worked properly. The company had a very short time frame for deploying the system, he says, because it wanted the deployment to be in place before it began shipping its fall fashions. The firm tested the technology for one month, at the end of 2007, using several RFID tags and readers available in Europe, determining which tags and tag placements made the reads most reliable.



G&P Net's CIO, Luca Isidori

Because Alien tags were not being sold in Europe at that time, Azzali says, Aton initially chose another tag manufacturer, until the Alien tags became available. "We had tried several tags with poor results," he says, "but the Alien 2-inch tags were not yet available, so the first 10,000 tags we used were provided by another manufacturer."

After the pilot, Aton spent approximately two months deploying the system in the four DCs, as well as providing tags to all manufacturing sites. The system utilizes Aton's onID middleware, which routes data from the readers to the back-end system. "They needed everything done very quickly," Azzali notes. "The company is growing at a rate of 30 to 35 percent each year, and the need for speed was incredible." To have garments available in the stores for the fall season, he explains, the products needed to begin shipping by mid 2008. The system was fully operational by March of last year.



Otello Azzali, Aton's vice president

The only challenges when deploying the system, Azzali says, involved limiting the interrogators' range to ensure they do not read the incorrect tags, and training the distribution center's staff. He adds that Aton helped "educate the users in a correct utilization of the new system—not to leave clothes in the vicinity of a reading gate, and so on. These are normal tunings of an RFID process; the application of them in the G&P instance didn't create any peculiar issues."

Now, the RFID system can not only assist with reducing gray market crime, but also help the company track its own shipping cycles and collect updated information regarding which products have been shipped, to whom and when.

The system has been working well since its installation, says G&P Net's CIO, Luca Isidori. "We are very satisfied," he states. "We observe a great time-saving in inventory management, as well as in logistics operations, and we have adequate control of our distribution channels."

The protection from gray-market sales and the improved inventory and logistics management have already paid for the technology, Isidori indicates. "The return on investment happened already," he says. "From now on, the system evolution will produce more and more profits."