WalMart and the use of RFID

An analysis of how the application of technology can contribute to an organisation's efficiency and/or effectiveness.

Introduction

In the modern world, technology permeates business in many different ways but regardless of the technology used or the business where the technology is being applied, the primary motive for the application of technology is to improve the efficiency of business and to make a company more effective than it is. Radio Frequency Identification (RFID) is one such technology since it is an automated system for identifying products, animals or individuals which relies on data stored in RFID tags (Fitchard, 2005). The business applications for RFID become obvious when we consider how it can be used in the retail industry to track products as they go from the producers to the consumers.

In the retail industry itself, there is no company larger than Wal-Mart which is an international company founded by Sam Walton in 1962. It is the largest retailer and the second largest company behind Exxon Mobil. In 2005, the company had a net income of $11.2 billion and sales of $316 billion (Fortune, 2006). Being the largest private employer in America and Mexico it is often in the crosshairs for its treatment of employees and other issues yet at the same time, it is admired by analysts for its business performance, tech savvy and efficient operations. Internationally, Wal-Mart operates as ASDA in the UK and as The Seiyu in Japan. Overall the international sales account for a fifth of the company's total business (Wikipedia, 2006).

Aims and Objectives

Very recently, Wal-Mart has started using RFID to improve its business efficiency and this has been given mixed reviews by industry analysts. While some suggest that Wal-Mart would certainly benefit from using RFID (Roberti, 2003), others think that this can not be as cost effective as Wal-Mart is hoping it would be (Buckler, 2005). Embedding the RFID tags into products is often expensive for the suppliers and they find it difficult to comply with the Wal-Mart mandate. At the same time, there are others who are worried about how RFID information would be used and there are significant privacy concerns which must be addressed by the company (Pethokoukis, 2005).
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