What’s Happening on a Global Basis
### Global RFID Adoption Pathways

<table>
<thead>
<tr>
<th>Cycle Count</th>
<th>Display Execution</th>
<th>High Value Solution</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INDITEX</strong></td>
<td><strong>Saks Fifth Avenue</strong></td>
<td><strong>macy's</strong></td>
</tr>
<tr>
<td><strong>Sears</strong></td>
<td><strong>Neiman Marcus</strong></td>
<td><strong>INDITEX</strong></td>
</tr>
<tr>
<td><strong>kmart</strong></td>
<td></td>
<td><strong>MONCLER</strong></td>
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<tr>
<td><strong>lululemon</strong></td>
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<td><strong>athletica</strong></td>
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<tr>
<td><strong>macy's</strong></td>
<td></td>
<td><strong>RENNER</strong></td>
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<td><strong>grupo éxito</strong></td>
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RFID Success Story: Macy’s

“There’s an omnichannel component to RFID. We’ve always said RFID would help us maintain more accurate inventory, and with more accurate inventory we would buy the right stuff, have it in the store and in turn take care of the customer more efficiently.”

RB Harrison, Chief Omni-channel Officer

<table>
<thead>
<tr>
<th>SALES TREND VARIANCE</th>
<th>ROLLOUT TO DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>RFID vs Comparable Depts.</td>
<td>+9.7%</td>
</tr>
<tr>
<td>• Center Core</td>
<td>+6.4%</td>
</tr>
<tr>
<td>• RTW</td>
<td>+16.9%</td>
</tr>
<tr>
<td>• Millenial</td>
<td>+10.9%</td>
</tr>
<tr>
<td>• Mens</td>
<td>+8.6%</td>
</tr>
<tr>
<td>• Soft Home</td>
<td>+0.0%</td>
</tr>
</tbody>
</table>

SALES RESULTS ROLLOUT TO DATE (Sep ’14-May ’15)
(Shown as difference in % change TY/LY in RFID DVNs vs comparable non-RFID DVNs)

SOURCE: GS1 2015
RFID facilitates inventory management; it facilitates replenishment of the clothes.

It also enhances customer service, because the stores are better stocked and when a customer asks us for a garment—you can identify what garment it is, whether it is available or not, whether it is in the storeroom of the store or not.

If it is in the storeroom, then it can be given to the customer immediately. If not, you can tell the customer whether the garment is available in a nearby store, or offer the possibility of buying the garment online, and they can choose if they want to have it delivered at home or the nearest store."

- Pablo Isla, Chairman and CEO, July 2014

INDITEX

ZARA
RFID Success Story: Lululemon Athletica

“Turning now to creating amazing experiences for our guests. We have fully deployed RFID to all North American stores.

This technology is a powerful new tool in creating seamless guest experiences across all channels and has greatly enhanced our ability to access inventory quickly across all channels and locations.

Our in-store ability to access to our incoming inventory through our bag backroom app accounted for 8% of e-commerce revenue for the quarter.”

Laurent Potdevin, CEO
December 2015 earnings call
The Key Driver for RFID: Inventory Accuracy
The Inventory Accuracy Problem

What items are in my store?
How many?
Where are they?
How confident are we?
The Inventory Accuracy Problem

How Real is the Problem?

According to the University of Arkansas, Retailers have reported inventory accuracy levels at only 60-85%.

Citi Research and RFID Sherpas have this range at 65-75%.
How does this Happen?

At the beginning of the year, a physical inventory is done, and inventory accuracy is near 100%.
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During the year, inventory distortion occurs from:
- Theft
- Shipping/receiving errors
- Cashier Error
- Improper Returns

Inventory Accuracy drops due to both Overstated and Understated PI.
The Impact is Real to Sales

IN THE RED WITH OUT OF STOCKS

04% LOSS IN SALES/YEAR DUE TO OUT OF STOCK ITEMS
08% GLOBAL OUT OF STOCK RATE

$120 BILLION A YEAR:
the cost of out of stocks to the global retail market
Source: Kurt Salmon and Associates
The Impact is Real to Shopper Satisfaction

The Impact is Real

In Summary…

Out of Stocks
Sales
Customer Satisfaction
Markdowns
What Can be Done?

Frequent Inventory (Cycle) Counts prevent drift from going too far and dramatically increases the average inventory accuracy.
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But traditionally it has been too expensive to undertake physical inventory on a frequent basis.
Inventory Accuracy

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But traditionally it has been too expensive to undertake physical inventory on a frequent basis.

RFID now enables frequent inventory counts in a cost-effective manner to achieve 95-99% Inventory Accuracy.

Average Accuracy

Tyco Confidential, All Content under NDA
Inventory Accuracy

Without RFID…

// Counting stock is so costly that softline retailers typically do it only twice a year
// Accuracy declines continually until the next count – usually drops to around 65%
// Inaccuracies lead to out-of-stocks which depresses sales, irritates customers and erodes loyalty
// Harvard Business School found that 8% of retail items are out of stock at any time. Kurt Salmon estimates that OOS is closer to 20% for high complexity items (e.g., denim and lingerie).

With RFID…

// Accuracy typically increases 20-40 points (95%+ is attainable by most)
// Gross margin increases due to reduced markdown
// Labor savings – RFID tags can be counted 25 times faster than barcodes with higher accuracy
// Labor savings can be re-directed to customer service with top line sales improvement estimated at between 5% and 12%
// Shrink reduction is conservatively estimated to be 25%
# Redefining “Loss” Prevention

<table>
<thead>
<tr>
<th>Business Metric</th>
<th>Leveraging RFID</th>
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<tbody>
<tr>
<td>Shrink</td>
<td>Gives LP the exact information on theft items and approaches are &quot;informed&quot;</td>
</tr>
<tr>
<td>Insights</td>
<td>Track product throughout store footprint and recognise unauthorised inventory movements.</td>
</tr>
<tr>
<td>Convenience</td>
<td>Makes automated checkout reliable and secure</td>
</tr>
<tr>
<td>Time &amp; Accuracy</td>
<td>Bar code inventory solutions can track 250-500 items/hr. at an accuracy rate of 80-85%. With RFID, a retailer can inventory 20,000 items/hr. at 99%+ accuracy.*</td>
</tr>
<tr>
<td>Added-value</td>
<td>Gives store employees more time to interact with customers (e.g., bringing additional clothing options to the fitting room)</td>
</tr>
<tr>
<td>Engagement</td>
<td>Enhances the shopping experience in brick and mortar stores via complimentary connected devices such as mobile devices, Smart Mirrors and social media.</td>
</tr>
</tbody>
</table>

Every lost engagement is a gift to the retailer’s competitor.

Source: IDC Retail Insights, 2014
Inventory Visibility Outcomes

- Real-Time Item-Level Tracking of Product in Fitting Rooms
- Periodic Mobile Inventory Tracking
- Automated Receiving & Returns
- Real-Time Item Movement between Sales Floor & Stockroom
- Perpetual or Periodic Stock Room Inventory Tracking
- Perpetual or Periodic Sales Floor Inventory Tracking
- Real-Time Item-Level Tracking of Products Leaving the Store (sold & shrink)
- Real-Time Item-Level Tracking of Products Sold & Returned
- Real-Time Item-Level Visibility for Store Personnel
- Tie into Enterprise for Cross-Store Visibility
Questions?
THANK YOU!