

Fred Meyer

Source Tagging Handbook



A guide for vendors and manufacturers

Fred Meyer

PO Box 42121 – Portland, Oregon 97242-0121

Dear Valued Supplier:

The Kroger Co. has committed to a chain-wide implementation of Sensormatic's Electronic Article Surveillance System (EAS) in our stores. These systems will be installed in nearly all of our existing locations, and it is our plan to install them in all of our new locations where it is appropriate.

Our objective now is to have manufacturers such as yours participate in Sensormatic's Source Tagging Program. Source tagging requires the EAS label to be applied onto or into the packaging of the product. This typically occurs at the point of manufacturing, packaging or distribution.

Both retailers and manufacturers have already realized many benefits associated with source tagging which include:

- Increased sales through the "open merchandising" of high-theft products
- Ability to gain market share/increased shelf space
- Ability to gain a competitive advantage
- Protection of theft-prone items
- Ensuring product availability by deterring theft
- Overall higher sales and profits

While it is our intent to pursue source tagging wherever possible, we are committed to avoid adding unnecessary cost to the supply chain. We will share information that will help us determine together the issues and benefits of source tagging, and will focus on specific items which represent an opportunity for all concerned.

For a successful program, we need your commitment! In the near future, you will be hearing from our Buyers to discuss source tagging for The Kroger Co. We are confident that with your support, we can increase sales and become more effective at controlling the shrinkage of your products.

Sincerely,

President Fred Meyer, Inc.

What is Source Tagging?

Source Tagging is the process by which disposable EAS anti-theft labels are incorporated into merchandise at the manufacturing, packaging, or distribution level – in other words, **at the source**.

With source tagging, EAS anti-theft labels can be applied to a much wider range of goods than with in-store tagging. In addition, tagging compliance is more consistent, important manufacturer information is not covered, the tag applied at the source does not damage goods, and the level of security is increased as tags are hidden inside goods.

Centralizing label application results in broader tagging that is more effective and efficient.

Fred Meyer is focusing its source tagging programs on specific product categories that have been identified as being theft prone. Working together with our vendor partners we can develop tagging programs that address specific product needs.

There is virtually no product which cannot be source tagged. The Sensormatic Ultra Max technology works with foils and metals, has a small label footprint, is reliably deactivated, and can be reactivated when needed as with customer returns.

Products being source tagged today cover all categories including automotive aftermarket, apparel, pharmaceuticals, health and beauty care items, jewelry, watches, home center products, general merchandise, toys, sporting goods, books, batteries, consumer electronics, and grocery items.



Phases of Application Tagging

- **Topical Source Tagging (Phase I)** refers to the application of EAS labels to the outside of product packaging. Although it is not the ultimate in source tagging, topical tagging provides suppliers with easy-to-implement programs that do not require any type of process automation. With phase 1 source tagging, labels are often applied manually to products at the point of distribution, just prior to shipment to retail stores. If the overall dimensions of the box or packaging are greater than 7"x11"x12", the item weighs more than 14 lbs., or if there are multiple UPC labels on the box or packaging, the EAS tag *must* be placed topically, within 3" of the UPC.
- **Internal Source Tagging (Phase II)** refers to the placement of EAS labels inside product packaging (i.e., on the inside of a folding carton). This tagging method can only be used when the over-all dimensions of the box or packaging are less than or equal to 7"x11"x12", the weight of the item is less than or equal to 14lbs., and the tag can be placed within three inches of the UPC. Generally, internal source tagging is performed with automated label application equipment. Many manufacturers will partner with packaging suppliers to have EAS labels applied to packaging materials before they are shipped to the manufacturing plant.
- **Source Integration Tagging (Phase III)** refers to the incorporation of EAS labels directly within products or their primary packaging. Source integration provides maximum protection against shoplifting, while enabling elimination of outer or excess packaging. Manufacturers can incorporate EAS labels directly inside products by automatically applying or "dropping in" labels at high speeds. This can be done at the manufacturing plant or labels may also be applied to primary packaging plants before being shipped to a manufacturer.

Applying EAS labels at the store level limits retailers to topical tagging. Internal source tagging and source integration tagging – concealing EAS labels inside products or their packaging during the manufacturing process – enables retailers and manufactures to improve merchandising opportunities while reducing the risk of shoplifting.

Vendor Benefits

- **Increased Sales Through Open Merchandising:** When product is moved out of lockup, brought out from behind a counter or more aggressively merchandised, both the retailer and manufacturer will see improvements with inventory turns and product sales.
- **Increased Market Share:** Manufacturers participating in source tagging programs have been able to increase business by acquiring additional shelf space and by winning new accounts.
- **Avoid Out-of-Stocks:** Currently, many of the products carried by retailers are reordered only when they are sold. If products are stolen, reorders are delayed and out-of-stocks may occur. Source tagged products keeps POS data "honest". This will become more important as more products are added to automatic replenishment.
- **Provide Floor Ready Merchandiser:** Both retailers and manufacturers are focusing on getting product to the selling floor more quickly than ever before. With source tagging, a vendor's product is not help up in a Distribution Center or backroom to be manually tagged.
- **Gain A Competitive Advantage:** Manufacturers can use source tagging as a way to differentiate themselves from their competitors.
- **Provide a Value Added Service:** Manufacturers can strengthen relationships and offer better Customer Service to their customers, the retailer.
- **Ensure Brand Loyalty:** A product not on the shelf is not available to be sold. Empty shelves frustrate customers and may motivate them to purchase a competitor's product. Manufacturers spend significant amounts of money to ensure brand loyalty, and source tagging helps secure it.
- **Sell a Wider Variety of Premium Merchandise:** Through source tagging, retailers can open merchandise products without risk. This benefit may encourage them to expand their product mix and carry high-theft items they were unwilling to offer in the past. In turn, the manufacturer can sell more product and possibly gain more shelf space.
- **Control Theft In Own Facility:** Source tagged product is enabling manufacturers to safeguard inventory against their own internal theft.

Sensormatic Source Tagging Innovation Center

To ensure proper label placement, merchandise that you plan to begin source tagging must receive certification from Sensormatic's Source Tagging Innovation Center. The purpose of this center is to support manufacturers in the placement and certification of source tagging solutions. Certifying products not only gives manufacturers guidance on how to tag products, but also gives retailers peace of mind that all products arriving in their stores will properly activate the EAS system and deactivate at the point of purchase.

You will find a Sensormatic product samples submission form behind this page. This form is required when sending product samples to the Sensormatic Source Tagging Innovation Center for evaluation. The laboratory will return your samples within two weeks. If testing is positive, you'll receive a certificate and other detailed information describing the optimum EAS label location. Sensormatic will also instruct the vendor or manufacturer on the type of labels needed, the steps required to begin purchasing them, and will also lend support for any conversions required.

The Kroger Co. requires all products to be certified prior to implementation of source tagging.

Source Tagging Solutions Providers

Many companies offer integrated source tagging solutions for soft goods, hard goods and food/beverage products. Contact the [Source Tagging Innovation Center](#) to [certify your product](#) with any one of these solutions.

For more information and a list of source tagging solution providers and label distributors go to: Sensormatic.com



How do I get Started?

Just follow the steps to determine if a product can be source tagged successfully:

- 1 Vendor or manufacturer notifies their Fred Meyer buyer or the Fred Meyer EAS Manager(503-797-5444) of their intent to improve profits by agreeing to source tag product.
- 2 Vendor or manufacturer contacts Sensormatic Source Tagging Innovation Center at (800) 327-1765 #6818 for further information and instructions. (If a timely response is not received, contact our Sensormatic Representative, at (561) 939-3159.
- 3 Vendor or manufacturer provides representative product samples from the targeted group of SKUs or product line to Sensormatic for Source Tagging Innovation Center certification. The completed Sensormatic product sample submission form (next page) must be sent with the samples to:

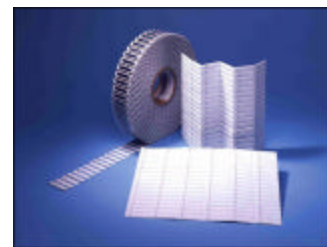
Tyco/Sensormatic
Source tagging Innovation Center
6600 Congress Avenue
Boca Raton, FL 33487

- 4 Sensormatic performs a series of tests on the products to determine if they can be tagged effectively and that the product does not interfere with the detection and deactivation process of the Sensormatic systems.
- 5 Sensormatic notifies both vendor/manufacturer and Fred Meyer of the lab results and recommended label location. Adherence to the laboratory's recommendation will ensure the optimum label performance, yielding the best results and highest consumer satisfaction to Fred Meyer. You may call your Sensormatic source tagging sales representative to answer and questions you may have about the certification or the purchase of EAS tags directly at (800) 327-1765 #3162.

Fred Meyer Source Tagging Expectations

As part of our commitment to source tagging, we expect the following from participating vendors:

- Prompt submission of identified and designated sample products to Sensormatic's Source tagging Innovation Center for certification.
- Completion and return of the EAS Vendor Profile form (at the back of this booklet) to your Kroger Co. buyer.
- 100% compliance in placement of source tag labels in the area designated by Sensormatic.
- 100% compliance in the source tagging of designated EAS items upon receipt at Fred Meyer. Partial or fractional source tagging is unacceptable.



Tyco Fire & Security / ADT

PRODUCT SUBMISSION FOR SOURCE TAGGING INNOVATION CENTER

Company: _____
 Address: _____
 Date: _____

Contact: _____
 Title: _____
 Phone: _____
 Fax: _____
 Email: _____

RETAIL CHANNELS

DIY

- Expo
- Lowe's
- McCoy's
- The Home Depot

Department Stores

- Belk Stores
- Federated Dept. Stores
- JC Penney
- Saks, Inc.
- Sears
- The May Co.

YOU MUST SPECIFY WHO YOU WILL BE TAGGING FOR:

Food / HBC-OTC

- Brooks Pharmacy
- CVS
- Discount Drug Mart
- Food Lion
- Happy Harry's
- Publix
- The Kroger Co. and associated divisions
- Vitamin Shoppe

General Merchandise

- AAFES
- AutoZone
- BJ's Wholesale Club
- Fred Meyer
- Kmart
- Meijer
- Navy Exchange
- ShopKo / Pamida
- Wal-Mart

Multimedia

- Best Buy
- Blockbuster
- Borders
- CompUSA
- Hastings
- Micro Center
- Musicland
- Office Depot
- OfficeMax
- Staples
- Transworld

Sporting Goods

- Academy Sports
- Dick's Sporting Goods
- Dunham's Sports
- Galyan's
- Gander Mountain
- G.I. Joe's
- Hibbett Sports
- Sport Chalet
- Sports Authority

Other: _____

SPECIAL LABEL INSTRUCTIONS

Unless otherwise noted, the lab will recommend the optimum label location. Please note if you have specific label placement requirements.

PRODUCTS SUBMITTED When submitting any battery type product, film product and/or product containing permanent magnets, please submit 3 samples of each item. Products should be submitted for certification exactly as they would appear at the retail store. Products submitted in any other format will be issued a "prototype" certification, and may not be valid to the retailer.

UPC	Quantity	Description
1		
2		
3		
4		
5		

Attach list of any additional UPC/items that will be tagged that are not included in this shipment.

Total # of SKUs to be source tagged _____

When will you begin tagging these products? _____

Will you be utilizing a packaging company or OEM to apply labels? _____

If so, name and location of packaging company or OEM _____

Are you source tagging at any international manufacturing facilities? _____

If so, name and location of manufacturing facility _____

Please provide an estimate of your annual label forecast _____

PRODUCT RETURNED / CERTIFICATION TIME

Most products are processed within 10 business days from receipt. Submissions exceeding a quantity of 10 items or palletized will require additional time to process. Products will be sent to the above address via UPS ground service. For faster delivery please include your Federal Express account number.

Requested by (Print Name) _____
 Signature: _____
 Date _____

Federal Express Acct# _____
 Product Returned To _____
 Address _____

Fred Meyer

Source Tagging Vendor Profile

After you have submitted your product(s) to the Sensormatic Source Tagging Innovation Center and have received certification for those items, please complete both sides of this form and FAX it to your buyer at _____.

Date _____ Completed by _____
Vendor Name* _____ Title _____
Address _____ Phone _____
_____ Fax _____
_____ E-Mail _____

*If a manufacturer's representative is used indicate that information as well.

1. The EAS labels will be applied to your product(s) using the following method: ___manually ___automatically

2. The EAS labels will be applied at which of your facilities:

Manufacturing locations(s) _____

Distribution center locations(s) _____

3. Has your label location for your product(s) been certified by Sensormatic to ensure proper placement? ___yes ___no

4. Describe the location for your concealed label (Phase II) and the proximity to the UPC code: _____

5 Do you have plans to integrate the label inside your product (Phase III)? ___yes ___no

If yes, what is your planned implementation date? _____

6. Do any of your products have multiple UPC bar codes? ___yes ___no

If yes, how will you handle this? _____

7. Have you ordered dual resonator EAS labels from Sensormatic? ___yes ___no If yes, date of order _____

8. Do you have any exception items that must be tagged topically (Phase I)? ___yes ___no

If yes, please list _____

Please turn this form over and complete the other side.

FRED MEYER'S SOURCE TAGGING VENDOR COMMITMENT

This is to confirm that _____ will participate in Fred Meyer's Source Tagging Program. Theft protected merchandise will begin shipping to all Fred Meyer stores by the ____ day of _____, 20___. We will also be certain that, in the future, any additional SKUs added to our assortment will be source tagged if necessary. I further understand that Fred Meyer will be performing random source tagging audits on our merchandise and any SKUs found to be noncompliant will be corrected immediately.

OR

This is to confirm that _____ is currently participating in Fred Meyer's Source Tagging Program and is in compliance with all product requirements. Listed below, or attached, are all of the SKUs that we are **currently** sending to Fred Meyer tagged. Additionally, we have identified any new SKUs that will be theft protected and will be shipping to all Fred Meyer stores by the ____ day of _____, 20___. I further understand that Fred Meyer will be performing random source tagging audits on our merchandise and any SKUs found to be noncompliant will be corrected immediately.

Signed this ____ day of _____, 20__ by _____

Print Name *LEGIBLY*: _____ Title: _____

Phone Number: _____ E-Mail: _____

Fred Meyer Category Buyer/Merchandiser: _____

List, or supply attachment of current items, by FM SKU #, that are being sent to our stores tagged							

List, or supply attachment of items you are confirming will be tagged per Fred Meyer's directive.							

FAX TO
Your Buyer @ _____

(Buyers forward signed hard copy to EAS Manager 04002/31-A)

Contacts for Further Information

Contact your Buyer or the EAS Manager for information on the following:

- Product identification: targeted SKUs, additions, deletions, or changes
- Labeling requirements and acceptable procedures: Topical Source Tagging (Phase 1), Internal Source Tagging (Phase II) and Product Integration Source Tagging (Phase III)
- Source Tagging start dates

Fred Meyer (EAS Contact)

EAS Manager
PO Box 42121
Portland, Oregon 97242-0121
Telephone: 503-797-5444
Fax: 503-797-5426

Contact Sensormatic for information on the following:

- Ultra Max technology, source tagging, and applying labels
- Product evaluations, labeling guidelines
- Purchase of labels
- Ongoing source tagging updates (technical progress, implementation plans)
- Information on source tagging with other retailers

(Retail Contact)

Sensormatic

Jason Devinney, Trade Development Manager
1155 Broken Sound Parkway, NW, Suite A
Boca Raton, FL 33487
Telephone: (800) 327-1765 x 3159
Fax: (561) 939-3140
Email: jdevinney@adt.com

(Certification Contact)

Tyco/Sensormatic

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6600 Congress Avenue
Boca Raton, FL 33487
Telephone: (800) 327-1765 #6818
Email: Sensormatic.com