

The EAS Market is Ripe for Change

TAG Company designs, manufactures, and integrates anti-shoplifting solutions. The company's solutions range from radio-frequency (RF) and acousto-magnetic (AM) tags and disposable labels to alarm systems with a suite of integrated information tools to monitor alarm activity and pinpoint mission-critical security and operational issues.

TAG has installed over 20,000 tagging systems and protected over 1 billion merchandise items over the past four years. In 2007 the company will secure more than 500 million consumer

products offered by retailers, including ASDA (a division of Wal-Mart), Woolworths, Virgin Megastores, and HMV. In addition, more than 600 independent retailers benefit from TAG solutions.

TAG Company doubled its revenue last year and expects similar growth in 2007. By 2010 the company expects to be the third largest EAS provider and the leader in customer satisfaction. Following is an interview with Mark Krom, CEO of TAG Company.

Why does the retail industry need another EAS supplier?

In the North American EAS market retailers suffer from a lack of true competition. Over the past ten years, two technologies have emerged as standards, AM and RF, each with a dominant supplier. When an industry lacks significant competitive pressure, it dampens the major suppliers' spirit of innovation and customer service.

History has shown that competition is good for virtually all industries. With competition comes new ideas and increased value through the supply chain, often in the form of lower prices and higher performing products. As one retailer recently stated, "EAS companies have let their competitors' shortcomings become their criteria for success."

TAG is bringing focus and competitive drive back to a once great and innovative industry. We believe ours is a better model, and the market has already rewarded us for offering it. We are consistently winning business with large retailers because

of our innovative solutions and our responsive planning and service capabilities.

What makes TAG Company different than the big two suppliers?

TAG provides comprehensive RF and AM EAS solutions, allowing us to serve the entire retail market. Furthermore, we want to provide the best solution for our customers; in contrast to incumbent EAS suppliers who supply one specific technology. In other words, when all you have is a hammer, everything looks like a nail.

At TAG, we have a complete set of tools. Depending on the customer's needs we can confidently recommend a solution...independent of technology...that is right for the retailer.

TAG Company is independent and privately owned. We have a long-term goal of creating tremendous value for our customers and do not have to be concerned with whims of the financial





markets or addressing the needs of other corporate divisions. Our independence is reflected in our flat organizational structure and our focus on customer satisfaction.

Who uses your products now?

In the past 24 months, TAG Company has installed over 10,000 EAS systems. Our RF and AM EAS equipment is high quality, high performance, and an excellent value. Our price, installation, and service approach are some of the reasons why we're the fastest growing EAS provider in the world. Our roots are in the U.K., but increasingly North American retailers are discovering us as well.

What's different about the TAG model?

To ensure the best mix of price, quality, and availability, our products are produced in-house or sourced from world-class manufacturers located in Germany, Switzerland, China, and North America. For instance, the Self Seal Tag™ portfolio is manufactured in the U.K. We have an operation that designs and manufactures our new Series 58 acousto-magnetic labels in the U.S. On the other hand, Series 8.2 labels are manufactured in China, allowing us to offer dramatic market pricing.

We offer a full array of solutions. We have high-quality, durable, service-friendly systems and deactivators, hard tags of all sorts, and proprietary lines of disposable labels.

Our labels will be especially appealing to North American retailers. Our RF paper labels vary from 3cm x 3cm to 5cm x 5cm, square, round, or triangular, plain, bar-coded, or a fully customized format. We also have great specialty hard tags for eyeglasses, liquor, baby formula, sporting goods, and jewelry. We have created added-value solutions that include sensors to count and report alarm activity, count customers and report back on temperature and humidity in stores.

In summary, our model allows us to fill the widening solutions, service, and quality gap left by larger EAS incumbents. Many industries are embracing the concept of broader sources of supply. TAG is taking advantage of an ever "flatter world" and leveraging efficiencies in ways larger companies can't begin to imagine because of their costly infrastructure.

What distinguishes North America from other marketplaces?

For years in other markets across the globe, leading retailers have benefited from high-quality EAS technology from companies beyond Sensormatic and Checkpoint. Conversely,

North America hasn't benefited from that competition, although that's begun to change.

Many of the legal, patent, cost, and delivery barriers that have kept competition at bay have fallen in recent years. Alternative high-quality solutions providers such as TAG are emerging to provide superior customer service and systems compatibility.

We find it ironic that most retailers demand a multiple supplier procurement strategy as part of their corporate policy and governance requirements; yet for so long retail loss prevention departments in this market have not been able to comply. With the emergence of TAG as a leader, we feel that will quickly change.

What are TAG's latest innovations?

Our latest launch is the Series 58 Security Label™. We are targeting a global AM label market approaching 10 billion units annually. We're the only independent provider to have a reliable and customizable portfolio of both AM and RF solutions. We call our RF line Series 8.2.

What does this mean for retailers?

It means a choice of disposable EAS label technologies with similarly high performance from one vendor. In addition, we can produce labels with retailers' logos, colors, and consumer messages, convert them to alarming swing tickets, and provide them globally to consumer goods companies for source tagging.

Where do you see TAG going from here?

We're developing and expanding in North America, the single biggest EAS market. We have hired some of the best talent in the EAS industry, including several former executives from the largest EAS and RFID companies. We have strategic alliances and partnerships with security experts who know retail security.

In Asia/Pacific we're working with many suppliers on source tagging and with retailers expanding into China. In the U.K. we'll build on our established business, constantly improving our service and, hopefully, converting more retailers.

In two to three years, we expect TAG to be one of the top EAS providers globally. That's going to take the same type of hard work that we've put in over the last several years. I think our track record will show that we're up to the task.

During my career in EAS, which includes developing EAS technology for a market leader, I've never been more excited about the solutions TAG Company has available for the U.S. market. That feels really good. ■