

DISA **SHARED** **SAVINGS PROGRAM**



Serialized RFID Tag >>>

What is Serialization?

Serialization is a digital platform technology that uses smart algorithms to help retailers combat return fraud by uniquely tagging individual items.

- DiSa **Single Scan Serialization** (“3S Smart Barcode”) combines the UPC (Universal Product Code) and a serial number (“DiSa Number”) into one smart barcode to track items individually



EXISTING SERIALIZATION PROGRAM

In April 2017, DiSa Digital Safety (“DiSa”) signed a **master service agreement** with a major retailer in the United States (“US”) for the implementation of its serialization program across the retailer’s 4,500 stores in the US to combat return fraud.

However, the adoption of 3S Smart Barcode has been slower than anticipated.

WHY ISN'T EVERYTHING SERIALIZED?

SCALABILITY CHALLENGES

DISA

- No mandate from retailer to vendors
- Have to approach the retailer's vendors individually, both time-consuming and challenging.

Vendors*

- Required to pay for 3S Smart Barcode, leading to increased cost of goods sold
- Additional execution step i.e. replace existing UPC barcode with 3S Smart Barcode

Retailer

- Additional cost passed down from vendors
- Serialized high-value items only and leave most items exposed

* Refers to the vendors of the retailer

RFID Mandate by Retailers

Since 2022, there has been a significant shift in the US retail landscape with retailers requiring their vendors to tag their products with RFID technology.

Today, billions of products are tagged annually across the retail sector ranging from apparel, home goods, sporting goods, electronics, toys and many others.

DiSa Shared Savings Program (“SSP”)

DiSa has strategically repositioned itself to piggyback on the proliferation of RFID adoption in the retail industry, enabling serialization to scale to higher volumes of SKUs* and product categories.

*A stock-keeping unit (SKU) is a scannable barcode, most often seen printed on product labels in a retail store. The label allows vendor to automatically track the movement of inventory.

Our **RFID PARTNERS**

DiSa is partnering with the following leading RFID printers, the existing key suppliers of RFID tags to the retailers throughout the US retail sector, to provide SERIALIZED RFID TAGS under the SSP to the retailers at no cost and with minimal additional effort:

- Avery Dennison
- FineLine Technologies
- r-pac International
- B&G International, Inc.

CONVERGENCE OF TECHNOLOGY

Integration of DiSa 3S and RFID Technology



3S Smart Barcode

Evolving RFID Requirements in Retail

- Retailers are expanding their RFID requirements to enable accurate tracking of inventory from warehouse to store floor
- RFID is not integrated at Point-of-Sale (“POS”) due to high cost associated with upgrading or replacing existing POS infrastructure

Return Fraud Prevention

- Tracks a unique 3S Smart Barcode through POS, automatically blocks invalid or abusive returns
- Has been applied on millions of products since 2017, prevented significant number of fraudulent returns and claims
- Reduces return rates by 30–40% on average, based on past record



SERIALIZED RFID TAG

- Combines RFID technology with 3S technology, creating a single, unified tag
- Delivers dual functionality:
 - real-time inventory tracking
 - return fraud prevention
- Enables retailers to address two critical operational needs with one single solution
- Enables tagging of products previously seen as too complex or impractical

From DiSa to Item-Level Tagging



Shared Savings Business Model

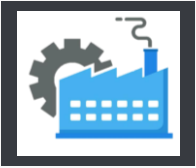
This shared savings model offers a win-win-win solution for DiSa, its retail partners and the vendors.

DiSa earns a share of retailers' cost savings:



- based on a pre-agreed percentage of retail value of fraudulent returns prevented, under a "no cure, no pay" structure
- tied directly to fraud prevention success through serialization

WIN-WIN-WIN MODEL FOR ALL PARTIES



Vendors

- Receives serialized RFID tag at no cost.
- Receives RFID tag and 3S Smart Barcode in a combined format to ease execution.
- Receives reduced returns and increased sales.



RFID Printers



Retailers

- Already equipped for serialized RFID printing
 - Grows market share by onboarding new vendors
 - Agrees to print serialized tags at no cost
 - Receive a share of the shared savings from DiSa on their items.
- Zero-risk, with no upfront cost
 - Cost of goods sold remain unchanged
 - No IT changes required
 - Pays DiSa only when a fraudulent return is stopped or prevented.
 - No added risk or cost, retailers can scale serialization rapidly across departments
 - Reduced losses from return fraud – Fraudulent returns cost 100%–150% of retail price to retailers.



- DiSa assumes all risk
- No upfront costs for vendors and retailers
- Enables scalable deployment across hundreds of millions to billions of items
- No IT changes required
- Immediate deployment across retailer operations

UPDATE ON SERIALIZED RFID ADOPTION PROGRESS

With approval from a major retail partner DiSa has been working with since 2017:

- 50% of existing SKUs are already use Serialized RFID tags
- an increasing number of DiSa customers are expected to adopt serialized RFID for their new SKUs as retailers expand RFID mandates across more product categories

REPORT – 2024 Consumer Returns in the Retail Industry

MERCHANDISE SALES, RETURNS, AND FRAUD AND ABUSE

\$5.19 Trillion

United States Census Bureau
Total US Retail Sales

\$685 Billion

Amount of merchandise returned
as a % of total sales. (avg. 13.21%)

\$103 Billion

Amount of fraudulent returns
and claims as a % of total returns.
(avg. 15.14%)

Source: Appriss Retail and United States Census Bureau

REPORT

2024 Consumer Returns in the Retail Industry *(cont'd)*

Frequent Types of Return Fraud or Abuse

150 retail executives were surveyed to identify the most common types of returns fraud and abuse they have encountered. Here are the results.

Wardrobing (used merchandise returned)	60%
Returns from fraudulent or stolen tender (gift card fraud)	55%
Returns of stolen merchandise (return of shoplifted merchandise)	48%
Returns with counterfeit receipts/e-receipts	48%
Bracketing (buying multiple items, returning some)	47%
Employee return fraud or collusion	39%

Source: [Appriss Retail and Retail Dive Survey: How Important Are Returns to Customers?](#)

CAUTIONARY STATEMENT

We are cautiously optimistic that the new value-sharing business model under the SSP may offer potential growth opportunities while mitigating retailer losses from fraudulent returns.

Shareholders are encouraged to carefully evaluate all relevant factors before making any investment decisions.

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