

Report Weighs Impact of EPC

Consulting firm Incucomm says that the adoption of EPC RFID technology will cause worldwide usage to exceed 20 billion RFID tags and labels in 2008.

By Jonathan Collins

Oct. 14, 2004—In 2008, companies worldwide are expected to use more than 20 billion RFID tags and labels, the vast bulk of them EPCglobal-compliant and deployed in the retail supply chain, according to a new study from strategic consulting and early stage technology investment company [Incucomm](#).

“The report is targeted at companies developing as well as buying and deploying RFID and the financial institutions that will be involved in the coming consolidation of RFID players,” says Matthew Bowers, chief development officer at Incucomm, which is based in Dallas.

The company says its report *RFID—EPC Changes Everything* aims to examine the business case for selling or deploying EPC RFID technology at a number of points in the supply chain, from component manufacturers through to retailers. “We’ve seen a lot of reports on RFID out there, as well as a lot of misinformation. That only retailers will benefit from EPC in their supply chains is absolutely not true, but some companies will have more to do than others to get those benefits,” Bowers says.

In preparing the report, Incucomm studied 650 companies in Europe, Asia, North America and South America that were either producing RFID technology or services or could move into those markets over the next few years and interviewed more than 100. Incucomm maintains that the average cost to deploy RFID technology in compliance with mandates from the U.S. Department of Defence and retailers such as Wal-Mart will be lower than what other analysts have forecasted with only a few large suppliers of consumer packaged goods (CPG) vendors spending well over \$10 million to achieve compliance.

The report also determines that once the business case for deploying EPC is understood by more companies, the adoption of EPC RFID technology will grow explosively. Incucomm believes that the annual use of RFID tags and labels—regardless of frequency, standard or type—will grow from 10 million this year to 20 billion tags and labels by 2008, with the U.S. accounting for the bulk of that usage. Next year, some 100 million tags and labels are expected to be used.

The report predicts that the retail sector, above all other industries, will drive that growth. “The retail market will absolutely dominate the market in terms of volumes of tags and labels it will use,” says Bowers.

RFID is not optional for retailers, according to Bowers, because of the sector’s drive to grow earnings and improve management of its operations, and the ability of EPC to help in that process.

The report says that at least five large retailers will have deployed RFID in their supply chains by 2008. That, in turn, will drive approximately 1,000 CPG manufacturers to tag around 20 billion cases in shipments. By 2008, the report expects around 100,000 RFID EPC readers to have been sold worldwide.

The company expects that by 2008, EPC RFID tags and labels ready to attach to cases of consumer goods will

cost less than 10 cents each and possibly less than 5 cents. However, the report stresses that it sees no credible prospect that finished tags and labels will cost less than 1 cent, though it is possible that the cost to produce the silicon die at the foundry may be that low.

Incucomm's report consists of two sections: The first examines the business case and context for RFID deployment in the supply chain; the second examines the potential effects of RFID in the semiconductor industry. The complete study comprising an executive summary, the two sections and six appendices cost \$2,495. Two versions with just the executive summary, one section (either the first or the second) and two appendices, are priced at \$1,195; a version containing the executive summary and all the appendices costs \$695. All are available at www.incucomm.com/rfid_purchase.htm.

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