

# EU Logistics Providers Shirk RFID Role

Many of Europe's third-party logistics providers are putting off RFID adoption, hampering the technology's deployment throughout the supply chain.

By Jonathan Collins

Jan. 21, 2005—The majority of Europe's third-party logistics providers are failing to meet their largest customers' requirements when it comes to adopting radio frequency identification (RFID) technology, according to a new report from [Analytiqa](#), a research firm based in Welwyn Garden City, U.K. The situation threatens to slow down the deployment of RFID in supply chains across Europe.

"Retailers and manufacturers perceive a lack of RFID knowledge and support from many third-party logistics providers," says Mark O'Bornick, senior analyst at Analytiqa and author of the report, *RFID in Retail Logistics: Expectations of the 3PL*.

Although Tesco, Metro Group, Marks and Spencer and other leading retailers are deploying RFID, they will still need their third-party logistics partners to develop their own RFID capabilities to ensure that the benefits of the retailers' RFID deployments are realized throughout their operations. The majority of third-party logistics companies, however, are holding back on spending money on RFID technology, O'Bornick says.

Efforts to deploy and understand RFID are primarily limited to the largest five or so players in the European logistics market, according to Analytiqa. O'Bornick's report is based on interviews with senior supply chain managers and RFID project managers from around 30 retailers, manufacturers and third-party logistics providers. He found that only first-tier third-party logistics providers, such as multinationals TNT Logistics, DHL, Kuehne & Nagel and Exel, are bullish about the business benefits of RFID.

"Tier-one logistics companies are far ahead of tier-two players, and it's imperative that these companies close the gap," O'Bornick warns.

He found that only first-tier third-party logistics providers are bullish about the business benefits of RFID and have started starting to deploy and test the technology.

"Many tier-two and -three third-party logistics providers are hoping costs will come down before they deploy RFID, as they don't yet see the ROI or a business case for investing. They are also hoping to leave larger companies to make any costly mistakes in the first deployments," O'Bornick says.

According to Analytiqa, the tier-two companies, which average between £100 million and £450 million (\$185 million to \$850 million) a year in contract logistics revenues, are seeking consultancy and advisory roles with their customers at this stage.

While the largest third-party logistics players lead the way in RFID investment, Analytiqa maintains that the nature of the third-party logistics market means that the largest retailers' RFID efforts will still be hampered without the involvement in RFID by smaller third-party logistics.

"Even the largest retailers use a range of many third-party logistics providers—from multinational tier-one players down to a man and a van—and these retailers expect them all to be up to scratch when it comes to RFID," says O'Bornick. Some retailers are insisting that it will be the role of their third-party logistics providers to not only be knowledgeable about RFID but also to understand and identify where it is appropriate for the retailers' business. O'Bornick concludes that unless third-party logistics providers across the continent start to develop RFID skills and capabilities, they could face a tough time holding on to some of their largest customers.

"Pretty soon retailers and manufacturers are going to threaten to switch contracts from one third-party logistics provider to another if a third-party logistics provider isn't up to scratch," O'Bornick says.

The study also found that it isn't just third-party logistics companies that have doubts about the value of investing in RFID. Retailers, too, have their concerns. The report quotes an executive at major U.K. healthcare chain retailer Boots who says that applications still don't exist to exploit the potential of RFID. According to O'Bornick, most respondents believe that, at present, the advantages of RFID over bar codes are minor, although the majority do believe RFID will become more widespread and eventually mainstream.

Available at the Analytiqa's Web site, [www.analytiqa.com](http://www.analytiqa.com), *RFID in Retail Logistics* is priced at £695.

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