

P&G-Gillette Merger Could Benefit RFID

The union of the two CPG giants won't affect each other's RFID plans, but it could help stimulate adoption.

By Mark Roberti

Feb. 4, 2005—The announcement that Procter & Gamble plans to acquire Gillette has led to speculation that the merged entity will use its newfound clout to resist demands by retailers that it put radio frequency identification tags on products. In fact, the merger is unlikely to have any significant impact, negative or positive, on the RFID efforts of the merged companies and could actually accelerate their adoption of the technology when the integration is complete.

"P&G's EPC strategy remains the same," says Jeannie Tharrington, a spokesperson for P&G. "We're focusing on testing and learning about the costs and benefits of EPC in the supply chain, and we remain committed to our participation in pilots with key partners. Right now, it's too early to speculate about how we'll integrate Gillette into our overall EPC strategy, since we've just announced the acquisition."

Gillette and P&G were, in fact, the original founders of the Auto-ID Center, along with the Uniform Code Council and EAN International (now GS1). And they don't appear to be resisting tagging demands.

"Both ourselves and Procter & Gamble continue to play leadership roles in the development of EPC technology, and we remain convinced of the benefits it will bring to supply chain efficiency, accuracy and security," says Paul Fox, a spokesperson for Gillette. "We're confident that the momentum this technology has achieved within the retail industry will continue."

Even if the two companies wanted to avoid RFID mandates, the merger would be unlikely to give them enough clout to do so. Reports say that Wal-Mart accounts for 17 percent of the roughly 20 billion items P&G manufactures each year and 13 percent of the 11 billion items Gillette produces. That means the combined company would sell about 4.73 billion items, out of a total of about 31 billion items the two companies manufacture each year, to Wal-Mart.

Wal-Mart sells about 60 billion items a year. So, combined, Gillette and P&G account for about 8 percent of Wal-Mart's unit sales. That means that Wal-Mart still is in a strong position to negotiate with P&G.

The merger is, in fact, more about economies of scale than about clout. The merged companies can achieve savings by combining operations. And RFID could play a significant role in helping them realize these savings.

"RFID is all about achieving efficiencies when you are moving millions of items through the supply chain," says Kevin Ashton, a former P&G brand manager who became the executive director of the Auto-ID Center and is now VP of marketing for RFID reader maker [ThingMagic](#). "The combined company has more incentive to leverage RFID to achieve the economies of scale they are hoping to achieve by merging."

Gillette and P&G have been among the most aggressive CPG companies in testing Electronic Product Code technologies and promoting their adoption in the global supply chain. The two companies will likely benefit from sharing what each has learned over the past four years. And the combined company will have more buying power with RFID vendors, which means it will likely get steeper discounts on volume purchases. Those two factors could encourage competitors to step up their RFID efforts in order to compete with a more powerful P&G.

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