

Avery Dennison, RSI ID Lower Price Bar

Avery Dennison rolls out its Gen 2 tag at 7.9 cents in quantities of 1 million, while RSI ID sells converted smart labels for 14.9 cents apiece.

By Mary Catherine O'Connor

Sept 23, 2005—There are signs that one of the biggest hurdles to widespread adoption of passive RFID technology in the supply chain—namely, tag price—is disappearing, or at least getting lower. [Avery Dennison RFID](#), a tag manufacturer in Clinton, S.C., says its new AD-220 Gen 2 inlay, which needs to be converted into a label, is now available for 7.9 cents each in quantities of 1 million. So are the firm's AD-210 and AD-410 EPC Gen 1 Class 1 tags. Moreover, [RSI ID Technologies](#), based in Chula Vista, Calif., says it is selling its 4-by-6-inch printable smart labels, with embedded EPC Gen 2 inlays, for 14.9 each in the same quantities.

Last week, RFID tag manufacturer [Alien Technology](#) announced that it had lowered the price of its ALL-9338 Gen 1 Squiggle labels (inlays in the form of self-adhesive nonprintable labels) to 12.9 cents each in quantities of 1 million (see [Alien Drops Tag Price to 12.9 Cents](#)).

That Avery Dennison RFID's and RSI ID's pricing applies to Gen 2 products is significant, because the increased complexity of a Gen 2 chip over a Gen 1 chip drives up the chip's cost to tag and label makers. Based on this, a number of industry analysts and RFID vendors had predicted that the prices of Gen 2 inlays and labels would be higher than those of Gen 1 inlays and labels, at least during the early stages of Gen 2 adoption. The Gen 2 tags of both Avery and RSI ID currently use [Impinj](#)'s Monza Gen 2 chips.

All three companies—Alien, Avery Dennison RFID and RSI ID—have announced pricing for different products. Alien's Gen 1 pricing of 12.9 cents applies to pressure-sensitive labels. End users can purchase these directly and place them on cases of goods, then apply non-RFID shipping labels printed with bar codes and other required product information. Alternatively, smart label converters can purchase the 12.9-cent labels and convert them into larger printable shipping labels. Before a customer can use Avery Dennison's 7.9-cent inlay, the inlay must be converted into a label, either non-printable or printable. RSI ID's finished, printable smart labels, however, will carry no additional costs.

For an end user, prices will vary for Alien Gen 1 non-printable labels converted into printable smart labels, and for Avery Dennison RFID's Gen 1 and Gen 2 inlays converted into labels. According to Robert Ryckman, vice president of sales and marketing for label converter [CCL Label](#), in Framingham, Mass., it costs 2 cents to convert an inlay into a non-printable, pressure-sensitive label in large volumes, or 4 to 5 cents to convert it into a printable shipping label. It should be noted that these are rough estimations.

Avery Dennison RFID says its 7.9-cent pricing structure is available to any converter that orders at least 1 million tags. The company will not divulge whether it is offering a lower-than-7.9-cent inlay cost to Avery Dennison's own label converting business. Mark Stanton, senior director of sales and marketing for Avery Dennison RFID, reports that while Avery Dennison uses a tag-manufacturing process enabling it to produce more tags in less than time than other tag makers, the company is still selling its inlays at below manufacturing costs. Avery's pricing strategy, he says, is directed squarely at driving adoption.

"We want to enable the wider adoption of RFID, and one of the main factors of that is price, so we have taken a position, at this point, to drive the price down to help push that adoption and high volumes," Stanton says. By offering inlays, specifically Gen 2 inlays, at such an aggressive price, Avery Dennison believes it can assume a leadership position in the industry and gain a competitive advantage over other inlay manufacturers.

Unlike the EPC Gen 1 tags, those made to the Gen 2 standard are operable in frequency ranges used in Europe (868-870 MHz) and Japan (950-956 MHz), as well as in the United States (902-928 MHz). Global usability will also help to spur adoption of Gen 2 inlays, he says. "The fact that there's now a standard provides suppliers and vendors a level playing ground and greater sense of stability."

Like Stanton, Tawnya Clarke, vice president of sales and marketing for RSI ID, says her company is also motivated by a desire to fuel the market by making tags more affordable. Unlike Stanton, though, Clarke says RSI ID is not selling below its costs. RSI ID has tag manufacturing and converting capabilities onsite, she explains, and does not need to contract any outside converting companies. This, she says, helps it keep costs down.

In addition to the 14.9-cent pricing for its Gen 2 smart labels, RSI ID also announced that its goal—which Clarke came short of calling a guarantee—is to offer pricing under 10 cents per label by December 2006 for customers that either sign a 12-24 month contract for orders of Gen 2 labels or purchase labels in quantities of 1 million or more. "We at RSI ID really believe that the market is headed toward Gen 2, and we want to push that," says Clarke.

She added, however, that RSI ID is also now offering its EPC Class 0 Gen 1 smart labels for 14.9 cents in quantities of 1 million. In addition, the company announced that customers that sign a contract and purchase 100,000 or more Gen 2 labels will receive a free Gen 2 compliance package, including a Gen 2 reader, a printer-encoder and RSI software that can be used to encode and verify the label's inlays.

Some may feel that three vendors announcing such aggressively low prices in so short a time smacks of a price war, but Clarke claims RSI has been planning to make its 14.9-cent finished label pricing announcement for a number of weeks and is not reacting to the low prices other vendors are offering.

Erik Michielsen, director of RFID research at [ABI Research](#), says he expects other makers of Gen 2 inlays to announce pricing soon, as well. Still, he cautions, while lower inlay and label prices will benefit end users, they are just one part of the whole picture. "What gets lost so often is that companies that are making the inlays don't operate at the end user level; they have customers [label converters] that touch the product before the end user sees it. So now label converters are upgrading their systems to enable scalable and reliable Gen 2 conversion capabilities, because if they can't convert properly, it doesn't matter how good [the price of] the Gen 2 inlay is."

Michielsen says he believes Alien is also using forward pricing, selling its 12.9-cent Gen 1 label at a loss. "It's not a long-term strategy. They'll lose some money initially, but they're not in this to sell tens of millions [of tags], but rather hundreds of millions," he says. Once volumes grow, he says, both Alien and Avery Dennison RFID will start to make money at these low prices.