

The Serendipity Effect

Manufacturers putting RFID tags on pallets and cases are discovering benefits they never anticipated.

By Mark Roberti

Oct. 31, 2005—I've been writing about technology and IT systems for more than a decade. One thing you get used to is companies complaining they never got nearly the bang for their buck that they expected from the hardware and software they purchased. Radio frequency identification is different, however. Even back in 2001, when I first started interviewing companies that had deployed systems to track assets in warehouses or work-in-process in a manufacturing facility, almost all said they got more benefits than expected. That's because they discovered new ways to use the technology once they had the infrastructure installed.

Today, there are a lot of people who say RFID won't deliver a return on investment for manufacturers tagging cases and pallets. One recent study even said there was no ROI for retailers who don't have to pay for the cost of the tags on the goods they receive. But like those early adopters who deployed RFID for one specific application, early adopters of Electronic Product Code technologies are discovering benefits they hadn't foreseen.

I recently interviewed Jamshed Dubash, director of technology/auto-ID at Gillette, a division of Proctor & Gamble (P&G), for an upcoming magazine cover story on the EPCglobal Network. By analyzing data provided by a retail partner, he said, Gillette discovered that at stores moving a Gillette product (the Venus female shaving system) that the manufacturer was promoting from the stockroom to the shelves before the promotion hit, average sales were 48 percent higher than at stores that did so after the promotion's start. Gillette also found that 38 percent of the stores didn't execute properly to take advantage of promotions.

This data suggests Gillette could improve its promotional sales significantly if it were to work with that partner to ensure promotional product got to shelves in a timely way. Gillette plans to pilot, and eventually deploy, a promotions management application from OAT Systems that will do just that.

Now here's the amazing part: Promotions management was not part of Gillette's original business case. It didn't discover the huge potential of managing promotions until after it had actually begun analyzing RFID data from its partners. Other manufacturers have told me similar stories. That's the nature of serendipitous ROI.

Even a well-designed field trial won't provide the answer, because a field trial is focused on proving the business case for specific applications. It's only when you tag a lot of shipments and then get the data back that you begin to stumble across new opportunities. To put it another way, the current data you have about your supply chain provides a very blurry picture. EPC data will bring the picture into sharp focus, revealing flaws you didn't know existed—flaws you can now use EPC technologies to address.

The unforeseen benefits will be different for each company, but it's clear that companies facing tagging mandates need to think about RFID differently. It's not about finding a killer app, or even two or three

applications that will deliver an ROI. It's about using the network of interrogators you install to capture data for many applications and analyzing the data to find unexpected opportunities to cut costs and improve efficiencies.

I don't believe technology can create a sustained competitive advantage, but I do believe companies can cut costs, boost sales and improve market share and customer service by using technologies in more intelligent and creative ways. RFID has the potential to deliver a lot of benefits in a lot of areas. Some companies will actively look to exploit the technology wherever possible. Others will only take advantage of the obvious opportunities. Still others will fail to achieve any benefits at all.

Which kind of company would you like yours to be?

Mark Roberti is the founder and editor of RFID Journal. If you would like to comment on this article, click on the link below.

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