

**Stav Prodomou, CEO of Alien Technology, says declining tag prices are making it possible for companies to achieve a return on investment for more and more applications.**

By Mark Roberti

Jan. 27, 2006—[Alien Technology](#) was one of the technology providers that played a key role in developing both the first and second generations of Electronic Product Code specifications. In a recent interview, Alien CEO Stav Prodomou spoke with *RFID Journal* and shared his insights into the current state of RFID. Below are excerpts of that interview.

**RFID Journal: What's your expectation for the RFID market in 2006?**

**Prodomou:** There are other folks who make prognostications about the market. I can tell you that our performance in the first quarter was on target. We certainly are encouraged that 2006 appears to be a growth year for the RFID industry.



*Stav Prodomou, CEO of  
Alien Technology*

**RFID Journal: Are you seeing activity in specific vertical industries?**

**Prodomou:** We're very focused on the [Wal-Mart](#) supply chain, and a good deal of our customer base is in that space. We've had a significant number of new engagements as the next 200 suppliers started coming on line. We're also seeing a lot of activity in the apparel sector. Levi Strauss recently acknowledged Alien's role in its trial. Apparel manufacturers are starting to recognize the value of RFID, particularly branded-apparel retailers. What is encouraging about the apparel industry is that they are looking at item-level tagging. It's not a matter of having three cases of jeans on the shelf. It's a matter of knowing you have this many size 34 jeans and this many size 32. Many believe it could be one of the first sectors to tag at the item level.

We're seeing increased activity in the pharmaceutical sector. We were involved in the [Pfizer](#) project to tag Viagra destined for sale in the United States that was recently reported [see [Pfizer Using RFID to Fight Fake Viagra](#)]. We're involved in the [San Francisco Airport](#) project using RFID to track baggage through screening stations [see [Alien Buys Airport Systems Integrator](#)]. The DFARS [Defense Federal Acquisition Regulation Supplement] became effective in mid-November [see [DOD Finalizes RFID Mandate Language](#)], and we now have a number of projects underway.

**RFID Journal: Will suppliers be able to meet the demand for tags and interrogators (readers) this year?**

**Prodomou:** We've put a big emphasis on the expansion of our capacity and on our efforts to drive costs down. Our new production facility in Fargo, N.D., is nearly complete. We're starting to install equipment. By early summer, we'll start producing RFID tags in that plant, which will have a capacity of 10 billion tags a year. So, we have plans in place to meet the demand, and as the volumes ramp up,

indications are that costs will come down.

**RFID Journal: How critical is the cost of the tag versus the performance?**

**Prodromou:** The tag has to perform well in the intended application. Customers are getting sophisticated in terms of understanding the performance parameters—read reliability, range, speed and all those things. At the same time, all of these applications are cost-sensitive, so the supplier that meets the performance and tech requirements at the lowest cost will win the business. In our experience, more expensive tags don't necessarily give you the best performance.

We're helping customers to understand what tag is right for them by providing lab services. We have the Alien Academy lab here in Morgan Hill [Calif.], and we have the RFID Solutions Center in Dayton [Ohio]. Customers and potential customers can come in and evaluate what is the right tag, the right reader and antenna configuration, and how to read the tag under a variety of conditions. Customers find that very helpful in making their selection.

**RFID Journal: Are you seeing companies move toward adopting Gen 2 EPC technology?**

**Prodromou:** The transition to Gen 2 has begun. As a leader in the Gen 1 market, we are assisting customers in their transition to Gen 2.

**RFID Journal: When will we see the tipping point?**

**Prodromou:** It is Alien's perspective that the tipping point will happen when people break through the ROI barrier. Many large-scale applications were not economical at prices we saw in 2005. It's not across the board, but there is a payback for many applications, such as ensuring the on-shelf availability of apparel, brand protection and so on. As time goes on and tag prices fall, more and more products will fall into the category where there is a payback.

**RFID Journal: What is Alien's strategy for interrogators?**

**Prodromou:** We see three dimensions to the reader question. First, readers are differentiated by performance. There is quite a bit of difference between one reader and another, and end users are becoming more aware of the role of readers in the overall performance of the system—its range, speed, the ability to interface to enterprise solutions and so on. We've been investing in continuing to improve the performance and functionality of our readers.

The second major dimension is form factor. There's a need for other form factors, besides portal readers, including mobile devices on forklifts, handheld devices and readers that are small, light and use less power for palm computers and applications that aren't as performance-sensitive. We're exploring approaches to developing new form factors.

Third is cost. It's not just the cost of the reader itself. It's the entire system cost, including antennas, installation, service and maintenance. It is our goal to drive down the total cost of RFID solutions. We are one of the few technology providers that make both readers and tags. We think that befits the market leader.

