

# CPG Manufacturers Need RFID Framework

After surveying U.S. makers of consumer packaged goods, the Grocery Manufacturers Association published a white paper promoting a three-tier template to guide RFID adoption.

By Claire Swedberg

Apr. 24, 2006—The Grocery Manufacturers Association (GMA) and IBM Business Consulting Services, having surveyed 31 U.S. manufacturers and interviewed 18 of them in greater detail, determined that grocery manufacturers—and the industry as a whole—need some sort of framework for RFID adoption. After analyzing those surveys, GMA and IBM published a white paper promoting a three-tier framework to serve as a template for manufacturers to follow as they adopt RFID technology and processes.

In December 2005 and January 2006, GMA and IBM surveyed Campbell Soup Co., Coca-Cola, General Mills, Kimberly-Clark, Procter & Gamble (P&G) and other consumer packaged goods (CPG) companies regarding their existing and planned use of RFID for case- and pallet-level tagging. The research partners then codeloped a "proposed industry-adoption framework" based on those results. The study found that while some grocery manufacturers are actively piloting RFID technology today and have faith in RFID technologies in the long-term, broadscale adoption remains a distant possibility for many others.

Although tag prices continue to drop, the study reported, several firms' enthusiasm for RFID is still tempered by the lack of good business models for deploying the technology. In addition, the industry has already embraced bar-coding systems and uses them much more heavily than most industries. For that reason, most grocery manufacturers already have a bar-code-based supply chain tracking system in place, even though this technology does not provide the capacity for individual pallet- or case-level tracking.

According to Pam Stegeman, GMA's vice president of supply chain and technology, RFID is not a "one-size-fits-all" tool. Therefore, implementing the right RFID system is still a problem many manufacturers must face. To help facilitate RFID adoption, the study urged CPG makers to adopt a framework classifying each stock-keeping unit (SKU) into one of three tiers: EPC Advantaged, EPC Testable and EPC Challenged.

SKUs with good tag read rates that offer strong potential benefits from being tagged can be classified in the Advantaged tier, while those posing difficulties and offering fewer potential benefits belong in the Testable tier. The Challenged tier is reserved for SKUs that either show no foreseeable near-term benefit potential from being tagged, or that suffer considerable tag-readability hurdles.

Some companies have already adopted such a framework (see P & G Adopts EPC Advantaged Strategy). "This study was built off of companies that have gone through pilots and what they've learned from them," Stegeman says.

Stegeman says she hopes this framework will encourage other CPG manufacturers to examine the effectiveness of their RFID pilots, and to begin dialogues with companies with which they do business. What the framework offers, she says, "is a way of classifying products and processes. We're hoping that we can use this framework to stimulate conversation with the industry as a whole."

While one RFID implementation may work for a specific manufacturer, she says, it is not necessarily the appropriate choice for another. "It takes examination," she adds. "Individual companies need to look at their own internal processes and trade partnerships."

The white paper also suggests that companies gain experience from the tagging of advantaged products, then apply what they have learned to the tagging of products in the testable tier. The full report can be downloaded from [GMA's Web site](#).

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