

# A 5-Cent Breakthrough

The news that SmartCode is offering UHF RFID inlays for 5 cents a piece in volumes of 100 million marks a watershed for the RFID industry.

By Mark Roberti

May 1, 2006—Back in August 2004, I said I would bet \$10,000 that end users would be able to buy a UHF radio frequency identification transponder for 5 cents (see [The 5-Cent Challenge](#)). Many scoffed, but no one took up the challenge. This week's announcement by [SmartCode](#), an Israeli RFID systems provider, that it is offering UHF inlays for 5 cents apiece in volumes of 100 million or more suggests there was good reason why even those who said it was impossible weren't willing to put their money where their mouth is (see [SmartCode Offers 5-Cent EPC Tags](#)).

The SmartCode announcement doesn't quite justify my optimism. I did say the tags would have to be 5 cents in volumes of 1 million or more ([Avery Dennison](#) is offering inlays for 7.9 cents in volumes of 1 million or more), but I also bet it would happen by the end of 2008, and we're not even halfway through 2006. So it seems pretty clear we will reach that threshold within two years.

No doubt there will still be people who say the 5-cent tag is not real. They'll claim this is a publicity stunt by SmartCode, that no one is going to order 100 million tags, that the company is selling tags at a huge loss to gain market share. Even if these things are true—and keep in mind that there is no evidence they are—a company selling tags for 5 cents each is a watershed for the RFID industry. As Avi Ofer, CEO of SmartCode, told me: "We want to send a signal to the market that when demand ramps up, 5 cents per tag is attainable."

I don't know if other companies, such as [Alien Technology](#) or [Avery Dennison](#), will try to match SmartCode's price, but it doesn't matter. What does matter is that end users can now see a clear trend: Vendors understand that end users need low-cost tags to make a return on their investment in RFID, and are working hard to meet that need. That means companies will be more willing to invest in RFID systems today, knowing prices will continue to come down, even as performance improves.

Neither a 5-cent tag nor the more sophisticated second-generation Electronic Product Code protocol is going to spur massive adoption. Adoption will continue to occur at a slow and steady pace as companies struggle to learn how to integrate RFID data effectively with their back-end systems, change business processes and achieve solid business benefits from the technology. A free tag wouldn't change that.

Falling tag prices, however, mean one less obstacle to adoption, and make it easier to build a business case for RFID. For that reason, the arrival of the 5-cent tag is most welcome.

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