

Gillette Confirms RFID Purchase

Update: Gillette has confirmed that it will purchase up to 500 million RFID tags from Alien Technology.

Jan. 7, 2003 - The Gillette Company confirmed yesterday that it has placed a major order for RFID tags from Alien Technology. Neither Gillette nor Alien indicated how much Gillette would pay for the tags, or the terms of delivery.

Still, the announcement is a milestone of sorts because it is the first commercial order for products that incorporate the Electronic Product Code (EPC) developed by the Auto-ID Center. It is also the first multi-million dollar order Alien has received.

RFID Journal broke the news that Gillette planned to purchase 500 million RFID tags on Nov. 15 after Gillette VP Dick Cantwell told a private meeting of the Auto-ID Center's board about the company's plans (see Gillette to Buy 500 Million EPC Tags). Cantwell said then that Gillette would buy 500 million EPC tags from Alien.

However, Gillette's press release indicates that it may purchase may fewer than half a billion tags. It says: "Gillette will begin testing tag technology through its supply chain by placing RFID tags in select products for the US market. If successful, up to half a billion tags could be placed on Gillette products over the next few years."

Tom Pounds, Alien's VP of marketing and business development, told *RFID Journal* that there are terms and conditions that would allow Gillette to order less than 500 million tags. However, he added that Gillette has committed to purchasing "a significant chunk of that total."

Gillette plans to use the tags with smart shelf technology that was also developed for Gillette by the Auto-ID Center. The smart shelves, which have built-in RFID readers, will be tested in stores in the US and UK beginning this month, as part of the third phase of the center's field test.

One of the big questions surrounding the purchase is Alien's ability to deliver on the largest single RFID order ever. The company is currently producing roughly 40,000 RFID tags per month, but has machines installed at its Morgan Hill, Calif., facility that can put tiny microchips into 1 billion straps -- packages that can be attached to antennas -- each year.

"One reason why the deal is important to us is it allows us to make the investment in high-volume capacity that, absent real visibility into how the market is going to evolve, it wouldn't be wise making," Pounds said.

Alien has joint-development agreements with label makers Rafsec of Finland and Avery Dennison to turn the straps into finished RFID labels. To stimulate the market for EPC tags, Alien will essentially buy back the finished labels and resell them to Gillette. In the future, companies may buy finished RFID labels from Rafsec or Avery.

Rafsec and Avery are ramping up production of smart labels using Alien's straps, but their capacity is also

limited. So Alien is producing a version of its EPC chip that can be attached to an antenna using conventional flip chip technology. That will enable Rafsec, Avery and others to use the chips in current manufacturing processes, which should help alleviate the current capacity constraint.

There have been rumors that a large manufacturer is about to buy upwards of 2 billion tags. Pounds said it was premature to comment on that, but he is hopeful that Gillette's purchase will stimulate others to invest in EPC-compliant tags. He added that the company is in discussions with a number of potential customers.

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