

Taking RFID's Temperature

At the EPCglobal Conference, end users were more bullish about the future of RFID than the vendors were.

By Mark Roberti

Oct. 23, 2006—As I write this, I'm on an airplane, flying back to New York from the [EPCglobal US Conference](#) in Los Angeles. Events such as this one, as well as our own annual [RFID Journal LIVE!](#) conference and exhibition, provide an opportunity to take the temperature of the RFID community—end users, systems integrators and technology providers alike. The temperature at this year's event was decidedly lukewarm. For the first time in the five years I've been covering RFID, end users and potential end users of the technology seemed more upbeat about RFID future than the vendors.

I hosted a panel that included Raymond Blanchard, co-founder and VP of business development for [TrueDemand Software](#); Simon Langford, director of transportation and RFID for [Wal-Mart Stores](#); Chris Maciejewski, IT lead for the [Campbell's](#) RFID program; and Larry Roth, senior supply chain consultant for [Kimberly-Clark](#). During the session, Langford said: "We've reached a tipping point. When we were in 100 stores, we were rolling out applications that were delivering benefits, but the business managers were saying: 'That's nice, but we have more than 4,000 stores to run.' Now that we are in a large number of stores, they are seeing the benefits, and they are asking us to roll out faster."

That's an encouraging statement for those who want to see adoption move more quickly. The surprising thing is, it's not just the RFID vendors that want to see Wal-Mart keep up the pace of adoption. It's also end users such as Kimberly-Clark and Campbell's. They understand that they are spending money on RFID today but will not see a return unless the technology is more widely adopted tomorrow.

It might not seem significant to some that Campbell's did a co-presentation with Wal-Mart at the EPCglobal event, but it is a big change. Two years ago, Mark Engle, senior director of IT for Campbell's, said—only half-jokingly—that when they did their first tests, they got some bad news: the technology worked. He pointed out that Campbell's makes soup, which is not a high-value, fast-moving oft-stolen product, so there he saw little benefit to be had from RFID. Today, Campbell's is finding that it, too, can benefit from the technology.

I also spoke to an end user from a major pharmaceutical company, who was complaining that EPCglobal hasn't moved quickly enough to create a high-frequency standard. "We've been working on this for 18 months already," he said, referring to the Health Care and Life Sciences Business Action Group to which he belongs. "The Gen 2 UHF standard only took a year from start to finish." He was frustrated, he said, because his company can't begin rolling out RFID systems until the HF standard is finalized.

You'd think the vendor community would be psyched up about the newfound enthusiasm for the technology among end users, but there was a lot of angst on display in the exhibition hall. Vendor after vendor revealed their frustration with the slow pace of adoption. Some are cutting back on their marketing. Others pointed to [Sirit's](#) layoffs and [Alien's](#) failed initial public offering as evidence that all is not sunlight and smiles in

RFIDland.

So why the disconnect? Shouldn't the vendors be happy that some of the biggest companies among Wal-Mart's top-100 suppliers now believe RFID can deliver a return on investment? You'd think so, but that wasn't necessarily the case. Vendors are annoyed by how long it is taking most companies to figure out where the benefits are and how to change their business processes. "I never thought the year of the pilot would last three years," one vendor complained.

I understand their frustration—particularly the pure-play hardware companies. They depend on volume to make money, and people just aren't buying tens of thousands of interrogators and tens of millions of tags—even the companies that see value in RFID. I'll explain why.

During the question-and-answer session of my panel, we discussed how Wal-Mart and its suppliers will work together to reduce out-of-stocks. I asked Langford the following question: "When you are testing in five stores, the supplier can see the data showing the product is in the back of the store and not on the shelf. The supplier can call the stores and get it moved to the front of the store. But, obviously, that is not a solution that is going to scale when you have hundreds of suppliers monitoring the situation in thousands of stores. So what technology and business processes do you put in place to ensure that you can react to the data and make sure the product is there?"

He said candidly that these are issues Wal-Mart is working through, and that it's a big issue that won't be solved overnight. Wal-Mart's suppliers need to change their technology and business processes, and Wal-Mart needs to do the same. Only when Wal-Mart and its suppliers together figure out what technologies and processes will enable them to react to RFID data and move product to where it needs to be will it make sense to rapidly scale up the number of SKUs being tagged.

I don't know how long that will take. No one does. So I understand the concern among vendors and the challenge they face: They are investing in new hardware and software to meet customer needs, but they are not getting the volume purchase they need to make those investments pay off. They need to manage this period carefully so that they are engaging customers and building their brands, but they also have to make sure they have enough cash to sustain those efforts until volumes pick up. Some will get it right and reap huge rewards when adoption ramps up. Others will get it wrong and won't be around—at least in their current incarnation—when the ramp-up occurs.

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