Sirit Lays Off Staff, Closes Plants

The RFID vendor says it is eliminating redundancy after acquiring SAMSys and TradeWind, and remains committed to UHF RFID readers for supply-chain applications.

By Beth Bacheldor

Oct. 20, 2006—Canadian RFID vendor Sirit announced yesterday it will lay off more than 25 percent of its staff—approximately 17 people—and close two locations in an effort to balance its cash flow.

Sirit executives say the cuts are necessary to restructure the company following its purchase of TradeWind Technologies, a developer and manufacturer of RFID readers and technology, primarily high frequency, and a SAMSys Technologies, a maker of HF and UHF RFID readers. Both acquisitions took place in April.

Sirit has long been a provider of HF and UHF RFID-enabled electronic toll payment systems and automatic vehicle identification products. It bought SAMsys largely to build up a portfolio of UHF RFID products geared for supply chain operations (see Sirit to Buy SAMSys Technologies).

"SAMSys in particular had been developing a product line for a long time and investing in building a leading-edge platform for supply chains," says Norbert Dawalibi, president and CEO of Sirit. In order to continue developing the SAMsys product line and provide necessary support to SAMSys' and TradeWind's customers, Sirit retained all of the two companies' engineering and sales staffs for the past two quarters.

"We wanted to make sure we delivered on that [the SAMSys RFID] platform and make sure we kept our promise to the customers," Dawalibi says. "Having done that, we've had to rationalize our operations." Cuts are being made company-wide, although Dawalibi acknowledges that Sirit's RF Solutions division, responsible for developing and marketing RFID products for supply chains, will have more cuts. Dawalibi says the goal is to reduce duplication, but keep the best and brightest employees.

"Most of the cuts are in the RF Solutions sector, and the reasons for that is the acquisitions. We looked across the board, but at end of day, it really is taking three companies and bringing it down to one, and when you look at that most of the cuts are coming from the RF Solutions section," he explains.

Dawalibi says Sirit will continue to invest in the technology it acquired from SAMsys and TradeWind. In fact, the company's new INfinity 510 UHF reader, a Gen 2 reader that began shipping in volume last month and which Sirit got as part of the SAMsys acquisition (see Sirit Announces Infinity Interrogator), recently underwent interoperability and conformance testing and was certified by EPCglobal (see EPCglobal Awards First Gen 2 Interoperability Certifications).

Sirit also hopes to boost its presence in the supply chain market with a new executive—Tony Sabetti—who joins the company as VP of sales for Sirit's RF Solutions division, the group that oversees development and marketing of RFID for the supply chain market, including the SAMSys products Sirit acquired.

"We still believe in the opportunities for that sector," says Dawalibi. "We are careful to make sure we don't inflate expectations, especially on the side of the supply chain, because it will take some time before we see widespread adoption of RFID in the supply chain."

He adds that he doesn't think the market has changed all that much in the past year. "When we purchased SAMsys, we all recognized the supply chain as a fantastic opportunity. We knew [the market] would happen, but what's not been clear is when it will."

Prior to signing on with Sirit, Sabetti spent 21 years at Texas Instruments, where he served as a senior executive within TI's global RFID group. Sabetti says the position with Sirit was particularly appealing to him because of Sirit's commitment to RFID's use in supply chains and other up-and-coming markets, including pharmaceuticals. "The vision of [Dawalibi] to acquire SAMSys and TradeWind as a way of accelerating Sirit into new markets is really interesting," he says. "It is a pretty exciting time for Sirit, and a compelling reason why I left Texas Instruments and came here."

Sirit's cuts include the closing of two of its development and engineering facilities—one in the United Kingdom and one in Raleigh, N.C. The restructuring will result in severance and related non-recurring costs of approximately $400,000, which the company will pay primarily in the fourth quarter of 2006.

The layoffs and plant closings seem to be prudent moves on Sirit's part, says Reik Read, an analyst with Robert W. Baird & Co., a provider of investment banking, wealth-management and other financial services. "From a consolidation standpoint, this makes sense. In Sirit's case, it sounds like it was developing an important platform and wanted the people and infrastructure around as long as it needed to make sure the platform was launched appropriately."

Read says Sirit isn't the only RFID company that's rethinking organizational structures and investments. "Companies in general are becoming a little bit more stringent in how they will invest capital in RFID," he says.

That's in part because the UHF RFID market has not expanded as quickly as some had thought. "There was a hope that there'd be somewhere between 250 million to 350 million tags used this year. I don't know what the numbers will end up being, but most people in the industry thing it will wind up less than that."

Robert W. Baird's Read says despite the lower-than-expected volume of UHF tag sold this year, there are indicators that the market is growing. "There's a lot more work [on RFID implementations] that's been done than what I expected. End users are really putting their noses to the grindstones to understand the technology," he says. "The industry is setting itself up better for the future by going through this development."