

Behind the Benetton Brouhaha

Despite reports to the contrary, the Italian retailer continues to explore the supply chain benefits of RFID.

April 14, 2003 - When Philips Semiconductors announced in March that it expected to ship 15 million I-Code microchips this year for use in RFID labels in Benetton's Sisley brand of clothes, the news seemed to validate the business case for radio frequency identification. Then, on April 4, Benetton issued a statement that seemed to indicate that the company is backing away from its RFID plans.

The statement was issued after a flurry of media articles raised concerns about invasion of privacy and once privacy advocate called for a worldwide boycott of Benetton products. The company said in the statement that it "is currently analyzing RFID technology to evaluate its technical characteristics and emphasizes that no feasibility studies have yet been undertaken with a view to the possible industrial introduction of this technology."

Many news articles portrayed the announcement as a blow to the RFID industry (see A Setback for RFID?). But the statement didn't completely foreclose the possibility that Benetton would use RFID. It went on to say: "On completion of all studies on this matter, including careful analysis of potential implications relating to individual privacy, the company reserves the right to take the most appropriate decision to generate maximum value for its stakeholders and customers."

Sources in Italy told *RFID Journal* that Benetton issued the press release in the United States because it was afraid the negative publicity over the privacy question and the threat of a boycott would cause investors to sell their stock. (The stock actually rose from \$13.42 on the day of the Philips announcement to \$15.04 on April 11.)

Benetton was also reportedly asked by financial analysts about the project and did not have detailed information about how much it was investing in the technology or how much the company would save in supply chain costs.

The original Philips release said that the tags were already being used in Sisley clothes. Benetton spokesperson Federico Sartor told *RFID Journal* that that was part of tests to see if the technology worked. Those tests were successful, but Sartor says the company is studying the business case for implementing the technology.

"There was a misunderstanding about which phase we are at," he says. "The market took it that we had introduced the technology in our shops and our clothes. We haven't done the industrial testing yet and have not made that decision."

Philips is working with an Italian RFID company called Lab ID, which is creating the finished clothing labels and acting as systems integrator for Benetton. The startup has close ties to Benetton. In fact, Mauro Benetton, the elder son of Benetton founder Luciano Benetton, is president of Lab ID. He is also director of marketing of the Benetton Group.

The Benetton Group said in its statement that its RFID suppliers have no "financial links" with the company. But given the association with Lab ID, it seems that the Benetton family has looked closely at the potential benefits of RFID and likes what it sees.

Last week, Philips released a statement indicating that the project was moving head. "As Benetton completes its cost-benefit analysis and weighs other factors, such as privacy, Philips and Lab ID will move forward with this project as planned, as the nature of this work has been focused on supply chain management," the statement said.

Marco Astorri, executive VP of Lab ID, confirms that the project is continuing. The aim is to track goods from the time they are manufactured in Benetton's plants in Hungary, Portugal, Spain and elsewhere in Europe through the supply chain and to the stores.

Benetton, no doubt, will take steps to assure Wall Street that the return on investment is there. And it will likely work to reassure privacy advocates that it will not use the tags to track customers. One option being considered is removing the RFID labels at the point of purchase.

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