

A Setback for RFID?

Some press reports suggest that the Benetton situation could hurt the RFID industry. Nothing could be further from the truth.

April 14, 2003 - On April 4, Benetton issued a press release in which it appeared to back away from plans to tag 15 million items in its Sisley line of clothing. Many press reports described the news as a huge setback for the RFID industry. This week, we show that Benetton's plans to pursue the supply chain benefits of RFID have been largely unaffected by the controversy (see [Behind the Benetton Brouhaha](#)).

It's unfortunate that Benetton was heavily criticized and threatened with a boycott, especially since the company is focused on the supply chain benefits of tagging clothes. But even if Benetton were to cancel its RFID project, this would not be a big problem for the RFID industry. In fact, I believe that recent events will have a positive effect because what happened to Benetton will serve as a wake up call to all companies that want to put RFID tags in consumer items. It should be painfully clear to everyone that privacy concerns must be addressed.

Frankly, I understand why both vendors and end users underestimate consumers' concerns. People who understand the limits of the technology know that it can't be used as "an electronic frisk," as one privacy advocate puts it. They know that there is no way companies will be able to scan information off a tag as you enter a shop and know who you are, where you bought the item, and how much it cost.

And those who plan to deploy the technology know that they don't have any evil intentions. They want to gain supply chain efficiencies. And they have legitimate business reasons for not wanting to kill an RFID tag at the point of purchase. Items are returned, and dealing with returns is a major headache for most companies. Being able to track returns with RFID tags would be of enormous benefit.

I can't imagine that Benetton was planning to put readers around the entrances of its 5,000 shops to try to identify customers. It would cost probably \$5 million for readers and then another \$5 million or more for the IT infrastructure to be able to identify a tag and get information in the hands of a sales clerk (I'm being extremely conservative here). I'd like to see the study that shows a company would get a return on that investment.

Nevertheless, privacy advocates have very legitimate concerns. Many Internet companies didn't adhere to voluntary industry guidelines. Some Web sites for kids were even asking ten-year-olds for personal data until a few state attorneys general stopped them. And the recent corporate scandals in the United States involving Enron, Tyco, WorldCom and others haven't exactly endeared large companies to consumers.

There are some people who would simply like to ban all RFID tags in consumer items. Their assumption is either that there are no benefits for consumers or that the potential harm to consumers outweighs the benefits. I don't agree with either position and am confident that educated consumers would agree with me. But I do believe that people have a right to know when there is a functioning RFID tag in an item they buy. They have a right to know how that chip can and can't be used. And they have the right to have that chip disabled if they so wish.

We are still a couple of years away from seeing RFID embedded in large numbers of products, but clothes will be among the first items tagged. So what we need now is an open, honest debate so that we can reach a consensus about using RFID in ways that that benefit both companies and consumers and protect the privacy of individuals.

That Marks & Spencer announced plans to run a pilot in which it will tag clothes at one store just days after Benetton appeared to back off its RFID plans (see [EPC in Fashion at Marks & Spencer](#)) shows that the Benetton situation is not putting the chill on RFID. I'm encouraged that the British retailer is taking the privacy issue very seriously as it plans its pilot.

I was also encouraged that Wal-Mart has said publicly that it will not deploy RFID technology in its stores until consumer privacy concerns are addressed. Since the post-sales benefits of RFID are still several years away, all companies should agree not to deploy RFID tags in consumer items until privacy concerns are dealt with. This will allay fears, give the industry time to educate people and give companies that want to use the technology time to formulate policies that will enjoy the support of their customers.

I know there will be those who will dismiss privacy advocates, particularly the more militant ones, as members of the radical fringe who speak for no one. But I think it would be a mistake to underestimate how easy it might be to swing public opinion against RFID technology. And if that happens, in my view, both companies and consumers will lose out.

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