

Winners and Losers in the RFID Market

Here's how smart RFID companies will survive the current economic downturn.

By Mark Roberti

Nov. 17, 2008—A couple of weeks ago, I laid out a strategy for how manufacturers, retailers and distributors should use radio frequency identification to cut costs in the near term and develop an infrastructure that can make them leaner, more efficient and more competitive down the road (see [When the Going Gets Tough...](#)). Today, I'd like to address providers of RFID hardware, software and services.

I've been writing about business technology since 1992, so this is not the first economic downturn I've witnessed. When technology companies sense the market is slowing, some reduce their investments in research and development of new products, marketing and staff in order to remain profitable, or to reduce their burn rate if they aren't profitable. But this strategy almost never works, and often puts the company in a hole. In the case of young companies that aren't profitable, this strategy is often one from which they never recover.

It won't be any different during the current downturn. While you cut your investment in R&D, some of your competitors will continue to invest in the future. When the recession ends and firms begin increasing their spending on new technology, your competitors will come out with new products that are a significant advance on their old offerings. Your products, meanwhile, will not be as good, and you'll wind up falling hopelessly behind.

Similarly, some RFID companies will continue to invest in marketing. They will develop a sales pipeline that will bring in some revenue in the near-term—attracting those smart end users that take the infrastructure approach I suggested in my prior column—and a lot more revenue as the market picks up again. If you cut back on marketing, there is no pipeline. You'll not only struggle in the near-term, but also miss the boat when the market picks up.

So what should you do? The answer is to invest wisely. If you have some employees who are of marginal value to the organization, they can go. But your key engineers and sales and marketing people are critical. Keep them. Invest in new products that will deliver real value to customers, and cut projects that the engineers think are cool.

Additionally, market more effectively. That's challenging for the RFID market. If you sell IT equipment, you could go to magazines, purchase lists and conduct a direct-mail campaign to select CIOs. But there is no chief RFID officer position. In many companies, it's the executive in charge of the supply chain, manufacturing, operations or security who runs their RFID efforts, so you can't simply select RFID people and market directly to them. And if you advertise in an IT or supply chain magazine, you'll wind up paying to reach a lot of people who have no interest in RFID.

The key is to go where your customers are: RFID magazines, Web sites and events attract the people responsible for radio frequency identification, regardless of their functional area (full disclosure: I run a

company that has such a magazine, Web site and events). If you advertise in RFID magazines, you'll build your brand, and that will pay off when the market picks up and every end user knows you but not your competitors. Link your online ads to giveaways that enable you to capture potential leads (hint: 45 percent of our readers say they learn about RFID applications and benefits from white papers).

Exhibit at events where you know there are potential customers interested in RFID (as opposed to those where there are a lot of people in a vertical you are targeting). Lure people to your booth by giving away a white paper that shows them how to use your product to cut costs or boost sales. And demonstrate that you can deliver value by encouraging one of your customers to speak at an RFID event.

RELATED_ARTICLES I launched my RFID business six years ago, in the midst of an economic downturn, so I know it's not easy to invest when times are tough. But the cold, stark reality is that if you invest now, you *might* fail, but if you don't invest, you almost certainly *will* fail. You got into this business because you believed you had a product that could deliver value to your customer—and if you can deliver, you will make it through this period and be a stronger company as a result.

[For vendors of RFID products and services, I spell out, in my latest blog, some of the hard lessons *RFID Journal* has learned while marketing our products over the past six years. If you are interested in learning from our experiences, see [How to Market RFID Products and Services in a Slowing Economy.](#)]

Mark Roberti is the founder and editor of RFID Journal. If you would like to comment on this article, click on the link below. To read more of Mark's opinions, visit the [RFID Journal Blog](#) or click [here](#).

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