

With every economic crisis comes opportunity. A well-scrutinized RFID project has the potential to yield a strong return on investment.

By John DiPalo

June 8, 2009—The global economic downturn has manufacturers and distributors facing unprecedented pressure to lower costs, increase asset utilization and reduce inventories, while simultaneously responding to new customer demands. According to IT research and advisory firm [Gartner](#), "supply chain management (SCM) professionals feel more pressure to focus efforts and investments on initiatives aimed at reducing costs and improving customer service. With the global economic problems, SCM applications will remain a source of needed investment."

Undoubtedly, in a difficult economy, manufacturers are challenged more than ever to strike the proper balance between reducing costs and making specific investments that will enable them to do more with the same or fewer resources, all the while enhancing competitiveness. No one can predict how long the current recession will last—but when recovery does occur, one thing is for sure: With every economic crisis comes opportunity. Some companies will improve from good to great, while others will just fade away, making room for more innovative competitors. To be among the winners, manufacturers need to answer three key questions:



Which Investments Should I Make Today, and Which Should I Delay?

Companies that outperform in challenging economic climates do so by setting strategic priorities, driving investments at the core of their business, and funding projects that can generate a quick return on investment (ROI). Innovation must not halt, even during tough times, because the market will rebound and those firms that held off will be behind the competition. A survey of some of [Acsis'](#) key customers showed that most companies plan to continue investing in such areas as radio frequency identification and business processes automation, in order to enable growth and margin improvements at a lower cost structure. But all businesses are reevaluating projects with regard to the value they can deliver—and ROI is king.

How Can I Cut Costs Without Weakening My Organization?

Some cost-cutting opportunities are obvious: workforce reduction, outsourcing operations and renegotiating contracts with suppliers. The more challenging cost reductions are in the areas of sales, marketing, research and development, and information technology. Making a cut across the board in your IT spending, for instance, can be a dangerous mistake. IT-based projects are often so deeply integrated into a company's key processes that any reduction in planned IT investments can put that organization at risk.

Businesses, however, can not afford to maintain manual processes and non-integrated systems. Those

that use this economic situation to streamline operations (such as better tracking of goods via RFID), leverage previous IT investments and integrate systems will be more likely to emerge stronger and in a better competitive position. After all, the RFID market is projected to see an 11 percent growth between 2009 and 2010, according to recent reports from [ABI Research](#). And the research firm anticipates even stronger growth in 2010, based on key economic and industry indicators, further validating the need to optimize and streamline operations in order to reduce costs.

How Can I Do More, or the Same, with Fewer Resources?

By concentrating on business processes, customers and operational efficiency, your firm can not only survive the current financial storm, but actually thrive. In fact, many companies find this to be an opportune time to reevaluate supply chain processes—from receiving through manufacturing to shipping—and look for inefficiencies.

In addition to protecting and growing their brand, market leaders know that during times of crisis, nothing is more important than ensuring the operating flexibility necessary for innovative, market-driven decisions. Manufacturing organizations must discover cost-effective methods for monitoring and managing the collection of critical information, as well as the movement of goods, products and assets through the supply chain. Simplifying the submission of transactions and ensuring data accuracy can better reflect the status of supply chain execution. RFID technology can provide a means to accomplish these goals.

Four Priorities for Today's Economic Climate

If you want to run with the best, and strike a balance allowing both cost reductions and smart investments, you should strongly consider these four practices:

- 1. *Run Lean Operations:*** Drive excess expenses out of your organization. You can reduce internal costs by improving employee productivity and streamlining operations. Strike a balance that allows both cost reductions and smart investments. RFID applications can increase supply chain visibility, enabling you to take a deeper look into your processes—which can result in significant savings.
- 2. *Automatically Collect Data Regarding Key Supply Chain Activities:*** Reliable information is the key to streamlining supply chain execution. RFID offers unprecedented levels of data reliability and intelligence that can be used to eliminate waste, target resource reductions where the business will benefit most, align manufacturing with business priorities, manage trading partners, maintain high levels of customer service, gain supply chain agility and more.
- 3. *Integrate RFID With Your ERP Backbone:*** Real value is derived when RFID-delivered operational data is tightly integrated with enterprise resource planning (ERP) systems. This ensures not only that there is a single version of the truth, but also that your company's business planners, customer service staff, and sales and finance departments all have real-time visibility into what is actually taking place at remote locations.

4. *Drive Business Value:* Corporate scrutiny of new investments is at an all-time high, as it should be. Delivering projects on time and on budget is no longer enough—companies must also focus on value. Many leading firms are adopting value-based best practices. This begins with a business case for every project or technology solution—RFID or otherwise—that identifies clear business ownership and specific measurements of success. All projects compete for the same funds, so those with the highest value and lowest risk should get funded first. Projects can be considered a success only once the promised value is realized.

Economic downturns are never fun, nor can they be easily predicted, but they do offer the opportunity to reevaluate business processes and optimize execution activities. When RFID technology is used to deliver accurate real-time supply chain information that is integrated with business systems, it has the potential to improve virtually all aspects of business operations, including planning and forecasting, customer service and satisfaction, production operations, warehousing and distribution operations.

Equally as important as technology is a structured approach to uncovering inefficiencies and areas for improvement that will offer an appropriate return on investment. Any RFID solution that you consider must meet short-term economic needs with a view toward long-term business requirements, in order to maximize ROI.

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