

# The Tipping Point

The U.S. military's decision to require suppliers to use RFID tags will have an even bigger impact than Wal-Mart's RFID mandate.

By Mark Roberti

Oct. 6, 2003 - When I launched *RFID Journal*, it was in the belief that companies would one day have no choice but to use RFID technology to track goods in the supply chain. Of course, I knew there would be many obstacles to adoption, but they seemed minor compared to the tremendous financial and operational benefits that would come with the ability to identify individual items and track them automatically, without human intervention.

I wrote back on July 8, 2002, that the market for RFID technologies would take off when Wal-Mart started requiring suppliers to put RFID tags on goods sent to the retailer (see [The Making of a Market](#)). That is starting to happen now because Wal-Mart will require all suppliers to put RFID tags on pallets and cases shipped to the retailer's distribution centers and stores beginning in 2005. Vendors are stepping up to the plate and providing the hardware and software that companies need to comply with Wal-Mart's requirements.

The news that the U.S. Department of Defense (DOD) will require *all* of its suppliers to tag shipments is going to have a profound impact on RFID adoption (see [Exclusive: Military Edict: Use RFID by 2005](#)). The U.S. military has the largest supply chain on the planet. It purchases military products, clothes, food, drugs and lots of other products.

The DOD will push RFID technology deep into the manufacturing sector. Companies such as Boeing, Lockheed Martin, Northrop Grumman and Raytheon, which supply defense systems to the DOD, will use RFID to track big-ticket items and parts sent to the U.S. military. These companies will likely require their suppliers—and there are tens of thousands of them—to tag parts and supplies. Those companies, in turn, will likely ask their suppliers to tag shipments and so on.

The DOD also buys consumer goods, such as soft drinks from Coca-Cola and Pepsi and cakes from Sara Lee. Once these companies start tagging items for Wal-Mart and the DOD, it won't be long before it makes sense for them to tag all the products they ship to customers. The same could be true of companies that sell boots, socks, bandages, medicines and thousands of other products.

The United States also has close allies in the North Atlantic Treaty Organization. It's very likely that the DOD will encourage NATO to adopt RFID technology to ensure that supplies shipped to any NATO theater of operations can be tracked. That will force suppliers throughout Europe to put RFID tags on their products. The United Kingdom has already signed a deal with Savi Technology to use the same infrastructure that the United States uses to track freight containers.

It's time for the people who doubted that widespread adoption of RFID technology was inevitable to think again. Yes, there will be issues ahead. Pilots will go wrong. Prices won't come down as fast as the optimists have forecast. The technology will not always perform as well as vendors promise. Doubters will trumpet

these up as evidence that RFID can't deliver the expected benefits. And they will be wrong.

The DOD's edict to all its suppliers is the tipping point that will drive widespread adoption of RFID technology. It's easy to see short-term hiccups, but it's hard to see large organizations like the U.S. military and Wal-Mart deciding there are huge benefits to use RFID technologies and then walk away from it for some reason.

The big question, of course, is timing. When will all companies have to deploy RFID? Eighteen months ago, I thought it would take about five years for RFID to become ubiquitous in the supply chain. That timetable still seems on track. Adoption will be slow at the beginning; Wal-Mart and the DOD may not achieve their ambitious timetables. But once these two organizations ramp up their use of RFID, the technology will spread quickly, from supplier to supplier, through the global supply chain.

I don't think I was lucky in predicting that RFID would emerge as the next important technology. Nor do I think it was a brilliant insight. As an objective observer, I was simply able to see that the only way companies could dramatically improve the efficiency of their supply chain operations was to adopt technology that allowed shipments to be identified and tracked in real-time. And I believed that vendors would find innovative ways to overcome obstacles. The naysayers—to the detriment of their companies—are still focused on the obstacles instead of the opportunities.

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