The Vision Thing

There seems to be a lot more focus on the short-term, rather than long-term, implications of RFID—and that doesn't bode well for companies that could take advantage of the technology.

By Mark Roberti

April 26, 2004—I have to admit I'm amazed by some of the articles I'm reading in the trade and business press. There is a great deal of moaning by analysts and reporters about how RFID is *not* going to deliver a return on investment in the near term. I'm a strong advocate of achieving an ROI on every RFID project. But I also believe that the focus should be on achieving long-term business goals. In other words, if you are a general, you fight every battle to win, but you never put so much focus on today's battle that you endanger the long-term goal of winning the war.

Today, the vast majority of CEOs and the analysts that are supposed to be advising them seem focused totally on short-term issues surrounding RFID. There's a lot of ink being dedicated to the cost of the tags, the cost of the reader, the need to slap and ship in order to meet mandates issued by major retailers in the United States. What we're not seeing is any understanding of the long-term implications of RFID.

I launched *RFID Journal* more than two years ago in the firm conviction that RFID technology would be ubiquitous within the global supply chain within five years. A lot of people told me I was nuts, and that was understandable then. It's a lot harder to understand those who don't believe in RFID today, after some of the world's largest retailers and the U.S. Department of Defense have mandated the use of RFID in their supply chains. The failure to embrace this reality is going to hinder companies' ability to fully exploit RFID for their own benefit.

Look at it this way: If Wal-Mart said in 1993 that it wanted all its suppliers to get connected to this thing called the Internet because that's how it was going to share data with them, a lot of CEOs and analysts might have bemoaned the fact that suppliers were being asked to make a huge investment in routers, servers, T1 one lines, a new breed of programmer and so on, with no return on investment in sight. Knowing what we know now, such objections would seem silly. The moaning about lack of short-term ROI from RFID is going to seem just as silly 10 years from now.

If RFID is going to become as much a part of the way companies do business as the Internet, doesn't it make sense to begin planning an overall strategy for how to use it to compete? Or does it make more sense to wait until the ROI equation becomes clear and let a competitor seize the day?

I know, I know—I'm naïve. It's the pioneers who wind up with arrows in their backs. Maybe. But think back to what happened when the Internet first emerged on the scene. A lot of CEOs downplayed it—as late as 1998. And then in 1999 and 2000, they were throwing money at Internet projects in a desperate attempt to catch up. And you know what? Most of those late-comers still don't use the Web as strategically as Cisco, Dell Computer and a handful of others that embraced it early on.

Gillette chairman and CEO James Kilts is one of those who has embraced RFID in a strategic way (see

Gillette Sharpens Its Edge). Kilts doesn't want just to meet Wal-Mart's mandate; he's striving to achieve breakthrough benefits from RFID in the supply chain. While some spend their time analyzing, Gillette's been busy doing. The result: The company has found many more ways to save money than it originally expected.

It has always seemed obvious to me that RFID is going to change the way we do business, just as the Internet did. Leadership requires having a vision for how the world will be tomorrow and acting on that vision. Leadership, by its very nature, involves taking risks. The challenge for CEOs—and the analyst community—is to develop strategies for succeeding in an environment that doesn't yet exist, while at the same time identifying short-term tactical projects that deliver an ROI and advance the long-term goal. That's not easy, and it will involve investing in projects that don't work out. But I would submit that those who embrace the future will waste far less money than those who try to play catch up later.

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