

# Companies Show RFID Reluctance

A survey of U.S. and European executives reveals that many firms are slow to deploy the technology and are leery of its benefits.

By Jonathan Collins

May 20, 2004—Many companies are still struggling to define how they will deploy RFID despite having already begun investing in RFID pilots and tests, according to a new survey of U.S. and European retailers, manufacturers, distributors and transportation firms. Carried out by [Deloitte](#), the [ePC Group](#) and the [Retail Systems Alert Group](#), a research and events company, the survey interviewed executives from 90 companies—none of which have yet announced any plans for RFID deployment. Presented at the Retail Systems trade show in Chicago, the results of that survey reveal a lack of development, commitment and understanding of how to go about implementing RFID.

"The biggest surprise is that such a small percentage of respondents had time lines for their RFID deployments despite having already allocated RFID budgets," says Peter Abell, president of ePC Group, which is based in Boston. The survey found that less than 10 percent of retailers and less than 40 percent of manufacturers surveyed had forecasted target dates and goals for a phased introduction of their RFID implementation.

According to the survey's sponsors, the survey indicates that much of that lack of RFID planning stems from the early nature of many companies' RFID experience: 40 percent of the manufacturing companies surveyed plan to be tagging fewer than 50 product SKU's by the end of the year while 48 percent will not be tagging any. Another cause of the lack of RFID planning is the limited amount of money that many companies have budgeted to deploy RFID technology. However, that level of investment varies greatly, even among the largest companies.

The study found that 72 percent of companies with \$5 billion or more in annual revenue will spend less than \$500,000 this year on RFID. Even so, the remaining 28 percent will spend at least \$500,000 this year and in some cases as much as \$10 million.

According to Deloitte, which is based in New York City, the variation comes from whether a company feels it has to deploy RFID in order to meet a customer's mandate. "Most companies plan to spend less than 500K, but looking at large companies, we see some are spending up to \$10 million this year, but that's not a surprise as they were caught out by the retailer mandates [and have to move quickly to meet them]," says Ajit Kambil, global director for Deloitte's Research division.

For the majority of companies, levels of spending are set to ramp up next year, according to the survey. It found that 70 percent of the companies with \$5 billion or more in annual sales plan to embark on RFID initiatives within the next 18 months.

Compared with the other companies surveyed, manufacturers had allocated some of the largest budgets to RFID deployments, but more than half of the manufacturers had "very low" expectations that their RFID

deployments would boost their revenue within the next five years. Retailers were less certain. In the survey, retailers were more evenly split, with 21 percent reporting "low" expectations and 26 percent of respondents had "high expectations" of increased revenue from RFID. Overall, 30 percent of respondents had "very low expectations" of increased revenue from RFID within the first five years of implementation.

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