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## Another Setback for EPC RFID Adoption

Adoption of radio frequency identification based on Electronic Product Code (EPC) standards to track goods moving among trading partners was never bound to be easy. Aligning the benefits for retailers, manufacturers, distributors and logistics providers is an ongoing challenge. Each company has

its own interests and goals, and is pursuing the applications that make the most sense for its business. Collaboration toward shared goals is a secondary consideration, which makes moving forward together difficult.

Wal-Mart jump-started adoption in 2003 by requiring its top 100 suppliers to start tagging pallets and cases by January 2005. Procter & Gamble (P&G), one of those top-100 companies, moved beyond the tagging mandate and worked with Wal-Mart to prove that if promotional displays are tagged to ensure they are on the retail floor when a related advertising campaign runs, sell-through can improve by as much as 20 percent.



Now, P&G has decided to stop tagging promotional displays. This is a setback for EPC RFID, as promotions execution was considered the one area in which manufacturers could see significant benefits (see P&G Finds RFID ‘Sweet Spot’ and Wal-Mart, Suppliers Affirm RFID Benefits).

Procter & Gamble was apparently frustrated that Wal-Mart was not doing more to use the collected EPC RFID data to improve promotions execution (see Procter & Gamble Halts Tagging of Promotional Displays). Although P&G continues to collaborate with Wal-Mart on EPC projects—*RFID Journal*, in fact, is working with EPCglobal to host a webinar on Feb. 24 with representatives of both companies—other suppliers will likely interpret this as a sign that they should not tag promotional displays.

The P&G news comes on the heels of Sam’s Club’s announcement

that it is lowering its fee to apply EPC RFID labels to pallets from \$2 to 12 cents, and delaying its adoption of the technology at the sellable-unit level (see Sam's Club Provides Clarity on EPC RFID Plans and Sam's Club Reduces Tagging Fee). Some suppliers that were planning to begin tagging have dropped those plans, and some that had joined EPCglobal and begun tagging have ceased their efforts.

Sam's Club is moving forward, but probably not fast enough for some vendors. Those smaller providers of EPC RFID hardware and software, already hurting since sales haven't risen as quickly as expected, have lost business and could wind up putting themselves up for sale—or go out of business entirely.

Everything that happens with Wal-Mart is important because of the retailer's size, but it is especially vital in the EPC RFID industry since the only other retailer to adopt the technology in a significant way has been Metro, in Germany. Some CPG companies are frustrated that other retailers have not gotten involved, because if adoption spreads, costs will decline and achievable benefits will increase.

There is a danger that the EPC RFID movement could simply whither if more retailers don't adopt the technology, and if companies fail to overcome the challenges of collaborating and sharing the benefits. I think that would be unfortunate for retailers, manufacturers and consumers alike, because there are great efficiencies to be had if the technology can be implemented. However, it is avoidable.

I would like to see Wal-Mart do more to ensure that EPC RFID technology delivers benefits to suppliers, and to be more open about its plans (when it can). Clear and consistent information would enable suppliers to make better decisions regarding how to adopt the technology.

I'd also like to see EPCglobal do more with the Auto-ID Labs to quantify the benefits of EPC RFID and establish baseline data that other retailers could then use to determine if they

should adopt the technology.

Furthermore, I'd like to see companies that are attaining benefits share that information with others. There are ways to do this without giving away one's competitive edge. The firms can share data and withhold information regarding their most strategic initiatives, and they can also provide information to academics, who will then share it only in aggregate with information from other companies. Bill Hardgrave, director of the University of Arkansas' RFID Research Center, has been collecting such information.

While manufacturers and retailers get their act together, vendors of EPC RFID technologies will have to tough it out, or else wait until the technology takes off in other verticals. That is already happening in the apparel industry, and tagging IT assets has suddenly gained traction as well. Some EPC RFID vendors have found new market opportunities in closed-loop applications (providers of non-EPC technologies are unaffected and continue to see healthy demand for their products).

Last week, I spoke with Tom Grant, CEO of ThingMagic, who told me his company has been having success selling modules for smart cabinets and other innovative applications, similar to the tool-tracking application Ford Motor Co. came up with last year (see *Ford Thinks It Has the Right Tool for the Job: RFID*). I also spoke to Ramin Sadr, CEO of Mojix, who said his company is seeing traction in the chemical, energy and other industries.

Tracking every unique item in the supply chain is a grand vision—one that is still many years away. There will continue to be ups and downs as companies figure out how to employ RFID technologies to their greatest benefit. The latest setbacks might delay the adoption of EPC RFID, but the benefits have been proven, and the technology continues to improve. The great value of EPC standards is that they offer a way to share information regarding the location of goods within the supply

chain. There is so much waste that can be squeezed out of the supply chain that it's difficult to imagine companies not utilizing RFID to track goods globally.

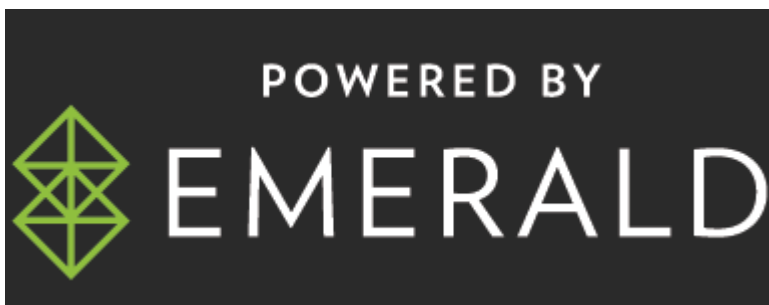
*Mark Roberti is the founder and editor of RFID Journal. If you would like to comment on this article, click on the link below. To read more of Mark's opinions, visit the RFID Journal Blog or click here.*



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