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## **Economic Downturn May Spur RFID Adoption**

Warren Buffett, the Oracle of Omaha and chairman of Berkshire Hathaway, is said to have once quipped, "Only when the tide goes out do you find out who is not wearing a bathing suit." His point? In a growing economy, it's hard to tell which companies are weak, but when the economy slows or shrinks, you

can see which companies are operationally inefficient.

The swift shift from global economic growth to rapid contraction has left many companies reeling. Some have already gone bankrupt. Many others are fighting to survive. But the stronger companies are working to cut costs to maintain profitability and increase their competitive advantage. “The companies that are cutting their investments in technology are crazy—they are going to be paying for this mistake for years to come,” says Thomas Beckmann, VP of group supply-chain management for Charles Vögele Group, a Swiss retail chain, and winner of the 2009 RFID Journal Award for Best RFID Implementation.



Many end users at RFID Journal LIVE! 2009 were looking for ways to cut costs by improving asset tracking, managing finished-goods inventory more efficiently, reducing shrinkage and so on.

Anecdotal evidence from *RFID Journal*'s discussions with providers of technology hardware, software and services indicates that companies put most projects involving capital expenditures on hold after the financial crisis hit in October. Some of those projects are now going ahead. Others have been shelved indefinitely. Some vendors were concerned that the downturn might deliver a severe blow to an RFID industry that was starting to gain traction. That view is

beginning to change.

It appears that interest in RFID technologies remains strong. *RFID Journal's* Web traffic is a leading indicator of interest globally. The chart below shows that there has been little falloff in traffic since the start of this year.

Unique visitors is the number of individuals who visited the site. Total visits is the total number of times those people came, and total page views is the total number of site pages they looked at. So if you were the only person to come to the site last month, and you came five times and looked at five pages each time, that would be one unique visitor, five total visits and 25 total page views.

The *RFID Journal* Web site did see a decline in the total visits, but also a corresponding increase in the number of pages viewed by each visitor (divide the total page views by the total visits). This could indicate that readers are more serious about RFID technology and are spending more time researching deployments.

RFID Journal LIVE! 2009, our conference and exhibition held in April, confirmed that the RFID market remains strong. While total attendance declined to 2,400 from a little more than 3,000 a year ago, due to cutbacks in corporate travel budgets, exhibitors found the floor full of end users interested in choosing the right hardware and software for specific projects, as well as systems integrators to help them get off the ground. "We had more conversations with serious potential customers than ever before," said Harold Clampitt, founder and CEO of American RFID Solutions. "We didn't expect that."

Many end users were looking for ways to cut costs by improving asset tracking, managing finished-goods inventory more efficiently, reducing shrinkage and so on. They want to deploy RFID technology in closed-loop applications—that is, applications within their own company—rather than in the open supply chain.

	Jan.-March 2008	Jan.-March 2009
<b>Unique visitors</b>	544,817	531,853
<b>Total visits</b>	1,662,645	1,308,165
<b>Total page views</b>	6,283,117	6,127,445

SOURCE: WEBTRENDS ANALYSIS OF RFIDJOURNAL.COM VISITOR LOGS

That's a smart move, given the predictions from many economists for a slow recovery over the next two or three years. There's nothing beyond government stimulus efforts to drive economic activity, most stimulus plans are too small to generate significant growth, and wages are falling, which means consumers will have less money to spend.

If growth remains slow or flat for two years or more, companies will need to find other ways to boost profits. For example, American Apparel has found that by employing RFID to improve on-shelf availability, it has been able to increase sales by 14.6 percent in RFID-enabled stores. That kind of boost in sales will get the attention of other apparel retailers and perhaps retailers outside that industry.

Manufacturers are currently looking at RFID as a tactical tool to shave costs here and there, but the downturn could encourage companies to begin seeing the technology as a strategic opportunity. "If you are deploying RFID across your enterprise to achieve a wide variety of benefits and your competitor is not, you will increase your cost advantage over that competitor," says one supply-chain executive at a Fortune 500 company (he did not want to be named, as his company has prohibited him from discussing its deployment for fear of giving away a strategic advantage). "The other thing that will happen is when the market improves, your profitability

increases dramatically because you don't need to increase your costs as quickly to respond to the growth."

It remains to be seen whether investments in RFID technologies will pick up in the latter half of this year or early next year—and if they do, how quickly that will happen. But it's clear that many RFID companies remain committed to the market and are developing new products in response to the needs of customers; a wealth of innovative products were introduced at RFID Journal LIVE! 2009. Most were focused on making RFID easier and cheaper to deploy, which reduces the risk to end users investing in the technology.



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