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EPC's Momentum is About to Pick Up

I've just returned from RFID Journal LIVE! Europe, our first event on that continent, which attracted more than 400 attendees, including virtually all major early adopters in the region. It's clear from the conversations I had that European retailers are set to begin moving forward more aggressively

with deployments of Electronic Product Code (EPC) technologies early next year, when second-generation EPC products that meet European regulatory requirements become more readily available.

EPC's momentum in the United States is also going to pick up in 2006, if not sooner. Research released last week indicating Wal-Mart is able to reduce out-of-stocks by 16 percent in RFID-enabled stores is likely to get the attention of other retailers. It's the first hard evidence that RFID can deliver benefits to retailers (see [EPC Reduces Out-of-Stocks at Wal-Mart](#)).



Wal-Mart also says it will expand its RFID tagging requirements. The company is working with suppliers that are not tagging all of their stock-keeping units to tag more SKUs. In addition, it's asking suppliers to ship to distribution centers and stores in other parts of the United States that have been RFID-enabled; currently, suppliers are only required to tag products being shipped to three distribution centers and some 150 stores in the Texas region. Wal-Mart is also moving ahead with plans to require an additional 200 suppliers to begin tagging specific SKUs. These requirements will generate significant activity and give a boost to RFID technology and service providers that have been growing frustrated at the slow pace of adoption (see [The Mood of the EPCglobal Community](#)).

In addition to the expansion of tagging requirements and the

news that RFID has reduced out-of-stocks at the RFID-enabled stores being studied, two additional developments will create momentum for EPC technologies. That's because both bode well for manufacturers that, up to now, have felt RFID was a burden, not a benefit.

First, the recent announcements of lower tag prices—see Alien Drops Tag Price to 12.9 Cents, Avery Dennison, RSI ID Lower Price Bar and Rafsec Announces Gen 2 Pricing—mean the expansion of the tagging requirement will not put as heavy a burden on manufacturers as before. Given that tag prices are now half what they were a year ago, manufacturers will be able to tag twice as many products in January 2006 for the same cost as they could in January 2005.

The head of the RFID efforts of one major U.S. consumer products goods (CPG) manufacturing company said to me at the event in Europe, “The Avery Dennison announcement is really exciting because I can get a Gen 2 inlay for less than 8 cents, and that's all I really need—and if I can have my corrugated supplier put that in the box for me before they deliver it, that lowers my cost even more.”

The second development that's great news for manufacturers is that Wal-Mart and Target have agreed to participate in a pilot in which they will share data with 13 manufacturers, in a standardized format, via an Internet electronic data interchange system known as AS2 (see Target, Wal-Mart Share EPC Data). This means manufacturers can now get RFID data in one format from two major customers, and they can get it pushed to them, rather than having to log on to the retailers' extranets and download data into Excel spreadsheets in different formats. Manufacturers hope this data will provide greater insights into what's happening at the retailers' end of the supply chain so they can use it to improve the way they replenish their products.

The pilot will help determine whether the formats agreed upon

by members of EPCglobal's Fast Moving Consumer Goods Business Action Group, which is creating data-sharing standards for the retail/consumer packaged goods industry, will work well in the real world. If they do, they will become part of the standards being established for the EPCglobal Network, an Internet-based means of sharing information about products and shipments associated with EPCs. As these data formats move forward, software companies will be able to develop applications that take advantage of this data.

Manufacturers still need to prove that such applications using EPC data can deliver real business value. But agreed-on data formats, lower prices for tags and proof that RFID tagging results in fewer out-of-stocks—and, presumably, more sales—means that meeting RFID mandates might soon be seen not as a challenge, but rather an opportunity.

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