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## **RFID Offers Benefits Today**

September 4, 2002 – RFID offers consumer packaged companies an opportunity to improve supply chain efficiency today, according to a new report by Forrester Research, a Cambridge, Mass., research firm. The report, entitled “RFID: The Smart Product (R)evolution,” spells out the challenges to RFID adoption, the opportunities and a likely time frame for RFID adoption.

Christine Spivey Overby, the Forrester CPG analyst who wrote the report, says the aim was to clarify some of the confusion surrounding RFID. "There is good news and bad news in terms of the amount of publicity RFID is getting," she says. "The good news is people are aware of it, and there are a lot of positives associated with RFID that people need to know about it. But there is a lot of confusion about what it is, what it can do, and how it works, how the CPG industry is going to adopt it."

Among the challenges early adopters face, according to the report, are the lack of worldwide data standards, the lack of an available RFID spectrum worldwide (in Japan, for example, the UHF spectrum can't be used for commercial purposes), tag and reader incompatibility, data overload and distrust among employees.

The labor issue isn't brought up often. Overby spoke to Scottish & Newcastle, a brewery that is tagging beer kegs that are delivered to bars and restaurants. The system saves the company \$25 million annually. But initially, truck drivers were unhappy that they had to spend extra time to read every keg that was put on or taken off their truck. "Down the road, as RFID begins to change business processes, the labor challenges will only increase," says Overby.

The report points out there are many benefits to using RFID, such as reducing out of stocks and theft. It suggests that CPG companies should focus on the supply chain benefits, such as improving the efficiency of warehouses. For now, Overby sees RFID being used to track reusable pallets and containers.

But companies could benefit from tracking cases of product because they will get a better understanding of where product is in the system and can ship accordingly. The key for both manufacturers and retailers will be open standards. "When you start to get to case- and item-level tagging, you have to have tags both manufactures and retailers can read because they are

the basic units of trade within the industry,” Overby says.

The report says RFID adoption could take off in 2003 and 2004, with companies using the technology to track high-value items, such as cosmetics, drugs and cigarettes. It predicts that more than 5 billion CPG objects will have RFID tags by 2005, but says it will likely be 2008 before individual items in the grocery store have RFID tags.

“The early indicators show that there are many benefits to be reaped [from adopting RFID], even at a cost of 20 or 30 cents per tag,” Overby says. “The big question is whether or not we get to the point where the economics let us cross the chasm from pallet- and case-level to item-level tagging. A lot of things have to fall into place.”

Among the factors needed to foster wide-scale adoption are global standards, low-cost tags, affordable multi-frequency readers, and successful pilots, such as the Auto-ID Center’s field test. Overby also says that “power retailers” like Wal-Mart and Ahold will have to drive adoption.



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