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The Meaning of a Retail CEO's Comments on RFID

I am often asked when radio frequency identification technology will take off, and I have replied, only half-jokingly, that it will happen when financial analysts begin asking CEOs about their RFID deployments during conference calls to discuss quarterly or year-end results. "CEOs suddenly

gain an understanding of the value of new technologies when Wall Street is expecting them to be using it," I would explain.

I saw this when I covered Internet technologies for *Information Week* and *The Industry Standard*. CEOs who were quoted as saying the Internet was hyped and had no business value one week would suddenly be throwing money at Internet projects after analysts pressed them to explain their Internet strategy.



That's why it struck me last week when Pablo Isla, the chairman and CEO of Spain-based multinational clothing retailer Inditex mentioned RFID at the company's annual general meeting (see [Inditex CEO Announces RFID Expansion Plans](#)). Inditex, one of the world's largest fashion groups, operates more than 6,300 store locations worldwide, and its brands include Zara (its biggest division), Massimo Dutti, Bershka, Pull and Bear and Stradivarius.

I've known for years that Zara has been employing RFID at its distribution centers and at some of its stores, but the company has always declined to speak about this on the record. And then, last week, Isla reported that the technology is already in operation at all of Zara's DCs and at more than 700 Zara stores within 22 countries. His company, he said, expects to have RFID installed at all 1,991 or so Zara stores by 2016, with plans for a gradual rollout across the rest of its chains.

It could be the company was not comfortable talking about RFID until it was fully satisfied that the technology was

delivering benefits, and that its use would be expanded. But I also think the comments mark a shift in attitude toward RFID. Whereas the technology was once seen as a solution without a problem, or something too complex to get right, it is now viewed as delivering real business value. Inditex is publicly listed, and Isla's comments were made to shareholders. He would not have made such remarks if he didn't think they would be received well by his audience.

This is important. We know, from Gartner, that new technologies go through a hype cycle. When a new technology bursts onto the scene, everyone assumes it will deliver miraculous benefits. There is a peak of inflated expectations, which RFID probably hit in 2005, when numerous business publications wrote that RFID spelled the death knell for not just the bar code, but supply chain inefficiencies as we know them.

Then there is the trough of disillusionment. Interest in the new technology wanes as it fails to deliver the inflated expectations. The real value of the technology then slowly begins to be understood, and you reach the slope of enlightenment. Finally, the technology reaches the plateau of productivity, when everyone is using it.

We have certainly turned the corner. Many companies now understand that RFID can help manage complex inventories, provide real-time visibility of assets and work-in-process, automate many processes and so forth. I expect that more retailers will begin to talk to the investing public about their RFID plans. That will earn the attention of other CEOs, and before you know it, we will be hurtling toward the plateau of productivity.

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, the Editor's Note archive or RFID Connect.



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