- Subscribe
- Search

When Oil Is $200 a Barrel

The price of oil exceeded $135 per barrel last week, and some experts are now predicting we’ll see crude hit the $200 mark before too long. This means most companies will see their costs for producing and shipping goods rise at a time when disposable incomes are stagnant. The only way to continue growing their businesses will be to find ways to take costs out of their manufacturing and distribution processes.

I’m no economist, but my personal view is that higher oil prices will become the norm. I know the experts say 50 percent of the price of crude can be attributed to political risks in the Middle East and elsewhere, as well as the weak U.S. dollar and speculation on the open market. So the price could moderate, particularly if speculators get burned. But the laws of supply and demand still apply to oil, and the fact is that supply is finite and demand is rising, as the economies of China, India and other countries grow rapidly.

Companies need to begin thinking about how they will remain competitive in a world where energy prices are high. In part, that means creating energy-efficient products. I recently read that Hewlett-Packard has developed a printer that will use 40 percent less electricity than most existing models. That’s smart. But businesses also will need to figure out how to take cost out of their operations.

Wal-Mart, which launched a sustainability campaign even before the price of oil spiked, believes using RFID to make sure the correct goods get to the right store reduces the number of trips trucks make between a distribution center and a store, thereby saving fuel and the environment. But RFID’s role could go way beyond that, bringing efficiencies across the supply chain so the proper raw materials are sent to the right factory and used efficiently. Companies could save money by making sure perishable commodities are used on a first-in, first-out basis, as well as by reducing manufacturing mistakes by allowing better tracking of work-in-process.

Better replenishment algorithms based on near-real-time RFID data from stores could allow factories to produce, store and ship less product—and to throw away less product that has become obsolete or spoiled. RFID systems combined with GPS and other technologies could enable trucks to take the most efficient routes to retail locations. And better tracking of goods in stores could ensure that consumers can find the items they want so they can make fewer trips to purchase them.

RFID alone won't compensate for the high price of oil—not by a long shot. Companies need to look for every opportunity to reduce energy use and cut costs—from energy-efficient light bulbs to more fuel-efficient trucks. They should also consider any technologies that can help reduce costs and energy use. The firms that do this effectively will be those thriving even when oil reaches the $200-a-barrel mark.

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.*