

RFID News: Xterprise's Dean Frew on RFID Applications, ROI, Software, and More

Wal-Mart's Program Didn't Meet Expectations, but Dramatically Drove Technology Forward Anyway; After Stage 1 Rocket Booster, Looking for the Next Source of Power

SCDigest Editorial Staff

This is part 2 of our Thought Leaders interview with **Dean Frew**, CEO of Xterprise, an RFID-focused applications and solution provider. You can find part 1 of the interview here: [RFID Can Transform a Business, Xterprise's Dean Frew Says, but Change Management Challenges Slow RFID Progress.](#)

On the many opportunities for RFID to dramatically improve supply chain processes:

"Just consider, for example, that there are something like 700 million reusable transport containers out there somewhere," Frew said. "Does anyone really know where they are? The opportunity in that niche alone to provide a real-time visibility and control system using RFID is enormous, and that's just one of many of these types of opportunities."

On Wal-Mart's RFID program/mandate:

"Yes, the results of the Wal-Mart program were disappointing, but you have to also look at the positives," he said. "There was something like a billion dollars of investment into RFID companies since 2003, and much of that would not have happened without the Wal-Mart program. That investment has enabled us to have a 10X improvement in reader performance since that time, and a 90% reduction in tag costs."

He also thinks that the very nature of "compliance programs" means progress is often slow.

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do something that would save them money and benefit their shareholders, and that may not have been directly aligned with the interests of suppliers." Frew said.

"I do think Wal-Mart could have done more to get buy-in from some of the large CPG companies, and that would have helped some, but it wouldn't have eliminated the fundamental tension of the customer-supplier relationship," Frew added. "Wal-Mart wanted to impose a cost on them that would primarily benefit Wal-Mart. But it's important to be clear that they were doing it to benefit their shareholders, not to inflict pain on the suppliers."

Frew said that Wal-Mart's move to drive RFID technology development forward was a bold one that has ultimately benefitted the entire industry.

"Wal-Mart knew that the technology wasn't really ready when they started the program in 2003, but I think they decide it was time to "push this rock down the road," because they knew if they didn't it

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would take years to develop on its own," Frew said.

Frew added that he compares the RFID market to a rocket launch, with the initial Wal-Mart program being the first stage booster that takes the spaceship so far, but then sputters out and returns to earth.

"Now it's time for the second and third boosters to add the power," Frew said.

He also said there may be other drivers of RFID adoption than pure operational savings, such as the reduction of risk.

"One financial company said at a recent conference that if they lose a hard drive with customer data on it, they have to tell Congress in 10-12 days if they can't find it in that time," Frew said. "That's a pretty powerful motivator to maintain control of those assets more effectively."

On the role of "mandates" and compliance programs in driving RFID forward:

"Customers in the end probably have to drive much of this," Frew believes. "Look at automotive, and all the benefits that have happened in that supply chain from the labeling the OEMs starting requiring all the way back in the early 1990s. Would the suppliers have ever done that on their own? Of course not. But in the end it benefits the entire supply chain."

"So I think it will largely fall on large companies to pull RFID through from their suppliers," Frew said.

What is the prospect for some of these programs to start coming from additional retailers?

"In general merchandise and grocery retail - that will be slow, gradual effort," Frew said. "Fashion, shoes and apparel will be faster, and at the item level. A key issue will be complexi-



ties with source tagging in Asia, but as that gets resolved it can really take off."

In specialty retail, "You may see a lot of small rockets go off quickly," Frew said.

On barriers to RFID adoption:

"Today, the hardware is very good, but it will help if prices continue to come down," Frew said. He added that even now, if companies were to buy in volume, reader and tags could already be acquired at much greater discounts, "but you won't have that with companies ordering onesy-twosies. You need larger volume purchases," and that will only come as companies move beyond the pilot stage and small scale rollouts, he said.

He agreed that more information about RFID applications and their business benefits needs to be communicated to help spur adoption.

"Many companies have been doing detailed ROI analyses, but they have been keeping them private," Frew said, and the big consultancies often want to keep their ROI insights to themselves as well.

Also, the potential benefits and application of RFID "are often company-specific, and sometimes different even between sites within a company," Frew said. "We've seen that many times - this plant has this application and ROI, and another, maybe which was acquired, has something different. Some are

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run by third parties, some in-house, etc. So the value equation varies," he notes, and he adds that makes the insights into ROI at any one company less valuable to the general market.

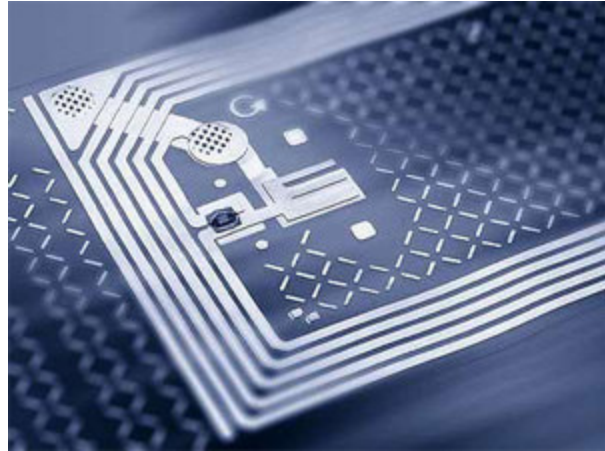
But, Frew noted, in the fashion apparel market, "A general business case is emerging in terms of reduced out of stocks. If you can source tag and improve inventory management, there is this kind of return. You have maybe 15 companies saying that now."

Frew said that using RFID, "You can do a rack inventory in 40 seconds versus something like 8 minutes with bar code, and that's with a 30% error rate with bar code if you can get the 18 year old worker to do it to begin with."

In terms of barriers, Frew also says, "It comes back to the application problem again [[see part 1 of this interview](#)]. That is always the key to the discussion at the level we are usually at. Companies come to realize this could be transformational, and drive an incredible increase in asset utilization. But you need new applications to achieve those results."

Some final thoughts:

"Sometimes, you just have to have a decent feel for the numbers, know this level of visibility can



transform your business, decide "I'm jumping in," and just make it happen," Frew added.

"Then how long will it be before some competitor is sitting around a meeting and the CEO is saying, "Why is this competitor having stronger earnings than we are?" Someone will then say "They're using RFID", and the CEO will pointedly ask, "Why aren't we doing that?" I think most businesses would rather be the first company, not the second one," Frew concluded.