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RFID Thoughts Leaders On the Current and Future State of RFID

Our Expert Panel Shares their Perspectives; The "Post-Wal-Mart" Era

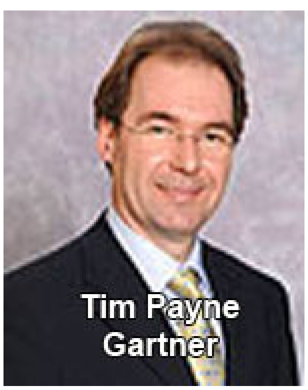
SCDigest Editorial Staff

Last week, SCDigest editor Dan Gilmore shared his thoughts on where we are at right now with RFID. (See **RFID State of the Union**.)

That column was based in part on input from a number of experts, including Gartner's Tim Payne, AMR Research's John Fontanella, Xterprise's Dean Frew, and ARC Advisory Group's Steve Banker. Highlights from these expert's comments to SCDigest are provider below.

Tim Payne - Gartner

Around 6 months to 18 months it was very quiet around RFID – the post Wal-Mart effect.



The last six months we have seen inquiries really pick up around RFID. Companies are revisiting RFID, but from a different perspective. It is no longer: "Here's a new technology, now can I find a business problem to throw it at?" Instead, it has changed to: "I have a well understood business issue, is an RFID-enabled solution the right answer for me?"

Some companies are their 2nd or 3rd iteration of looking at the technology for applicability.

Companies like closed loop opportunities – they can get their arms around them, they can understand the scope, they don't have to be too concerned about standards, etc. Most of the projects we see are now closed loop and many fall into the asset tracking/management category. There are certainly a number of healthy projects out there – just the scope is much tighter, and they are more focused. The RFID business case focus is moving a little away from just cost reductions into business process innovation. For example the combination of sensing technologies is opening up opportunities for novel ways of doing things.

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Tim Payne, Gartner

The RFID vendors are responding by trying to develop more complete solutions – it is not just about having the technology but about having a focused solution that works. I think we will see most of the RFID vendors get more focused on key verticals and solutions. It is still difficult for them to make money but I would say generally they are getting by at the moment. But expect more consolidation as they build out solutions.

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John Fontanella, AMR Research

Things are pretty slow in supply chain applications for RFID right now. However, we will see all the action in retail over the next year. There are some very interesting pilots happening there.

For too long, the fortunes of RFID and the Wal-Mart supplier mandate have been inextricably linked.

In retrospect, the burden the industry asked Wal-Mart to carry was too heavy. Trying to standardize how an entire industry works usually starts with great fanfare and ends in even greater disappointment.

Technologies are broadly adopted because they deliver value, not because their use is mandated. Finding this value is by definition a long and sometimes painful endeavor, resulting in countless failures before effective and scalable solutions are developed. The scope and aggressiveness of the Wal-Mart mandate blinded the industry to this reality. But in the end, the laws of technology adoption won out, as they always do.

However, recently listening to the audience of almost 300 technology vendors and end users discuss their projects, products, and services, it became apparent the industry has weaned itself away from its dependency on Wal-Mart and grew in other directions. For RFID technology adoption, this is its tipping point.

AMR Research finds that the companies that take a more simplified and focused approach to the use of RFID technology incur much less risk in implementation, receive tangible value, and build capabilities that give them significant differentiation from their competitors.

The market validates this view. Successful RFID projects are inevitably closed loop in nature and will be for the foreseeable future. This actually works in the favor of creating industry-wide initiatives. As RFID establishes itself as a valuable technology resource internal to a company, it lowers the barriers to justifying its use on a much broader scale.

When viewed individually, most of the RFID projects underway today seem simplistic and, well, dull, when compared to the excitement and controversy raised by the Wal-Mart mandate. In the aggregate, though, they represent why we can confidently say the industry has reached its tipping point: the formation of an experiential, technological, and revenue base from which further growth will come.

Dean Frew, Xterprise

The results of the Wal-Mart program were disappointing, but you have to also look at the positives. There were 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.

Companies are now recognizing that RFID can be transformational in their business.

We're still really early in the adoption curve. But there is a tremendous amount of activity we're seeing both in the areas we work directly in and those we don't.

Millions of people in the general public are aware of

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what RFID is and that it will be a part of their lives – and that's a good thing. They have RFID on key fobs and access cards and credit cards and toll booth systems, etc. Many of them have heard about some of the stuff Wal-Mart is doing. Some of this was happening when Wal-Mart announced its program in 2003, but people didn't really associate it with RFID. Now they do.

So, we starting to see RFID as a brand, if you will.

Think about the power of everything having an identity. It allows you to automate processes and collect an amazing amount of data, with no human being involved. We call it the "High Definition Enterprise" – a completely different view of what's happening in your company.

The visibility can drive a step-function improvement in business results. It's becoming a movement among many companies.

Just imagine when you are a CPG company and you can see where every end-of-aisle display is within a tenth of a second as it moves out to the floor during a promotion, or if you are a CIO you can see where all of your computer network assets are in real-time across the globe. You can't go back to where you were before after you have that kind of visibility.

Process changes in a company are much slower to evolve than the technology. For awhile, I think there was a belief you could just spread RFID pixie dust on a corporation and change would happen, but it doesn't work that way.
Getting the XML data out of the reader and sending it somewhere is almost trivial these days.

There aren't enough programs and applications yet that can take advantage of the data. There was a focus for a long while on the middleware, the low-level stuff, but that's being commoditized. The real focus should be above that, at the application layer. What is happening at the hardware and middleware layers now is generally fine and not at all a barrier to adoption.

You have to build applications that understand, for example, how the data center manager really does his or her job, what kind of information they need to do that job better [for IT asset tracking applications, for example]. We're just scratching the surface of that at this point in terms of supply chain applications.

We are talking about new ways of thinking. Companies are doing some pilots and seeing the value in a limited application, but then they have to extrapolate those results across a broader deployment. But they want to get to that better place.

Steve Banker, ARC Advisory Group

As we predicted, retail compliance-driven RFID is moving slowly because of poor ROI for suppliers. The hype around RFID has had positive effects in other application areas, however.

Steve Banker
ARC Advisory Group

Many companies now understand that there can be good ROI around using RFID for asset tracking and maintenance, and in yard applications, for example.