

## Do Hopes about RFID ROI Equal the Reality?

### If 75% of users Expect Payback within Two Years, Can ROI Really be a Barrier to Adoption

SCDigest Editorial Staff

It depends on your perspective, but is a two-year payback for RFID-based systems good enough to provide a solid economic justification?

While a "one year" payback is something of a gold standard in terms of rapid payback, the reality is that the ROI thresholds or "hurdle rates" in most companies can be met with full paybacks that occur within two years, and sometimes even longer.

The latest survey results from ABI Research finds that a full 75% of the 185 respondents it questioned expect payback from RFID-based systems to occur within at least two years. Just over 37% of those respondents expect payback within one year, as shown in the table below.

A large barrier to RFID deployment, as ABI notes, is that while many users may be optimistic about the ROI, there is not much information out there to help them estimate that return more precisely.

"A general lack of clear ROI (return on investment) models and data on real-world results has slowed adoption of RFID technology, particularly in open-loop supply chain environments," ABI notes.

ABI adds that expectations for RFID ROI are especially fuzzy in so-called "open-loop" or cross company implementations. "Closed-loop" projects that

***A large barrier to RFID deployment, as ABI notes, is that while many users may be optimistic about the ROI, there is not much information out there to help them estimate that return more precisely.***

are self-contained within an area of business or supply chain are naturally more controlled and lend themselves to a more clear ROI assessment.

"Obviously, we are in a bit of a chicken and an egg scenario in terms of RFID ROI," said SCDigest editor Dan Gilmore. "While there appears to be solid, proven ROI in areas such as asset and work-in-process tracking, in other areas we have relatively few examples, so much of the ROI is more theoretical than fact-based at this point."

ABI believes that the reluctance of many companies that have obtained RFID ROI insight to share that data is keeping a lid on RFID deployment.

"One of the great problems in formulating useful ROI models and setting goals has been the reluctance of many end-users to share what they have learned," ABI practice director **Michael Liard**. "It has been holding parts of the industry back."

**Expected Payback from Investments in RFID**

Less than 12 months	12-18 months	18-24 months	More than 24 months	Do not know
36.7%	25.0%	13.3%	6.7%	18.3%