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Will RFID Software be the Driver of the Market and User Adoption?

Like Bar Code before it, Hardware Focus Fades; More Software Needed that Takes Real Advantage of RFID-based Process Innovation?

SCDigest Editorial Staff

Though statistics vary, there seems no question that a combination of the recession, the struggles Wal-Mart has had pushing its programs, and the natural "hangover" many if not most new technologies have after an initial surge, that in supply chain applications the market has slowed significantly.

A recent report from ABI Research, for example, found that much of the expected RFID growth over the next 2 years will likely come from non-supply chain applications such as transportation and "documents."

As happened with bar code before it, in the end, it will probably take a new generation of supply chain related software that is built to specifically take advantage of RFID capabilities – and that often means doing a lot more than just replacing a bar code field with one that accepts an EPC number or other RFID identifier.

Some of that software is here; more is coming. Ultimately, it is the software, not the hardware (tags, printers, readers), that will drive the market, even though much of the early focus was on the hardware manufacturers, various hardware standards, and the multiple rounds of hardware improvements.

Software Pulls Hardware Through

Many in the market were counting on Wal-Mart to drive the RFID hardware market to soaring levels. This effect would come from several angles: Wal-Mart itself, Wal-Mart suppliers that would need to buy a lot of equipment to meet the requirements, and then other retailers jumping into the fray.

As the market has changed, hardware manufacturers are increasingly realizing that software and solution providers will be perhaps the key channel that "pulls" the hardware through, rather than there being a strong market for hardware sales stand alone.

But with the Wal-Mart program stalled, that hardware pull through hasn't happened, and other RFID markets that are doing better (asset tracking, closed loop systems) haven't yet picked up the slack, in part because they are often less hardware intensive.

"I wouldn't want to be in the hardware only business right now," said **Dean Frew**, CEO of Xterprise, a provider of RFID-based solutions. He says that while there are still some new hardware iterations that are scheduled for release in coming months, many hardware vendors may scale back on R&D until the market picks up.

Frew also says that new platform software, such as Microsoft's BizTalk software, have standardized many of the hardware interfaces, serving to further commoditize reader hardware even more.

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Frew says that it is "process innovation" that ultimately will drive RFID adoption, and that software will be at the core of those developments.

"Everything moving in the enterprise will have an unique identity. It will be monitored, measured and managed at wherever in the process you want to, not where you what to have people," Frew says. "The new fidelity of data will enable new execution systems that bolt onto existing "commodity process." ERP systems will not change easily or fast enough."

Alan Sherman, director of marketing for OatSystems, another RFID solutions provider that is now a part of Checkpoint Systems, agrees.

"That is an interesting observation – there certainly is a lot of action in the software arena now, Sherman told SCDigest. "More often than not, solutions that have a measurable bottom-line impact will leverage best-of-breed software as well as industry standard hardware. It makes sense for partnerships to develop throughout the RFID industry in order to provide complete, proven solutions to customers