

**Editor's Note:** Today's top story is a recap of last week's RFID ROI Summit in London from [Joe McKinney](#). Joe was a contributing writer for RFID News & Solutions magazine and currently serves as the vice president of business development for [System Planning Corporation](#) in Arlington, VA.

## Recap of the RFID ROI Summit

By [Joe McKinney](#), System Planning Corporation

After a short hiatus from RFID events across the US and Europe, there were three things that struck me upon attending the annual [RFID ROI Summit](#) last week in London:

1. RFID is starting to allow businesses to get a glimpse of the "flow economy." In the flow economy, product, cash, and information are all constantly flowing through the network. No longer are businesses satisfied to have product sitting around in piles "just in case," or to have trucks and other partners waiting idly for check-in, appointments, verification, or the right signature.
2. There is an increasing realization that forecasting accuracy has been exhausted, and that unavoidable "market uncertainty" has been bounded as much as possible. The new area of cost to attack, the area where uncertainty is absolutely manageable to almost zero impact, is "structural uncertainty." Structural uncertainty is when a company does not share or transmit supply chain data to its business partners, forcing them to accommodate their own lack of information by, for example, holding excess inventory. The costs created by structural uncertainty can be reduced by sharing information throughout the business network and using it in real-time operations.
3. Companies are increasingly willing to "go public" with their participation in RFID efforts. Laing O'Rourke, the major international construction firm, spoke about its use of RFID over the last two years, and the UK's Royal Mail was cited for its application of RFID in service performance measurement.

There were about thirty speakers at the show, including Simon Langford, Wal-Mart's director of RFID programs. As part of his progress report to the attendees, Langford demonstrated the large improvement in technical capabilities realized by the adoption and commercialization of Gen2. Read rates have improved more than 35% over Gen1, and tag costs have fallen considerably. Wal-Mart RFID partners are sharing in business benefits such as a 29% improvement in promotional execution and a 63% quicker elimination of out-of-stocks when compared to non-RFID enabled operations.

The lead-off presentation was another conference highlight, as Ellen Daley of Forrester Research observed that widespread adoption of RFID will require a new wave of business process transformation, similar to the reengineering trend of the early nineties. Additionally, she asserted that RFID is at its essence a collaborative technology, so the realization of its most promising benefits will require a critical mass of users. Daley said

that although RFID ROI is plentiful, it is very much situation-specific; each company, each industry, and each set of business partners must measure its own benefits.

David Decker of Ford Motor spoke about his company's RFID efforts in manufacturing processes, which were initiated all the way back in 1987. Unlike other manufacturing giants' RFID applications, Ford has decided to store only unique identifier information on its tagged components. All other data associated with a particular object is stored in the network. By contrast, Boeing seems to be taking the opposite approach in the aerospace industry. (More on this next week when we report on the [Aerospace Auto-ID Programme](#) meeting in London.)

BP Lubricants, a volunteer participant in Wal-Mart's first round of supplier compliance, has experienced the increased speed of item- and store-level replenishment cited by Simon Langford. While BP did not provide any figures, senior strategic project manager Daniel Cadigan did say that BP's Collaborative Strategy, of which RFID is a part, is leading to business growth not otherwise attainable.

Lee Doherty of Rolls-Royce emphasized financial benefits: RFID-enabled automated payment processing by the UK Ministry of Defense (MOD) has resulted in better cash flow for the company. The MOD pays Rolls-Royce automatically when RFID-tagged product and shipments are received, bypassing what has historically been a 30- to 45-day wait. Furthermore, Rolls-Royce has improved logistics performance measurement, gaining the ability to contract for services on a performance basis.

Swanee Yourkowski, business manager for Boeing RFID systems, had a sobering statistic for anyone still satisfied with manual key entry in receiving procedures: "fat-fingering" causes an error in one out of every 30 keystrokes. For a company like Boeing, receiving 50,000 parts daily, this level of errors is completely unacceptable, and RFID is being deployed as the hands-off solution.

From all the many observations and reports shared at the RFID ROI Summit 2006, it is clear that RFID progressed considerably in 2005. There seems to be a consensus that due to more mature technology, lower costs, and hard-earned experience, ROI-yielding deployments will grow dramatically this year. Indeed, throughout the show I was reminded of a quote from the famous American poet T. S. Eliot: *Hurry up please, it's time.*

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