

“The apparel industry uses hard tags that are visible and impossible to remove without the proper tools,” Dunn added. “I think this is a great format. The hard tag protects the RFID IC and is reusable. Costs can be amortized over many pieces of clothing. And, the tag absolutely stays with a garment until it is ready to go out the door.”

### ***Recession can cause pain***

In almost striking contrast to many of his competitors, Dunn believes an economic recession would definitely hurt the auto-ID industry and especially the RFID sector. “When a retailer has to ‘oversee’ too much, you’re back to page one,” Dunn told *SCAN/DCR*. “Choosing tag formats, hardware vendors, middleware providers...it’s just too timely and expensive for retailers to pull-off during difficult economic times when money is tight. When times are tough, anything that’s a learning process might be cut from the budget.

“Equipment has to solve a problem,” Dunn continued. “The best bet is if it can solve a problem by itself. If more components, with respect to technology, are needed in the solution, the odds of adoption are less. An emerging technology without guaranteed ROI has little chance of succeeding during a recession. When you need advanced training and software, or some as yet undeveloped component, it will be a hard sell.

“The exception to all this will be giants like Wal-Mart and **Sam’s Club**—companies that already have fairly well-developed mandates in place and where RFID’s adoption is past the testing stage. These companies already know and understand the value and benefits RFID offers. Wal-Mart’s whole future is geared toward innovation that reduces costs.”

After the University of Arkansas event, Dunn said it was very clear that companies are looking at RFID on their own and are not mimicking or mirroring what Wal-Mart is doing. “Dr. Hargrave told us that an RFID project doesn’t start out with an investigation of RFID,” Dunn explained. “First, a company identifies a problem. Then, it determines what data it needs. Only after these first two steps do companies begin to look at what technology will solve their problems.

“RFID works as stated, but it doesn’t do everything all the time,” Dunn continued. “It’s not always the perfect technology solution to a problem. This is a sign that the industry is maturing. We know our technology works, but now we are in the process of determining where it works best.”

### ***The Sam’s Club initiative***

More and more, vendors are touting the Sam’s

Club initiative as the model to watch. Dunn told us, “The Sam’s Club initiative is a really well-thought-out approach. Sam’s Club has looked at how RFID can be a winner for all involved with its use. Basically, the giant retailer believes: what’s good for customers is good for all. The more goods it sells, the better it is for suppliers.

“Sam’s Club is considering a move to item-level tracking in an environment that looks like a warehouse; it has to know where its stuff is and its sales are in bulk supplies. The case is the item. It’s a very enlightened way to use RFID.”

*Comment: Dunn always shares a unique approach to evaluating the AIDC industry. With his strong background in the retail sector, he is able to give us a birds-eye view of what the largest customers in the market are up to. If his assessment is correct, we should all proceed with caution if the economy continues to drag.*

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## **Alien's Everhart Says RFID Is On A Roll**

The RFID industry is full of speculation... speculation about how quickly the market will grow, what technologies will prove to be frontrunners in sales, and, if current economic situations will put the brakes on new installations just as things are beginning to really pick up. There are a handful of execs in the industry who can honestly say they have their collective thumbs on the pulse of the RFID movement. **Alien Technology** CEO George Everhart is certainly a member of the select few, and he says RFID is “on a roll.”

“Recently, we had some major sales...sales involving 10s of millions of tags each,” Everhart told *SCAN/DCR*. “We also received a huge order for a closed-application requiring over 100 million tags per year. I can’t drop names yet, but this is certainly an indication of how the industry is moving forward.”

Continuing, Everhart referenced a recent letter that went out from **Sam’s Club** to its suppliers. For those who may not have seen the letter, the essence is Sam’s Club is levying a \$2 penalty on every pallet coming into its facilities without an RFID tag. The proceeds will be use to place RFID tags on the untagged pallets. The \$2 figure represents an 80-

cent premium over the actual cost to tag each pallet. Everhart said that the \$2. is really not a penalty since the company is using the money to do its own tagging.

In 2007, Everhart said Alien also realized a significant amount of growth in international sales. As recently as last month, Alien completed an RFID-based, warehouse distribution center system for inventory and shipment tracking for logistics provider, **Diakinisis**. Located in Athens, Greece, the system uses Gen 2 Squiggle® and 'M' tags and ALR-8800 readers from Alien Technology, with RFID installation services provided by **Business Effectiveness**, an Alien Technology solution integrator.

"The three big factors affecting sales at this point are international adoption, closed-loop installations, and the Sam's Club RFID initiative," said Everhart. "It would be a major breakthrough for the industry if 100% of Sam's Club suppliers got behind the initiative and adopted RFID."



**George Everhart,**  
CEO, Alien  
Technology.

"There are some really big closed-loop installations coming in the United States, this year," the Alien CEO continued. "We are past the pilot stage. Two or three of these companies are household names."

If investment trends can be used to determine the stability of an industry, RFID is still healthy. Alien recently closed a \$50 million funding round, and Everhart believes more money is on its way. "We received the money we needed for debt funding," he told us. "Now, we can continue to execute our business plan."

### **Thoughts on a recession**

Everhart takes a middle-of-the-road stance on how to approach a recession. "I wouldn't go as far as to say our industry is recession-proof," he explained. "Perhaps, recession-resistant is a better term. There will be pockets where sales may slump, but not across the board. Big international businesses are not hit so hard by a U.S. recession. The current exchange rate is the silver lining if companies are doing business on an international basis. The exchange rates make our products very enticing."

### **The realities of closed-loop systems**

We hear a lot about closed-loop systems and how they are the real profit centers for RFID sales. But, Everhart says you can't make a general statement that covers the entire market. "First, open-loop

systems are still very real and represent a huge potential market," he told *SCAN/DCR*. "We would all be foolish to ignore this sector of our business. It is alive and well. We just aren't seeing as big a growth rate as we expected."

"The second point to note is that some people think closed-loop means you don't have to operate in a world of standards. This couldn't be further from the truth. Standards are critical in closed-loop systems. Users don't want to get locked into a single supplier, and, at some point, their system may have to interoperate with their customers' systems, even if that isn't the case for now. Users should not limit their potential when it comes to adopting RFID."

Continuing, Everhart noted the positive aspects of closed-loop technology. "The nice thing about a closed-loop sale is that the decision on what tags and terminals to use is in the hands of a single person—you don't have to please thousands of people," said Everhart. "But, whether it's a closed- or open-loop sale, the important thing to remember is we're not focusing on selling technology. Rather, we are offering solutions to problems and guaranteed ROIs. Technology is critical when it comes to things like performance, cost, and standardization, but we need to tout some strong ROI information from niche market segments."

### **Daisy Brand expands RFID use**

In mid-January, **Daisy Brand** announced it is adding to its RFID initiative. The leading dairy company, known especially for its sour cream and cottage cheese products, has proactively been employing RFID for inventory tracking since the beginning of 2005. The RFID expansion in 2008 includes the installation of the new Alien® ALR9900 enterprise-class readers at the company's distribution centers in Casa Grande, AZ and Garland, TX.

"There is value and ROI with RFID," said Kevin Brown, director of information systems for Daisy Brand. "We're taking what we have learned from the RFID data to derive value and provide business insight into what supply chain events occur, and when. Daisy's use of RFID has also improved customer satisfaction."

Daisy Brand's RFID solutions include use of forklifts outfitted with Alien RFID readers and tablet computers used in conjunction with an *iMotion* Edgware RFID middleware platform provided by **GlobeRanger**. The readers capture the EPC numbers of Alien's Omni-Squiggle® Gen2 tags used on pallets. Data from forklift readers and fixed readers are routed into Daisy's ERP system for immediate information access from the company's factory and warehouse in Garland.

"One problem is that most companies won't release specifics about ROI," said Everhart. "We need testimonials to further adoption, but most companies view RFID as a competitive advantage. They rarely give out ROI statistics."

### **Rights and wrongs**

Although our industry has tried to move away from the days of hyping RFID, sometimes it can't be avoided. For instance, you can't control the mass media or the television and movie industries. If they choose to portray RFID as a "James Bond" technology, and as such, exaggerate RFID's capabilities, there really isn't a lot we can do about it.

"I was watching the TV show *Las Vegas*," said Everhart, "and one of the security staff members shot an RFID tag at a criminal who was running out of the casino. They used the tag to track down and capture the offender. Portrayals like these don't do a lot to ease privacy issues. But, if you try to over-explain our technology in an effort to defend it against privacy advocates, you run the risk of getting into a 'Methinks thou dost protest too much' scenario."

"Fortunately, **AIM** is doing a good job of helping the public to understand RFID and what it actually can do for a user," Everhart continued. "Education is always a good thing and most needed when a particular technology begins to hit its stride in the market."

### **"Differential ROI"**

During our conversation with the Alien leader, he unleashed a term we hadn't heard before—"differential ROI." "There are all types of ROI," Everhart explained. "Sometimes, you have to say: Is good enough good enough? If bar codes are working well in a particular application, why change to RFID? It's only a prudent move if we can show how RFID can better solve a problem and offer better ROIs."

"It's been proven that only a small amount of bar-coded airline tags are ever read. It's almost impossible to automate the reading process because bar codes require a line of sight. With RFID, you can not only read tags regardless of their position, you can read many tags at once. This is why airline baggage applications are going strong with RFID adoption."

### **A bright future**

Everhart doesn't like to rely on gut feelings when it comes to industry speculation. "I'm optimistic about RFID's future because we have actual orders in our pipeline," he stated. "Venture capitalists are still willing to place their bets on RFID. But, most of all, we are seeing so many new applications that have

nothing to do with tagging pallets. Look at the things they're doing with RFID tags in theme parks and hotels. These apps are so clever, and they're non-traditional. [See story in this issue on **PDC**.] I really don't see anything that would make me take a negative view of the industry at this point."

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## **Land Rover Expands Use Of WhereNet RTLS**

Just as we expected, give customers a solution that solves their needs, with a 6-to-12-month ROI, and the next thing you know, they'll be looking for new ways to use the technology in other areas of their business. Such is the case with **Land Rover**, which is now using **WhereNet's** VTMS (vehicle tracking and management system) to track more than 150,000 new vehicles annually at the company's 308-acre assembly plant in Solihull, England. The VTMS is being used to improve production velocity and throughput, labor productivity, order-to-cash cycles, and vehicle quality.

In 2002, Land Rover began its use of active RFID RTLS when it purchased a part replenishment messaging (PRM) system from WhereNet, which is now part of **Zebra Technologies'** Enterprise Solutions business sector. The automaker installed the WhereNet part replenishment messaging (PRM) system to efficiently request parts on the assembly line in support of consumption-based demand.

Leveraging the same wireless location principles used for the PRM system, Land Rover added the VTMS solution in January 2007 to manage vehicles as they roll off the assembly line. The VTMS provides complete visibility of all finished vehicles regardless of where they are parked—in buildings or outside. Land Rover can also use the WhereNet VTMS in off-line areas to manage post-assembly verification and test processes, as well as quality repair, containment, and shipping zones.

"We used to spend a considerable amount of time searching our huge facility to locate vehicles," said Dave O'Reilly, manager, manufacturing and purchasing IT for Land Rover. "Now, the precise location of all new vehicles is always at our fingertips. The information the WhereNet system provides is critical in optimizing production, supporting lean manufacturing, and ensuring that Land Rover delivers the highest-quality vehicles."