

Analyst Provides Perspective on RFID Investments

Date: 04.04.2008 - 12:28

Category: [IT, New Media & Software](#)

Press release from: [RFID Tribe](#)



Radio Frequency Identification is a technology that will likely transform how businesses conduct their future retail and supply chain operations. We expect the strong incremental benefits that RFID offers over existing technologies will likely generate substantial growth in the RFID market over the next 5-10 years.

RFID provides greater automated tracking capability than existing technologies and, thus create the opportunity to reduce labor, improve inventory management and generate better market intelligence, leading to lower operational costs and increased revenue generation. Early research suggests that tracking with RFID can generate a 15%-20% reduction in warehousing labor, a 15%-25% reduction in inventory and a 3%-4% increase in sales versus current tracking technologies.

Given that the RFID market has been small and relatively undefined, the number of historical investment opportunities has been limited. Even today, the companies currently involved in RFID are either private, or only derive small amount of revenue from RFID systems and solutions.

However, we expect the investment landscape will open up substantially during the next several years. Wal-Mart and U.S. Department of Defense pilots are well underway, non-retail applications are accelerating, Generation 2 equipment is exceeding performance expectations and equipment prices are dropping rapidly. These events will lead to positive industry changes, including increased end-user evaluation and greater industry investment. Given our conversations with end users, we expect accelerating pilot activity during 2007, with the potential for broad rollouts occurring in 2008. We believe RFID market leadership and, therefore, the best investment opportunities, will result from the following key company characteristics.

- Provide High Quality, Low Cost Products – To meet end user requirements of high read rates, low price points and ease of integration, RFID reader providers will have to create solutions that have proven reliability, are network scalable and have a well defined road map. Silicon, inlay and tag providers will need to have low power designs, strong volume production capability and rigorous testing capabilities.

- Innovative Solutions – Companies that offer innovative networking or production solutions will also have an advantage. Managing the RFID reader network, reducing redundant reads and directing data to application software will be required to foster rollout activity. In addition, the market will likely place favorable value on companies holding strong capability to produce silicon with different features (i.e., additional memory, enhanced security), and to produce inlays in large volume at low cost.

- Support – End users need RFID solution development and integration expertise. Solution providers that can create positive

business case development and can integrate established/tested RFID solutions will be in high demand. Also, end users are seeking solution or equipment providers that offer reliable post installation service and support.

- Strong Ability to Leverage Intellectual Property – We expect a meaningful advantage will occur for those companies that not only have been steadily developing RFID related intellectual property during the last several years, but who also have a demonstrated engineering competency in product development. We recommend investors look for companies not only having strong RFID related IP, but also strong radio frequency and software engineering capabilities.

Reik Read is a Senior Analyst leading Baird's Supply Chain Technology and RFID coverage, and is responsible for hosting Baird's five RFID conferences and publishing RFID Monthly. He has been a regular presenter and panelist at RFID industry events, including RFID World, RFID Live, the EPCglobal U.S. Conference, AIM Global's Showcase and the University of Wisconsin e-business Consortium.

Reik Read will be speaking at the RFID Investment Summit held at the RFID World Conference and Exhibition on March 26, 2007 in Dallas, Texas. The RFID Investment Summit is hosted and chaired by RFID Tribe www.rfidtribe.org

Other speakers at the RFID Investment Summit:

Mark Johnson, President at RFID Tribe. Mark will chair the RFID Investment Summit and moderate the speaker panel.

Mike Liard, Director of RFID and Contactless Technology at ABI Research. ABI is a leader in covering the RFID market as a market research firm. Mike will speak on the RFID market from a research analyst's perspective.

Christopher Bloom, Partner at Bell, Boyd and Lloyd LLP. Bell, Boyd and Lloyd is counsel for the RFID Consortium's patent pool and will speak on RFID intellectual property issues and IP strategies.

Alan Koenning, Manger of the UPS Strategic Enterprise Fund, investors in several RFID-related firms. Alan will speak from the investor's perspective regarding RFID-related investments.

CEO's from leading RFID technology companies presenting their firm's products, services, market strategies and unique investment opportunities.

For more information on the RFID Investment Summit go to www.rfidtribe.com/investment_summit.html

RFID Tribe, a global organization with local chapters, is the world's association for radio frequency identification (RFID) professionals. The group of industry experts collaborates on RFID and sensor technology, standards, venture capital, products, applications, industry trends, people and events. RFID Tribe serves as an engine for ideas, people and capital.

RFID Tribe - Where the World's RFID Community Shares Ideas.

www.rfidtribe.org

Mark Johnson

RFID Tribe
3212 Wells Dr.
Plano, TX 75093

214.808.1352

info(at)rfidtribe.com

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