

RFID in Transportation & Logistics

An analysis of eyefortransport's recent survey

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1. Introduction

As a further follow-up to the RFID mandates issued by a number of organisations including Wal-Mart, Target, DoD, Tesco, Metro etc, eyefortransport has conducted a new survey to determine the current RFID strategy of transportation & logistics companies and their customers, the reasons behind their strategies, the obstacles they foresee and the benefits they expect.

This survey was timed to coincide with the 3rd RFID Opportunities for Transport & Logistics Providers' conference, which will take place this year at the Hotel Valley Ho in Scottsdale, Arizona, on November 30 – December 1, 2006. Full details can be found at the end of this document or at <http://www.eyefortransport.com/rfid2006/>

For more information on this report or to purchase it, contact Izabela Janecka on ijanecka@eyefortransport.com, 1 800 814 3459 ext 252 or +44 (0) 20 7375 7564.

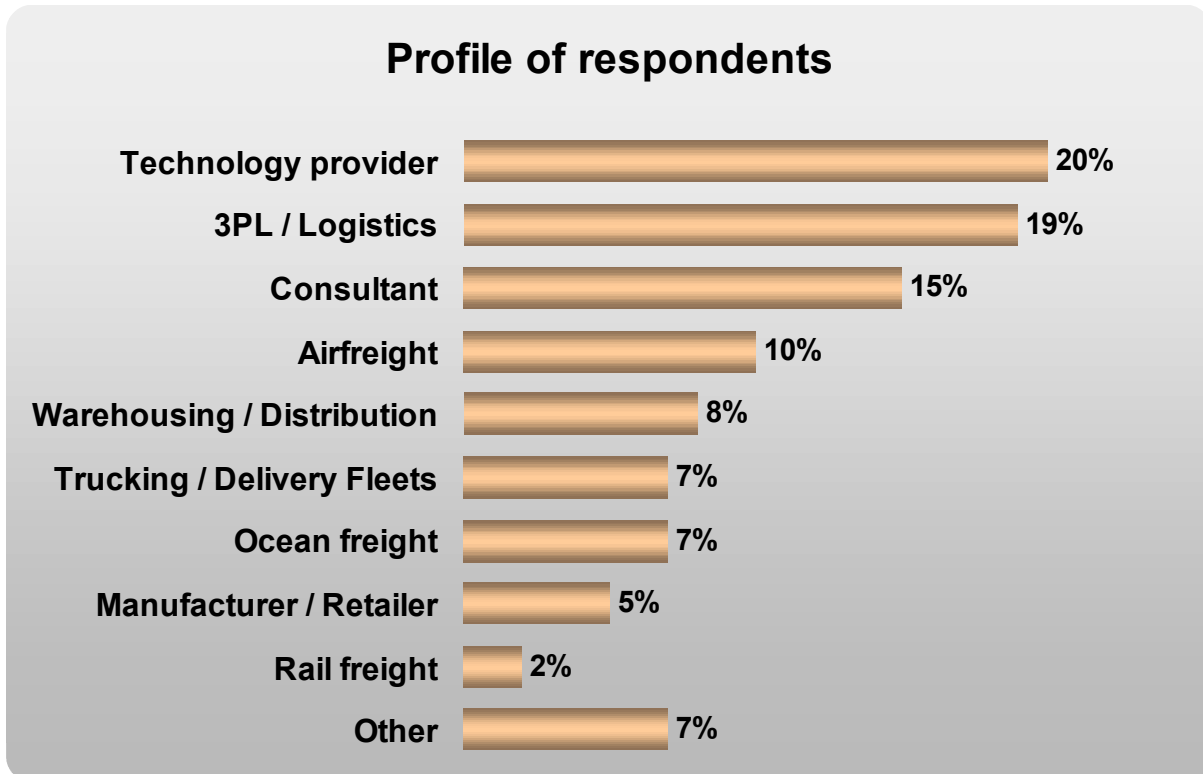
2. Survey overview

The survey was conducted via the Internet, and responses were solicited by targeted e-mail lists, select trade association memberships, various related-industry databases, and other targeted methods. No individual responses were analysed, but rather all responses were consolidated.

3. Profile of respondents

From the detailed breakdown below, it may be seen that 54% of the respondents are providers of technology, 3PL / logistics or consultancy services. Organisations involved in freight, warehousing or distribution make up 34% of all respondents. Manufacturers, retailers and others account for 9%.

“Other” includes integrator, port management, governmental, trade association, 4PL, wireless carrier, and industry association.



4. Current RFID adoption

One of the aims of this survey was to determine the current RFID strategy of transportation & logistics companies and their customers, and compare this with the data collected in a similar survey a year ago.

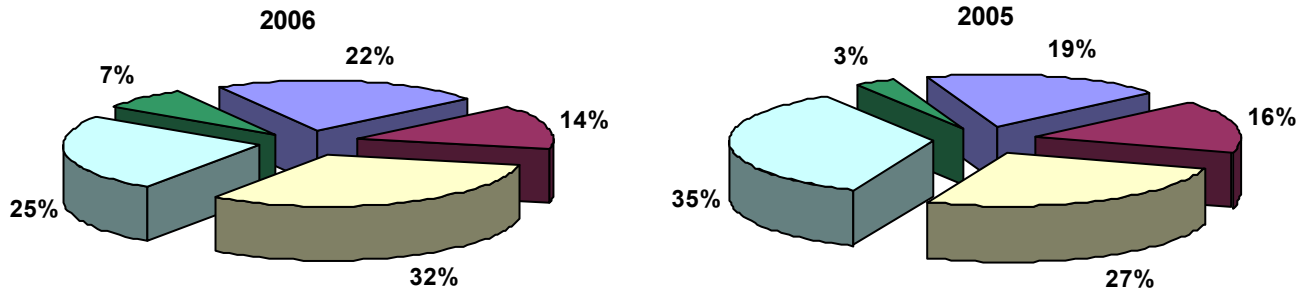
We wanted to establish the percentage of companies that have actually begun to roll out an RFID solution, and also see where everybody else is in the RFID cycle. The results are very useful for benchmarking purposes. Companies can see if they are ahead of or behind the industry average and also where they stand in relation to their peers.

The use or planning of RFID continues to increase, as it was shown to be doing a year ago; 68% of all respondents are using, piloting or researching RFID, compared with 62% in 2005. Of these, 22% already have or are about to roll out their RFID solutions (compared with 19% in 2005), 14% have taken RFID to the pilot stage (16% in 2005) and 32% are engaged in researching and strategising RFID (27% in 2005).

The number of respondents who are waiting to see what customers and partners will do before taking any direct action has reduced to 25% in 2006 against 35% a year ago.

At the other end of the scale, however, 7% this year are not currently pursuing RFID, compared with only 3% in 2005.

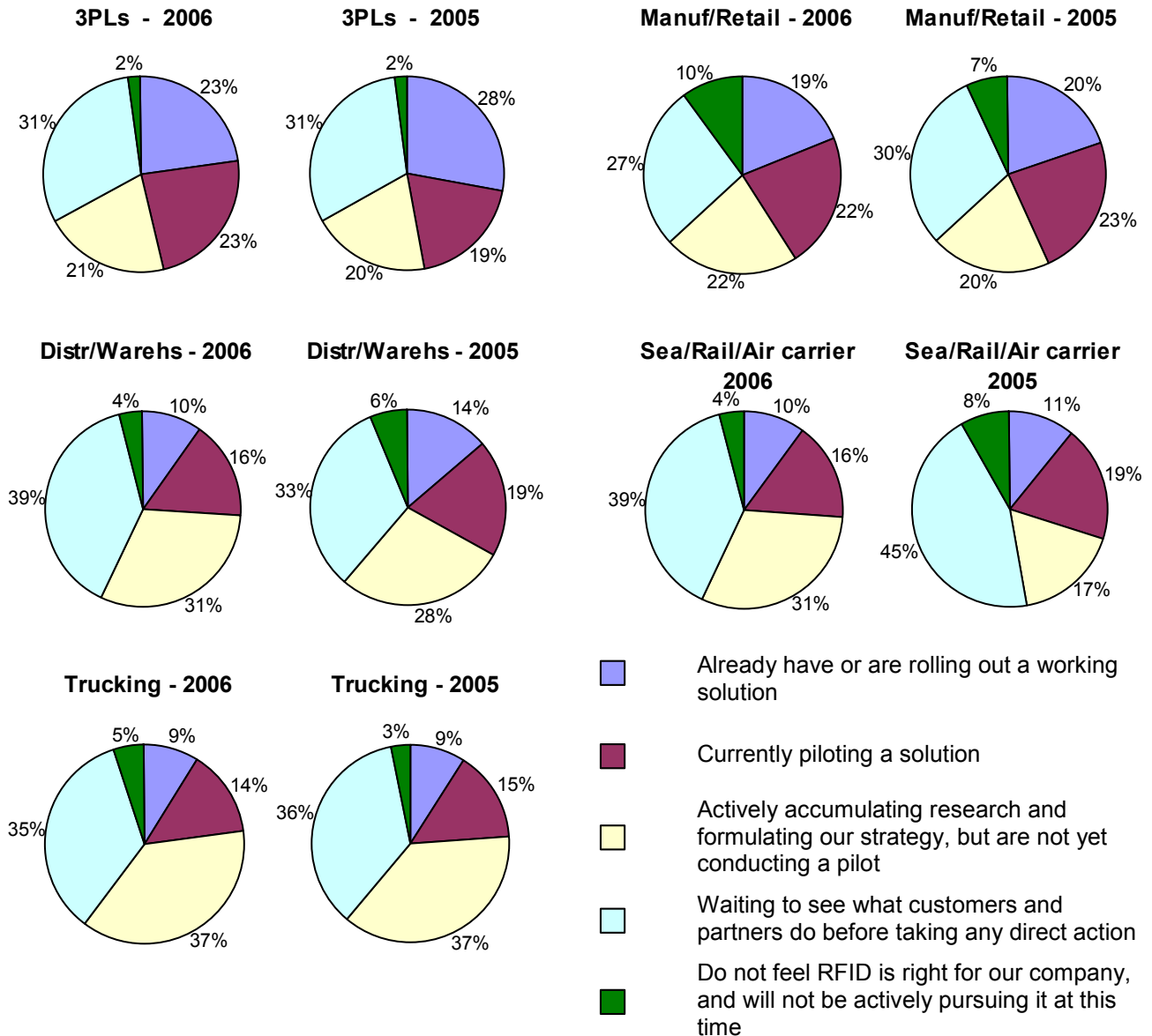
Which option best describes your company's present RFID adoption strategy?



- Already have or are rolling out a working solution
- Currently piloting a solution
- Actively accumulating research and formulating strategy, but not yet conducting a pilot
- Waiting to see what customers and partners do before taking any direct action
- Do not feel RFID is right for our company, and will not be actively pursuing it at this time

The 3PL segment still includes the greatest percentage of companies already using or about to use RFID solutions, although the percentage is lower than in 2005 — down to 23% from 28% last year. Manufacturing / Retail is still proportionately the second-biggest RFID adopter, though here too the percentage is slightly down, from 20% in 2005 to 19% in 2006.

In fact the total percentage of companies that are using, rolling out or piloting RFID solutions is lower in 2006 than it was in 2005 across all of the surveyed sectors except for Trucking.

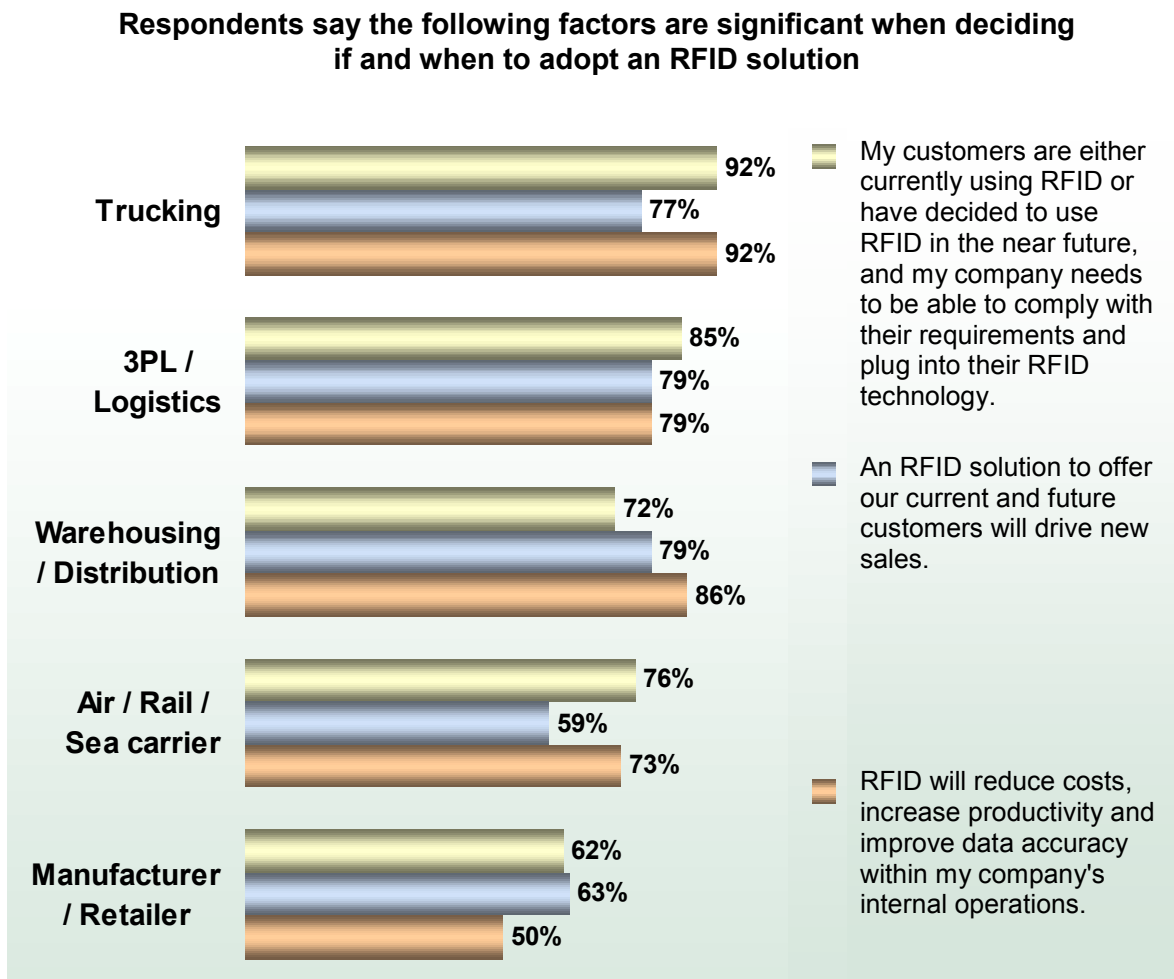


There is still high percentage of companies from all segments who are adopting a wait-and-see attitude.

5. Why do companies adopt RFID?

Although all of the factors were deemed important, the need to comply with customers' use of RFID was seen as the most significant factor by companies in 3PL/Logistics (85%, compared with 80% in 2005), Trucking (92%, substantially up from 62% in 2005) and air, rail and sea carriage (76%, against 62% in 2005).

The most significant factor for Warehousing / Distribution (86%, up from 70% in 2005) was the cost, productivity and data-accuracy benefit of RFID. The majority of manufacturers and retailers (63%, against 50% a year ago) gave the nod to RFID's potential to drive new sales.

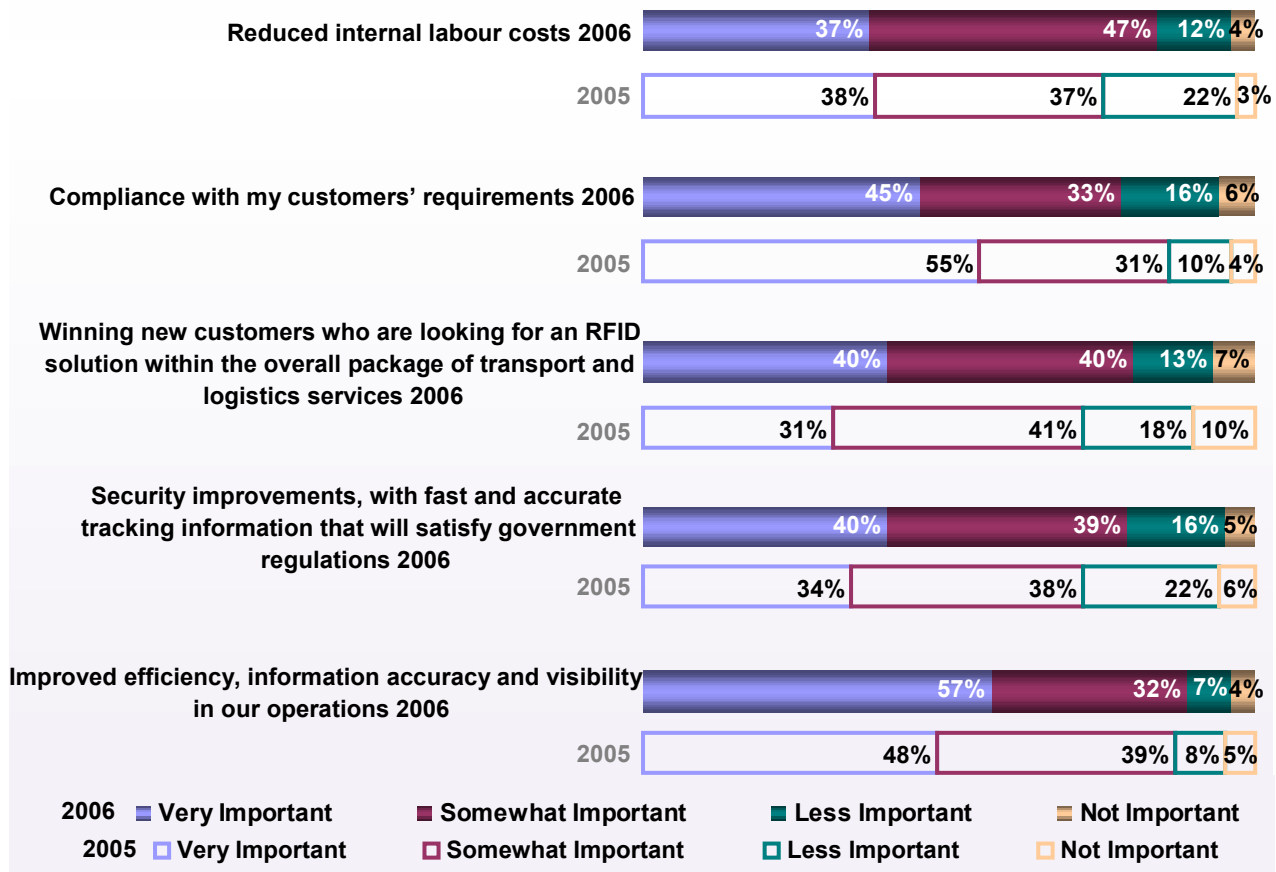


6. Most important benefits of RFID

When considering if any of the benefits might be rated as 'somewhat important' or 'very important', approximately the same weighting might be assigned to any of the listed benefits. Some 80% of all respondents believed all of the benefits were important.

The benefit that was considered 'most important' was again improved efficiency, accuracy and transparency in operations (57%, up from 48% in 2005).

Important benefits when adopting an RFID solution

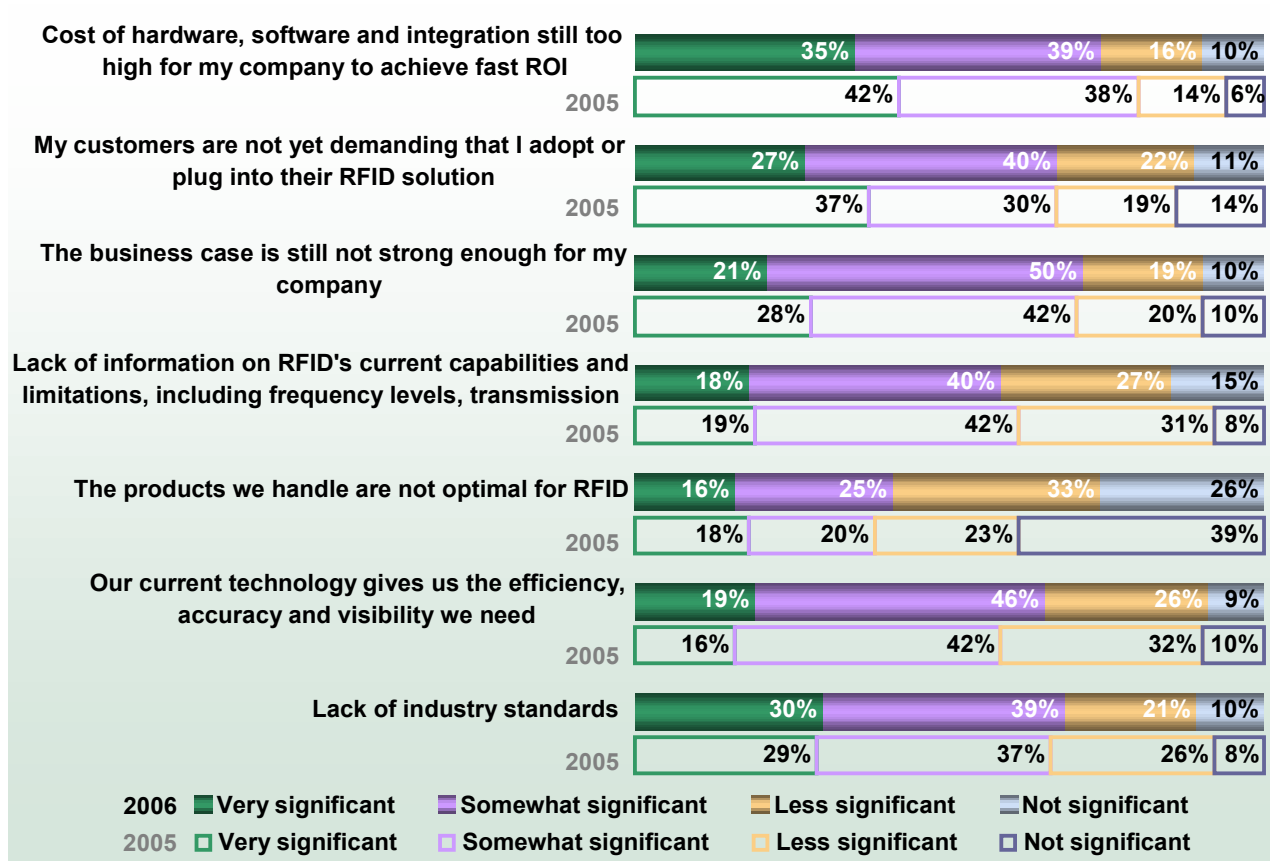


7. Biggest obstacles to adopting an RFID solution

The cost of hardware, software and integration is still considered to be the biggest obstacle, although by a lower percentage of respondents this year than last year; 74% now believe it is a 'somewhat' or 'very' significant obstacle, compared with 80% in 2005.

This response ties in with the factor which received the second-highest ranking, namely, that the business case for RFID is not yet strong enough (71%, against 70% last year). To 21% of respondents this is still a very significant obstacle, and to 50% it is somewhat significant.

Significant obstacles to adopting an RFID solution



There has been no shift in the response that customers are not putting pressure on respondents to use RFID. This was rated an important obstacle by 67% both in 2005 and in 2006.

Fewer respondents in 2006 (58%, compared with 61% in 2005) believe there is a lack of information on the capabilities of RFID.

Several factors are considered more important obstacles than a year ago. Lack of industry standards is an important obstacle to 68% of respondents (66% in 2005). Current technology can do the job of RFID (65%, up from 58% in 2005). Products handled are not optimal for RFID (41%, against 38% in 2005).

8. Conclusions

The adoption of RFID and the implementation of RFID solutions are continuing at a slow pace, which has not changed significantly over the last year. To a substantial extent, RFID is being implemented at the behest of customers, not as a proactive way to keep up with the technology.

3PLs, manufacturers and retailers are currently the main users of RFID, with the greatest percentages of companies in these sectors already using RFID, preparing to roll it out or completing RFID pilot solutions.

The most important benefit of RFID is seen to be the improved efficiency, accuracy and transparency it brings into operations. This benefit is however counterbalanced by concerns about the costs of implementing RFID, coupled with a perceived lack of industry standards and continuing faith that other technology, already paid for and in use, can do the job of RFID.

9. 3rd RFID Opportunities for Transport & Logistics Providers conference details

The 3rd RFID Opportunities for Transport & Logistics Providers conference will take place on November 30 – December 1 at the Hotel Valley Ho in Scottsdale, Arizona. This is an event for transport and logistics industry executives who are interested in meeting with customers and peers to find out how to develop and execute a profitable RFID strategy.

See http://www.eyefortransport.com/rfid2006/call_speakers.shtml for the list of confirmed speakers.

For more information on attending, speaking, sponsoring and exhibiting, contact Izabela Janecka at 1 800 814 3459 ext. 252, ijanecka@eyefortransport.com

At the conference you will:

- Hear real life case-studies from transport & logistics providers
- Get an update from customers on their latest RFID initiatives and hear first-hand how they want to work with transport & logistics providers
- Take part in interactive sessions and get all your questions answered
- Visit a focused RFID exhibition
- Network with 150 of your peers

See you in Arizona in November!