The case for Australian investment in RFID

Presentation made by Cal Anderson, Vice Chairman of RFIDAA
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DCITA sponsored breakfast forum

"Thank you for participating in this forum today and for your interest in the potential of RFID based systems to the Australian economy.

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Generating economic value, both short and long term, is not a simple task nor can it be left to one company or one industry. We appreciate the Federal Government's involvement to date and in particular DCITA's support for the starting guide released today– Getting the Most Out of RFID.

Today, I wish to concentrate my message on our belief that RFID is poised to transform the way we transact commerce. In doing so, I hope to provide insight to some of you and inspire the rest. It is a call to action to work with our Association and undertake the informed debate and analysis necessary to harness and exploit what is a tremendous opportunity for our country.

As mentioned in my opening remarks, I believe there are many parallels to this opportunity that can be studied throughout history indicating the importance of innovation. The impact on business performance of key elements: process quality, cost reduction, speed and productivity; over time each helping improve results.

Today, I believe RFID will be the enabler that leverages all 4 of these characteristics in a way never before possible or practical.

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I do not wish to make this to appear an utopian dream nor underplay the realities and complexities of industry specific implementation. What my message is about is achieving a level of data quality, integrity and availability combined with information granularity, accuracy and event driven precision enabled by RFID.

We will talk about the way the world of communications infrastructure has changed the way we do business, some of the early ROI results that have been achieved and our belief that we must help each other and work together to ensure Australia takes advantage of this transformational technology.

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There are many sources of information but few sources of know-how, experience and foresight. As a country, we are continuing to demonstrate our ability as early adopters. But competing on global commerce initiatives

requires a critical mass of skills driven by shared experience, effective training programs and sustainable leadership.

RFID can take what we do best in education, research and development, professional services and creativity to help us reach the overall productivity goals of our industries.

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There is a wide breadth of technologies represented by RFID already discussed in today's sessions. As an audience, I would believe you to be resourceful enough to search for the product details you need – when you need them.

But it is this reactive capability that can restrain us from realising our potential.

The challenges of data quality, integrity and collaboration can not be left to information from search engines. Standards based transaction systems are only possible when properly defined, ratified, tested and used.

That is why our Association is proud about our existing relationship with Standards Australia and GS1 Australia. We need the power of combined effort to help our business leaders realise the potential of cross enterprise transaction integrity.

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This overview of benefits indicates that today it takes a considerable effort to realise ROI. This should not be a major surprise given we are talking about a new way of transacting business. Indeed, it is the fact that RFID does change the way we do business that makes it a compelling argument.

But the perceived upfront effort to realise ROI also leads to complacency given the constant pressure on short term results. Who's responsibility is it to discover the real costs of transactions and the true measurement of work force productivity?

When I was a member of the CEO Forum, it was stated that the average tenure of a CEO in Australia is 3.2 years: One year to blame the past, one year to make it happen and one year to find a new job. Please excuse the joke but let's restate the question – who job is it to transform the way we conduct global commerce?

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The ROI analysis in a 2006 study outlined some serious benefits.

I acknowledge that in automating closed loop manufacturing processes that the benefits can be easier to achieve however the lessons are worth learning.

Our goal today is to present some facts on which we can base our case for the need for debate and expanded pilot programs.

We wish to leverage the investment we are making in e-strategy within government and within most businesses and tie into this work the capability of new data capture technologies.

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Let's turn our attention to the progress of communications networks. 10 years ago there were limited, reliable internet services to manage bandwidth use across multiple business users. Out of necessity, many businesses had to work with connections multiplexed through racks of low speed dial up modems.

The effort and investment to create a reliable network was hard to justify – hard to make a business case about one departments interest in bandwidth. People questioned the ROI of an internet program – few believed in the global internet based e-commerce that exists today.

But the fact is that the perceived issues and complications were swept away by innovative network architectures that has effectively commoditised internet access today

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The driver for urgent action is the reliable projections on the speed of change.

And the fact that less restrained countries have and will continue to take advantage of technology in order to compete more effectively on a world stage. Traditional barriers of protecting us from the wage gap such as access to automated production and logistics are being eroded.

This is forecasted to more rapidly occur through the use of RFID in under developed countries. Let me explain.

Complexities that restrained real world implementation of EDI and data sync over the past 20 years are being enabled by internet and web services. Access to these technologies is now global.

Using RFID technology allows goods to travel with the information detail and accuracy required for transaction integrity on board and will transform logistics, procurement and quality management.

Take the Boeing example, for the replaceable 1,750 parts amongst the 1 million parts required to make the Dreamliner, a RFID tag will hold data for both the parts manufacturer and for Boeing.

The manufacturer can get data specific on the individual parts performance over its lifecycle for their purposes as can Boeing for its purchasing and

maintenance services. Improving product quality and performance together with improving safety and efficiency produces a double win.

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The value equation is not always obvious at first take with RFID. Picture this:

Traditional points of control, measurement and input to computer systems replaced with always on line, real time data.

Inbuilt intelligence, accurate from the source, enabling exception based visibility and action in process automation

A fundamental change to information processing architecture from back end systems to the point of activity

Assets, products and processes that let you know what is required versus highly, complex and often inaccurate data repositories

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While not wishing to come across with a one sided argument, the point is that benefits are being realised today and RFID represents one of the worlds' greatest attractors of R&D.

Yes, like the internet, the benefits may take time but how would you have invested differently over the past 10 years knowing what you know now about internet based e-commerce?

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The European Union is leading the charge to determine just how far the benefits go. Viviane Reading, European commission member responsible for Information Society stated in here speech on October 16

"In the near future, we could see a breakdown of the boundary between the physical world and the digital world. It is estimated that by 2015 there will be 1 trillion sensors linking the physical and digital worlds. These two worlds will merge to become an 'Internet of things." The applications are numerous; the list is limited only by our imagination." End quote.

Her report went on to recognise the need to act now in providing appropriate governance and consultation given the scope of RFID to affect patient safety in hospitals, authenticate pharmaceuticals, monitor food safety and help visually impaired people in buildings and the need for informed debate.

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In Europe, the visibility of trials by the Metro Group stimulate thinking and provide a source of exploration and innovation.

This source of innovation is being used by vendors, suppliers and all stakeholders in the drive for process improvement and customer service.

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We appreciate the ROI model varies by industry and application.

But it is more than proof of short term ROI, it is need for the culture of companies, industry associations and communities to provide a source for productivity breakthroughs.

I hope that you have thought a little differently about RFID from today's session. To see the shift requires stimulated thinking together with knowledge of the challenges ahead.

As a not for profit Association, we wish to attract those people and companies that wish to help us determine who owns driving innovation, what is the role of government and what is our role as industry leaders?

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In closing, I wish to pose the What IF question.

What if RFID could help us protect Australian brands from substitution, substantiate the quality of our goods and services, help increase export potential of our produce and livestock, save lives and help protect the quality of life so unique to our country?

Would it be worth the price of participation in informed debates and learning?

Thank you."