

Procter & Gamble Co.: RFID Gamble Has More Than Paid Off

Procter & Gamble Co. says it has already recovered its multimillion-dollar investment in **RFID** technology, which was installed mostly to comply with an edict from retail giant Wal-Mart Stores Inc.

One of Wal-Mart's top providers of consumer goods has found success by following the **RFID** requirements of the retailer.

The Procter & Gamble Co. in Cincinnati, one of the first 100 suppliers to comply with Wal-Mart's requirements to tag its products with **RFID** chips, has improved the accuracy of its deliveries to the retailer, particularly during time-sensitive promotions, according to Paul Fox, a spokesman for P&G Global Operations. "Ensuring that the right product is at the right place at the right time is priceless," he said.

In addition, Fox said, "we have seen significant benefits within our own four walls. It's helping streamline processes and making them more efficient. We know what we're about to ship, and there are no errors and no picking the wrong case and no miscounting."

RFID technology has offered significant improvements over bar-code systems, Fox said. For example, he noted that workers can't scan the same **RFID** tag twice because each one has a unique identifier. Bar-code technology lacks those capabilities, he noted. **RFID** automation has also allowed P&G to speed the process of moving products to a distribution center: It took 20 seconds to manually tally bar-code data on a pallet versus five seconds to read the **RFID** technology, Fox said.

The cost of each tag is less than 10 cents, making the technology economically viable, he said. **RFID** tags cost \$2 each in 1999, Fox noted.

He said P&G's overall investment in **RFID** technology, which he would only say was multiple millions of dollars, has been recovered. "Fundamentally, it's been a fruitful collaboration between ourselves and Wal-Mart," Fox said.

Some analysts remain unconvinced that the Wal-Mart **RFID** program will prove beneficial to all suppliers. Michael Liard, an analyst at ABI Research, said that more data is needed to determine whether **RFID** technology is significantly more cost-effective than bar-code systems.

Simon Langford, director of **RFID** and transportation systems at Wal-Mart, said the second generation of **RFID** technology has improved performance and accuracy for the retailer. Langford acknowledged that the company's top 100 suppliers, which went live with the technology during 2005, faced some challenges while learning how to use it. Smaller suppliers that implemented the technology later on benefited from lessons learned by the earlier adopters, he said.

