

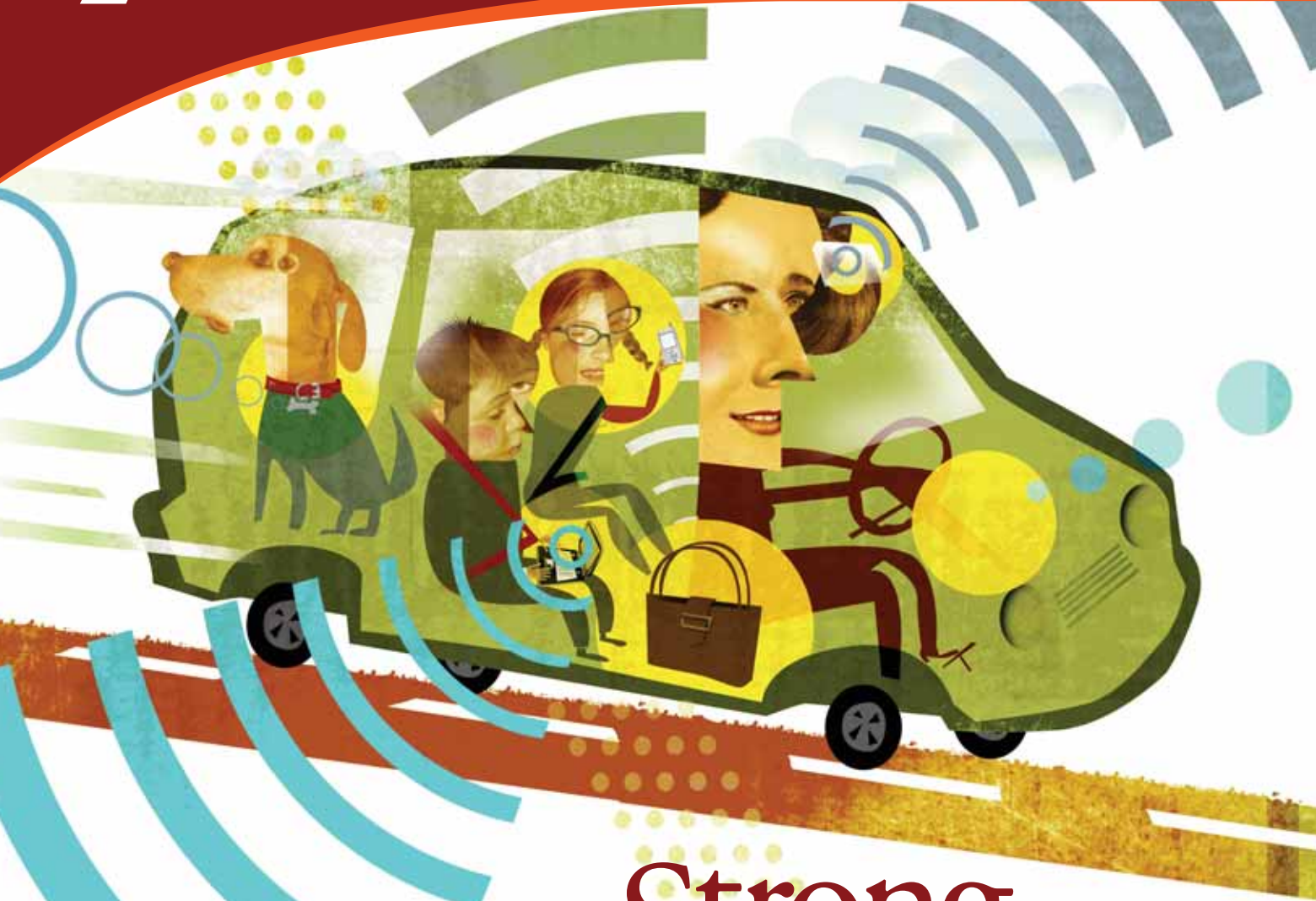
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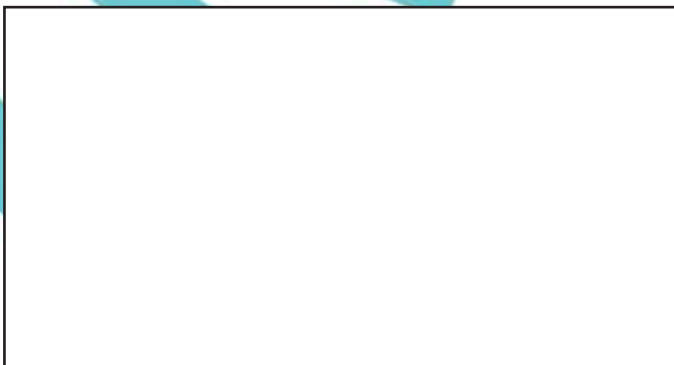
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Strong Signals

*Consumers speak
out about RFID*



BY ELIZABETH RENNIE

The image of trucks perpetually idling at a toll booth will put a bad taste in the mouth of any distributor. This is certainly one reason why electronic toll collection systems such as E-ZPass are on the rise. Using active radio frequency identification (RFID) tags recognized by an overhead reader, E-ZPass can process 300 percent more vehicles than a traditional cash or token lane. This equals real time savings, significant cost discounts, and less pollution—and begs the question: Who wouldn't want E-ZPass?

Katherine Albrecht, founder and director of CASPIAN (Consumers Against Supermarket Privacy Invasion and Numbering), would be one excellent example. In fact, in her home state of New Hampshire, she now pays twice as much to use cash because the state recently phased out the tokens she once bought at a 50 percent savings. On the other hand, New Hampshire drivers with E-ZPass, the largest electronic toll collection system, enjoy 30 percent off the cash price.

This seems like a great deal for E-ZPass holders—and a no-brainer for those thinking about signing up and enjoying the cost and time savings; but Albrecht says what the industry is holding out to consumers as a carrot is “actually just a stick.” She believes

Illustration by William Rieser

Staying On Co

Will consumer privacy concerns put a dent



urser

in your company's RFID efforts?

that, if people become accustomed to corporations, government agencies, marketers, and others “snooping around” their travels, a very bad precedent has been set.

“If you get people in the habit of handing over their personal data, you

people deal with a company with which they have a previous relationship, a significant amount of their privacy concerns disappear. Second, if a benefit is given in exchange, consumers are overwhelmingly willing to share their personal information. In short, the perks outweigh any lack of confidentiality.

Consumer advocacy organizations and civil liberties groups are

in exchange for having the exact same sale prices you had before?”

She asserts that stores using loyalty card programs raise prices artificially and then reduce them to the normal range for consumers using the card. Plus, prior to the introduction of loyalty cards, anyone could get a sale price just by walking through the door. “Nowadays, in order to get those very same sale prices, you have to cough up your data,” she says.

It’s not entirely true that you have to give personal information in order to save money, though. “The vast majority of people give their real information,” McQuivey says. “Still, the number of CVS ExtraCare cards registered to Mickey Mouse and Donald Duck is sort of a joke in the industry.”



If a benefit is given in exchange, consumers are overwhelmingly willing to share their personal information.

will soon find yourself on a slippery slope,” she says.

Kara Romanow, research director with AMR Research, believes that a key factor in this debate is whether consumers share personal data because they are coerced or worried about being penalized if they don’t, or if the choice is voluntary. She says, “It has to be something that the consumer opts in or out of ... something to which you agree is an important use or benefit as an individual.”

A recent Boston University College of Communication study sheds some light on the issue. Students surveyed grocery store loyalty cardholders and discovered that, although 52 percent of respondents think companies know too much about them, 41 percent say, “So many companies keep a record of me that I am not concerned with the grocery store doing it, too.” (So far, only one retailer—in Germany—has tested using RFID in its loyalty cards, but many experts believe this is where the industry is headed.)

Most shoppers surveyed (72 percent) say they know grocers use loyalty cards to monitor household purchases; yet 65 percent think their loyalty card is beneficial to them despite the tracking. The study defined two triggers: First, when

frustrated by this lack of concern. “It’s a real dilemma for people with a civil libertarian notion,” says James McQuivey, assistant professor at Boston University’s College of Communication and supervisor of the study.

Privacy Rights Clearinghouse Director Beth Givens notes that at the heart of this “coercion versus choice” dilemma are people in real-life situations, such as needing to meet the family budget or get to work on time. For these reasons, she believes the average consumer will go with convenience and cost savings over privacy protection—but, unlike what the Boston University survey revealed, she thinks it’s a decision they’re being pressured into. “Many individuals are very reluctant to obtain a supermarket discount card,” she says. “But they feel that, as responsible family budgeters, they have to, in order to take advantage of lower prices.”

Interestingly, Albrecht says that choice isn’t the real issue. “If you ask people ‘are you willing to share your personal data in exchange for discounts at the supermarket?’ many people might say yes. But that’s not the right question,” she says. “The right question to ask is ‘are you willing to allow us to monitor your purchases

Close to home

E-ZPass and grocery store loyalty programs are one thing, because consumers themselves must choose to enroll—but what if the technology is embedded in retail consumer goods? Probably the most well-known example of a manufacturer using item-level RFID is Gillette. The company, which has been involved in the electronic product code (EPC) since its inception, has focused for a decade on trying to improve transparency and remedy inefficiencies in the supply chain.

“The reality today is that somewhere in excess of \$56 billion is lost annually by the retail industry,” says Paul Fox, Gillette director of global external relations. “When I say ‘lost,’ it’s the result of products not being shipped correctly, products being mislaid during shipment, products being stolen, products simply not getting where they should get. And the result is retailers and manufacturers losing sales and consumers getting highly frustrated about the fact that they can’t find the product they want.”

Although Gillette’s current focus is on the use of RFID at the case and palette level, Fox is optimistic that it will be at the item level in the next 5 to 10 years. For this to be possible, he says the tag is going to need to cost “a fraction of a penny.”

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When that time comes, Fox says Gillette will follow the comprehensive set of principles established by EPCGlobal, the nonprofit organization working to achieve worldwide adoption and standardization of EPC technology. These guidelines, of which Gillette is a founding signatory, detail how the technology will be used and include such principles as consumer notice and the right to have the tag deactivated at the point of sale.

Perhaps most importantly, Fox hopes EPCGlobal will dispel much of the mystery surrounding RFID. "The abilities of the EPC are somewhat exaggerated," he says. "The only thing [the EPC] contains is a 96-bit unique number ... It has no ability to collect information as it goes along. You can't

directly input onto that tag any data about the retailer, the manufacturer, or the consumer—it's not possible."

It's also important to note that it's a passive tag, unlike E-ZPass, which comes with a very powerful battery that enables it to transmit at a distance. Passive tags have to borrow power from a reader in order to transmit their unique serial numbers. "The point is, you've got to get the reader very close to that tag for it to work," Fox says.

Givens sees it very differently. "I've heard all the arguments that say [RFID tags] can't be read from a great distance," she says. "But think about that: If you're wearing shoes that have RFID tags in them, all you need are readers in floors that can pick up

the tags when people walk by. The private sector proponents of RFID assure us the tags will never be used for tracking individuals, but ... RFID is no different from any other information technology. Once in place, there are likely to be lots and lots of other uses for it. And as the infrastructure becomes more robust, it's only a matter of time before other uses—including tracking—become adopted."

Boston University's McQuivey agrees. "Someone implements a new technology, and it costs a lot of money. And the first thing the company says to the person inside the organization who's pushing for the new technology is 'show me there are 1,001 uses for this.' So they literally do. You have PowerPoint presentations inside the organizations that say here are 1,001 things we can do to make money, save money, serve our customers better, prevent theft, all these things."

This kind of intense brainstorming has led to many of the in-store RFID trials we've seen over the past few years, such as when United Kingdom retail giant Tesco sold RFID-enabled packages of Gillette razors. The in-store "smart shelves" scanned the products and alerted employees when stock was running low or if a possible theft had taken place. Not surprisingly, the trial was cancelled when privacy advocates contended that retailers and manufacturers could monitor razors that had gone home with a customer and use the technology for surveillance.

A comparable Wal-Mart plan didn't even get off the ground in 2003 as a result of similar criticism and protests. Around the same time, Benetton dropped plans to use RFID tags in its clothing line following a threatened international boycott.

AMR's Romanow says these types of privacy concerns are purely sensational. "You know what? If you have a cell phone and a credit card, they're tracking you better than they'll be able to with RFID," she says. "Katherine Albrecht's privacy hoopla is exactly that—a lot of hoopla. She's created some major concerns that really don't exist ... Gillette has a huge theft

Wave of the Future

ExxonMobil offers an RFID-enabled tool called Speedpass, which is an inch-long gadget that attaches to a key ring. A wave at the pump enables consumers to instantly purchase gasoline and merchandise—and it was even accepted for payment at Chicago-area McDonald's restaurants during recent trials. Speedpass charges these purchases to a credit card or check card that the consumer links to the device.

"Inside the pump is a [radio frequency] reader that reads the customer identification number from the transponder and transmits it to our host for translation and processing with bank issuers," explains Don Turk, ExxonMobil media marketing advisor.

Turk adds that ExxonMobil retailers enjoy the loyalty and repeat business that come from Speedpass members; and, for consumers, it's a "fast, easy, convenient, and secure transaction experience." With more than 6 million Speedpasses issued since the program's inception, consumers clearly agree.

Turk says that his company's RFID initiatives have not been hindered as a result of privacy concerns. He also notes that no personal information is stored in the transponder, and appropriate steps have been taken to protect customers, such as a zero-liability guarantee against fraud. "Since Speedpass is a device that becomes attached to any major credit card that [consumers] already have and use, sharing this information with ExxonMobil has not presented any issues," he adds.

Furthermore, if having a payment option right on your key ring isn't fast, easy, and convenient enough for you, ExxonMobil now is advertising a hands-free option with its new Speedpass-enabled Timex watch. It looks and functions just like a regular watch, but inside the timepiece is a miniature Speedpass transponder.

And finally, for the ultimate in laziness (or technological advancement, depending on your point of view), a Speedpass using active RFID can be installed right on your car's window—just pull up to full service, ask for some unleaded, and kick back with your fries and shake.



problem. Therefore, tagging for them makes a lot of sense.”

McQuivey has a slightly different take, saying, “It doesn’t make a lot of sense to try and track theft of razors. But that doesn’t mean it’s wrong for them to try; it means they probably should have thought twice about it.”

An educated consumer

One company that did think twice is the United Kingdom clothing, food, and home products retailer Marks & Spencer. The store began testing item-level RFID on labels in men’s suits more than three years ago in order to better manage stock in stores and throughout its distribution chain. The company now is extending item tagging from 1 category to 5, and from 9 stores to 53.

While developing the trials, Marks & Spencer consulted with CASPIAN and two similar groups in the United Kingdom. The retailer followed CASPIAN’s proposed requirements and was devoted to protecting privacy and keeping consumers informed. As a result, the RFID tags on the detachable labels are clearly marked with the words “intelligent label for stock control use.” Also, an explanatory brochure is available in all Marks & Spencer stores selling tagged items. In addition to describing the label’s purpose, the information sheet states that the tag does not contain a battery, can be thrown away after purchase, and makes no link between the garment information and the customer’s personal details.

This type of consumer education is also promoted by Gillette’s Fox. “Technology today has really been evaluated within a four-wall environment, within the laboratory or within the supply chain,” he says. “In the


coming months and years, there will be much more consumer-based information out there. Because, clearly, we recognize that consumers are interested in the technology.”

Fox also acknowledges that there are many organizations with legitimate concerns about RFID. He intends to continue having open dialogues with them to discuss the issues. “Our role is to ensure there is clarity; transparency; and genuine, fact-based information on which people can base their opinions,” he says.

CASPIAN’s Albrecht doesn’t believe that discussion and consumer education can get the job done. Rather, she would simply ensure that RFID never be a part of a consumer product with which someone would interact on the retail floor. “Essentially, when it crosses through the door that separates the back room from the sales floor, that’s the line that we’ve drawn.”

Romanow, who dismisses most privacy concerns voiced by groups

such as CASPIAN, does believe that privacy becomes an issue as the industry moves to more focused, targeted tagging—especially when tagged items are taken home but not removed from a package. “The manufacturers and the retailers really need to get together to figure out if, say, the RFID tag on the hangtag gets removed from the article of clothing or if it’s something that gets embedded in the clothing.”

“The vast majority of us won’t object [to RFID]—as long as we do it right,” McQuivey says. “Let’s take these issues, let’s move forward, but do so deliberately and with intelligence. We know there are risks, but if we plan for them and establish smart principles for how to do this, we can have all the benefits and very few of the drawbacks.” 

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