

Challenging Conventional Wisdom is the key to Net-Gain from RFID

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Hot Issue: Many companies that are mandated to adopt RFID by either the large retailers or the DoD are struggling to find benefit opportunities. Finding benefits from RFID adoption requires a change in mindset. To profit by adopting emerging technologies, you have to re-examine conventional wisdom, particularly established management practices. Why? Because assumptions about technical feasibility are deeply embedded in our thinking about work processes, operating costs and critical management control points. Companies that implement new technologies without challenging underlying assumptions about "best-practices" just end up layering in additional costs rather than enhancing performance.

Summary Let's consider RFID implementation. Three big things change when you implement RFID technology:

- ◆ Assets shout "I'm here!"
- ◆ Processes shout "I'm ready to start, or I'm done!"
- ◆ Expensive people don't stop to record and report information
 - Barcode requires far more human intervention than RFID

So, the first step to finding benefits is to select an existing work domain, and brainstorm what could be different if the 3 operating capabilities above existed in your environment. Consider the two examples below where we challenged two established management practices and found substantial benefit opportunities.

Advice

A place for everything, and everything in its place.

Slotting is a warehouse management term for making sure inventory is stored where it can easily be located and picked (i.e. everything in its place). Well designed inventory slotting systems are an inexpensive way to simplify warehouse management and control picking costs. The downside of slotting is that excess space needs to be allocated to each slot to cope with large manufacturing lots, peak periods, and variation in sales volumes. Unfortunately, excess space allocations raise warehousing costs, and invariably there are overflow inventory situations that must be managed as exceptions.

RFID tagged goods can be easier to find because immediate proximity and direct line of sight aren't needed to [automatically] locate an item. RFID tagging can make locating overflow inventory much easier, enabling a faster pick, and a potential opportunity to reduce excess slot space. For highly seasonal companies, excess slotting space and overflow inventory locations can represent 30% of warehouse square footage. That translates into real money.

Don't expect, inspect!

If your company focuses on perfect orders, walk the warehouse floor and count the number of times picking and packing activities are checked and rechecked. You'll probably be surprised by the time lost to inspecting and verifying. I recently discovered that one client inspects logistics activity 7 times between release of a picking-order to locking the semi-trailer for shipment. In their case, adopting RFID to automate these controls will reduce picking and packing time, and improve throughput about 10% - 20% -- without compromising order accuracy.

As RFID compliance dates approach, companies face a choice between substituting RFID directly for barcode or searching for ROI by challenging existing assumptions. The former approach minimizes current expenditures, but won't produce a net gain on your company's RFID investment [is why sufficiently intuitive?]. In the short term, direct substitution of RFID for barcode seems easy and attractive. Over the long term, it's an improvement opportunity squandered.

About the Author

Walt DuLaney has spent the last 30 years developing strategies and identifying management practices for performance improvement. His best-practice articles have been published in Optimize, CEO Magazine, Information Week and many other publications. He is the CEO of Adaptive RFID, a software services company that provides managed RFID networks, RFID software, and RFID implementation services.