

# 6 Ways

# RFID Technology can Increase Operational Efficiency & ROI



Only **29.4%** of manufacturing managers have visibility to real-time asset data, as of 2014.<sup>i</sup>

**80%** **63%**

Many managers estimate their inventory accuracy at **80%**.



Research suggests that number is closer to **63%**.<sup>ii</sup>

## WHAT IS RFID?

RFID stands for Radio frequency identification. It's a proven technology that uses a system of tags and readers to quickly and reliably identify items and capture information about them.

RFID Technology gives managers accurate, real-time inventory visibility.

## But how does RFID deliver ROI?

### 1. AVOID CHARGEBACKS

RFID technology enables the automatic generation of ASNs (Advance Ship Notices).

Chargeback incidence reduction:

**54.3%**<sup>iii</sup>

### 2. RECOVER SHIPPING ASSETS

Tracking returnable transport items (or RTIs) with RFID technology can generate significant savings.

Reduction in overall RTI stock size:

**14.1%**<sup>iv</sup>

Cost reduction in asset investment:

**5.5%**<sup>v</sup>

Average time to ROI for RTI tracking: less than

**12 mos.**<sup>vi</sup>

### 3. REDUCE MANUAL COUNT TIME

Time to scan 10,000 items with a barcode reader:

**53 hrs.**<sup>vii</sup>

Time to scan 10,000 items with RFID:

**2 hrs.**<sup>viii</sup>

### 4. SLASH SAFETY STOCK

Average reduction in safety stock requirements:

**27%**<sup>ix</sup>

Net savings from reduced safety stock:

**10-30%**<sup>x</sup>

### 5. ACCELERATE ACCOUNTS RECEIVABLE

Automatic shipment verification and invoicing eliminates invoicing disputes and reduces billing cycles, in some cases from

**30-45 days to just minutes.**

One U.S. B2B manufacturer reduced AR disputes by:

**40%**<sup>xi</sup>

### 6. MINIMIZE SHRINK

RFID technology allows companies to create detailed audit trails for individual products, tools, and equipment.

Average reduction in shrinkage:

**18%**<sup>xii</sup>

## Bottom-line impact of RFID

Supply chain cost reduction:

**3-5%**

Average revenue increase:

**2-7%**<sup>xiii</sup>

*"Although RFID implementations are not without costs and risks, typical companies in manufacturing, warehousing and distribution and retail have been known to achieve 200% ROI or more from these projects."*<sup>xiv</sup>

-Tom Pisello,  
author and entrepreneur

Installing systems that leverage the capabilities of RFID is a complicated process.

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#### Sources:

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<sup>ii</sup> Salia, 2013. Why RFID impact on inventory inaccuracy is the key in most ROI calculations

<sup>iii</sup> Langer et. al 2007. Assessing the Impact of RFID on Return Center Logistics

<sup>iv-v</sup> Fluensee, 2010. A Return on Returnables: How RFID RTI Tracking & Management Provides Value

<sup>vii, viii, ix, x, xii</sup> Langoc & Romanow, 2005. RFID and Retail

<sup>xi, xiv</sup> Pisello, n.d. The ROI of RFID in the Supply Chain

<sup>xiii</sup> Alinean, 2006. Shrinking the Supply Chain Expands the Return