

Statement delivered by

Dr. Herbert Machill

Senior Executive Vice President, Services Industry Line, T-Systems

On the occasion of the CeBIT press discussion:

T-Systems and Intel walk the same line in the RFID business

“As almost no other ICT technology, RFID has caught the imagination of market researchers and analysts over the past two years. Here is just one example from numerous market projections: Soreon Research, a market research group specialized in technology markets and Europe, sees the RFID market in Europe on a high trajectory. According to a study by Soreon, the market will develop from approximately EUR 400 million in 2004 to over EUR 2.5 billion in 2008. This corresponds to a six-fold increase in revenue generated with RFID inside of only five years.

And although the figures vary from different analysts, one thing is certain: the business potential of RFID is growing strongly in several industries. In Europe, the largest trading groups are driving the application of contact-free radio identification of goods, packages and palettes. In Germany, the Metro Group is one of the leading users of RFID and is testing the possible application of RFID, particularly in its Future Store. T-Systems and Intel are, with their specific expertise, Platinum Partners of the Future Store initiative and are supporting to make headway with RFID in diverse pilot projects. We are strengthening this relationship with a cooperation.

Managed RFID Services from a Central Platform

T-Systems is currently setting up a central real-time enterprise services (RES) platform through which companies can lease all RFID services. We call it managed RFID services. Using RFID data and intelligent processing systems downstream, the platform provides real-time information to companies with which they can optimize their business processes.

What are the advantages of managed RFID services? In the future, our customers will get the complete ICT infrastructure including the services and process-specific solution modules from a single source. Because we set up and operate the infrastructure and services ourselves, customers only have to make a low initial investment. The transaction-based invoicing is based on a “pay per-use” model. Furthermore, T-Systems can adjust the required ICT capacity according to customers’ requirements and vary this according to the level of use during operation. Customers no longer have to design their infrastructure according to peak periods.

Why are we so sure that real time enterprise services and RFID technology will pick up speed so rapidly? Take the following comparison, which is just as impressive as it is unequivocal, which potential and at the same time which challenges are hidden behind RFID. RFID will generate enormous amounts of data which must be meaningfully processed. On a daily basis, the Auto-IDs from products will generate as many data bits as rice kernels are annual harvested worldwide. To make sense of this amount of data, users will require intelligent systems that filter the data, categorize it, store it and distribute it to the right channels.

Here are also a few related market figures: According to Soreon and IDC, the market potential for such real-time systems can keep pace with RFID. In 2008, the market volume in Europe will reach EUR 2.3 billion. This year, revenue in the range of EUR 1.1 billion will be generated. The increase of 40 percent per year is formidable.

Solution Modules for Logistics, Trade, Aerospace and Healthcare

The Auto-ID platform RES provides the link between the individual solution modules and enterprise applications for supply-chain management, enterprise resource planning or customer relationship management. The platform combines the data recorded from RFID scanners applied in manufacturing, transport, purchasing and sales, consolidates it using intelligent filters and rules and forwards the processed information in real time to the integrated enterprise applications.

RES includes individual solution modules, which will be pilot-tested one after the other and then transferred to the platform as RFID services for lease. Several modules are already in operation. These include intelligent tracking management (iTm) or load carrier management (Improve). Both solutions enable logistics providers or suppliers in the process industries to precisely control their supply chains. A further module is already being used successfully by the German rail freight company Railion. With eCargo, the company manages its freight cars.

And we are currently developing new modules. Currently in pilot operation, for example, is a solution with which the movements of “rolling materials” (for example, luggage transporters) can be recorded at airport aprons. This data can be used to by the leasing company to invoice airlines. This also makes it easier to locate the tractors and cars in order to make more efficient use of them. Even if it is only to perform the annual maintenance check. Considering the fact that large airports require thousands of luggage cars, the search and scheduling of these requires a great deal of time.

The first solution modules show that T-Systems will initially concentrate on the logistics, trade, aerospace and health care industries. It is in these industries that we see the greatest growth potential for RFID applications, with which companies have to control their business processes in an ad hoc fashion. This is the only way, for example, to avoid stock shortages, optimize inventory or reduce idle times for transport containers.

RES Fashion at CeBIT

At the T-Systems stand, we are exhibiting an additional solution for commercial trade companies during CeBIT. RES Fashion is designed to solve primarily two tasks for the trade companies and textile suppliers. Both parties struggle with a large degree of lost goods. A large merchandizing chain, for example, reported that about five percent of all clothing pieces disappear. The current methods do not allow companies to determine where, how or when the losses occurred. We can tag transport containers, cartons or even individual pieces of clothing with RFID chips, making the location of goods transparent at all times.

The second advantage for merchandisers is a precise picture of inventories. Most sales personnel can only provide their customers with a broad estimate about the existing inventory. If a piece of clothing is not available in a particular size, a fast search in storage often does not help. Salespeople often have no idea which goods are waiting for a buyer in closed boxes. This is a service issue that often creates disgruntled customers. RES Fashion enables the inventory to be accounted for in the merchandise information system. This enables salespersons in the shops to access the information in real time.

Intel and T-Systems combine expertise

These examples demonstrate the broad applications for the RFID-based RES platform, a potential which we want to realize together with Intel. Together, because the implementation of complex RFID projects requires the convergence of the complete spectrum of disciplines and portfolios. For our customers we are combining our expertise in RFID with Intel. Intel, as no other company, is a motor of innovation in the RFID market. With excellent consulting, conception and engineering services, Intel is one the most important players in the RFID area. Intel offers companies the technological basis with which they can apply RFID to collect the data they require. As general contractor, T-Systems provides its strengths in the integration as well as the interplay of information and communications technology. We set up the RES platform, provide the complete ICT infrastructure and services and operate it all for our customers.