

MY TURN | BY TOM DOLAN

The Case for RFID

In *Music Inc.*'s recent coverage of the acoustic piano industry's problems, several writers have referenced radio-frequency identification (RFID). Many readers, however, may not know what RFID is and how it can benefit manufacturers, lenders, distributors, suppliers and dealers.

Most piano dealers are dependent on inventory financing in order to offer a reasonable variety of instruments. Unfortunately, Textron has withdrawn from the music industry, banks are reluctant to give loans, and the sole remaining lender, GE, has tightened its policies and raised rates. They are wary for good reason. Some pianos have the same value as a luxury car but can disappear as easily as a guitar starter pack. And lenders have been burned more than once.

RFID technology can help solve this security problem inexpensively and offer many ancillary benefits. It's widely used to track assets ranging from bulldozers to DVD players. RFID can provide the security lenders crave and offer inventory-control benefits to dealers and distributors, as well. Administering RFID could also provide an ongoing revenue stream for Piano Manufacturers Association International (PMAI) or another independent agencies.

THE RFID MODEL

Here's how an RFID tracking system for pianos would work. Two "tags," one active and the other passive, are placed on a piano. The active tag continuously broadcasts a signal to an Internet connection, which passes that information to a central server that contains the piano's serial number, model, finish and location. The active tag is tamper-proof, so when the piano is moved out of range, an e-mail alert gets sent to the lender or distributor for increased security. The industry standard, low-cost, passive tag is

triggered by a reader/gun that can read it. This tag will stay with the piano.

The server is managed by an independent third party. The server's cost would be paid for through the tags' sale to manufacturers and those taking advantage of the infrastructure. Members would have access only to information that pertains to them. Dealers, suppliers, and finance and freight companies would each have a secure portal. Additional features provided to the members' back-office systems could also enhance their capabilities to provide extra services and efficiencies.

BENEFITS FOR ALL

Secure asset management opens the door for manufacturers to offer consignment programs, providing dealers more financing options. It also lets them instantly pool dealer inventory without requiring cumbersome reporting. Distributors can have instant sales reporting by model — data they crave but most dealers can't provide. Secure asset management can also create a platform for manufacturers to deliver innovative, value-added warranty and service programs.

Dealers benefit by having greater access to financing and real-time inventory management. Inventory turns can improve, freeing funds tied up in slow-moving product. Dealers can post overstock pianos on a grid and make them available to other dealers.

Lenders can monitor secured inventory without floor checks, making inventory financing less expensive and more secure.

If PMAI chose to revisit an RFID program, it could generate revenue for projects; set standards for the industry that enable low cost of entry; and increase overall participation. An RFID program would also make PMAI's sales data more accurate and easier for manufacturers to supply. **MI**

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