Philips announces major RFID project in its semiconductor supply chain

March 4 2005

Use of RFID-tagged products improves efficiency of its internal supply chain in Asia with IBM as solutions partner

Royal Philips Electronics announced that its Semiconductor division has deployed a major implementation of radio frequency identification (RFID) in its supply chain in Asia - the first major rollout in the semiconductor industry. As the global leader in contactless chips with over a billion ICs sold to the market, the project was developed in close collaboration with solutions partner IBM using Philips' RFID ICs. The project demonstrates how RFID can be swiftly integrated with legacy systems and operational practices to enhance productivity and efficiency.

Philips Asian RFID project covers the tagging and tracing of wafer cases and carton packages for flows of goods between its manufacturing facility in Kaoshiung, Taiwan and its Asia Pacific distribution center in Hong Kong. As a result of improving the business processes within the manufacturing and distribution supply chain, the successful implementation provides increased inventory turns, improved stacked lead time, enhanced delivery reliability, warehouse efficiency and improved customer service.

"Manufacturers and distributors worldwide are looking for proven business cases for RFID. Our decision to use RFID is based on evidence that the technology generates a positive business case for our supply chain," said Mathieu Clerkx, CIO and senior vice president, Supply

Chain Management, Philips Semiconductors. "It also demonstrates Philips' commitment to invest in advanced technology to facilitate continuous improvements of its integral supply chain."

"I have studied several projects where RFID solutions are being implemented. Philips is clearly a leading innovator," said Professor Hau Lee of Stanford University, a leading academic in the field of supply chain management. "The scale of Philips' operation using RFID dwarfs that of many other projects, which are very limited in volume. It will act as an ideal reference case for the industry as a whole at a time when it is looking for proof that an RFID business case which matches their complexity and reach can be delivered today," he added.

Philips is considering implementing the RFID solution throughout its Semiconductor division on a global scale across its five semiconductor manufacturing facilities and three distribution centers in Asia Pacific, Europe and the United States. The company also plans to support customer integration of RFID in their supply chain management processes.

"As the world's first large-scale deployment in a semiconductor manufacturing supply chain, this project is a benchmark for the adoption of RFID. Philips' willingness to embed this technology into its supply chain and transform its surrounding business processes showcases how business and technology come together to deliver real business value to an enterprise. With the combination of leading-edge RFID technology from Philips, and IBM's RFID WebSphere middleware, integration services and transformation capabilities, this implementation is one of the world's first examples to demonstrate that the promise of RFID can be delivered on a large scale," said Faye Holland, Worldwide RFID leader for IBM.

In addition to IBM, which has provided the overall system integration for

this project, other leading industry vendors are also involved: tags will be delivered by Smartag and Tagsys, readers will be delivered by Tagsys, and printers will be delivered by Zebra.