

Container Centralen's CEO Challenged on RFID



The date from when RFID will be implemented in the European horticultural industry is approaching, and it is increasingly drawing the industry's attention. It is also the cause for concern for some stakeholders, and more and more questions are raised as to why Container Centralen (CC) is implementing RFID on the CC Container. We have put CC's CEO, Tonny Vangsgaard Gravesen (TVG), in the 'hot seat', and asked him some of the CC Container users' most frequent and critical questions.

A shared system

Some CC Container customers fail to see any advantages for them by implementing RFID on the CC Containers. Isn't it mostly for CC's own sake that you are doing this?

TVG: We are not doing this for the sake of CC – but for the sake of the CC Pool System, and thereby *all* the users. By far the majority of the CC Containers are on so-called 'Long Term hire', which means that the customers have made a significant investment in the shared system – and we are not talking petty cash here. Every CC Container represents a value of approx. €70, making the entire pool worth approx. €250 million! We want - and must - protect this investment. We do that best with RFID.

Is it not quite unusual that a company is carrying out such a major operation for the sake of the market?

TVG: Yes it is, however, you have to bear in mind that CC was actually founded and is owned by our customers. We exist simply to be an industry-wide solution providing standards within transport and trade, and this is still our primary objective. Although it is not something we think about every day, it is in fact a really fantastic concept that the founders of the system created, which is also why it has become the acknowledged standard for transportation of pot plants within Europe. Even outside of Europe it is proving successful, as CC today is active in USA, Central America and Asia. The success that the CC Pool System has had is based on significant cost savings that our entire industry has achieved throughout the years by applying a standard system, which is continuously maintained and developed.

But why this investment of RFID in the CC Pool System?

The RFID project is a further development of the CC Pool System, and is a joint project in the industry, which some of the larger organisations from Holland, Germany and Denmark are supporting and participating in. The success of the implementation of this joint industry project is therefore assured by 5 partners, namely, FloraHolland, Landgard, GASA Group, VGB and CC. After 5 years of development and testing we are now ready to launch. We were actually ready to launch on February 1, 2010, which was our original cut-off date. However, as the market strongly requested more time for preparation we decided to defer the launch date until November 1, 2010. But we are not going to postpone any further, so the implementation date *will* be November 1, 2010.

Loyal customers paying for free loaders

The industry is also sharing this investment – eventually it is only the customers that will be paying the bill. Isn't that right?



TVG: This is the 5th time we are updating and replacing the identification tags on the CC Container. Every time the investment has been recovered over the first few months, and we have subsequently been able to decrease the annual pool fee that covers repair and maintenance. So the investment is in fact self-sufficient, and even generates a profit, which benefits the loyal customers.

How is this profit generated?

TVG: Today we have approx. 3.5m CC Containers under contract in the CC Pool System with more than 21,000 customers. It is amazing to realise that loyal customers for 30 years now have supported the shared pool system, and that these would not consider abusing the system to their own benefit. But just as with so many other things in life, there are a few “rotten apples” who are exploiting the system to the detriment of the masses. ‘Parasites’ push fake CC Containers into the pool and are thereby getting a ‘free ride’ at the expense of the loyal customers.

No one knows the exact amount of fake containers, but if we assume that there are approx. 1m fake containers in the system, then the customers are paying up to 1/3 too much in the annual pool fee, as they also have to pay for the illegal containers. These parasites will now be excluded from the pool which means that everyone who has joined the system is also paying their share of the shared CC Pool System

Price decrease ahead

Will the annual fee then be reduced after November 1, 2010?

TVG: As I mentioned before, it does take a few months for the investment to be recovered, and if the tagging operation starts to make a profit the annual pool fee will be decreased accordingly. The more customers support the CC Pool System and scan the RFID tags, the quicker we will be able to close the pool and exclude the parasites - and the quicker the cost savings will be felt. Right now I think it is unlikely that the CC Container pool fee will increase in 2011. On the contrary, we will have to wait and see how quickly a price decrease can happen.

You mention that the users have to scan the RFID tags. That means then, that they have to invest in both a scanner and that they thereafter have to spend extra time on scanning. Is it then so strange that the users fear that this will cost them more time and money?

TVG: If you want to be sure to avoid receiving fake containers you should acquire a scanner. Otherwise you run a risk similar to that of receiving counterfeit money if you are not checking them. They have no value and will be refused when you try to pass them on in the CC Pool System. You could make arrangements with your transporter to ensure that they scan the containers and only deliver the real ones to you. Many transporters are already using RFID in their business.

It is in fact not something new that you have to check the containers authenticity – you have a responsibility to do that even today by checking whether they have the correct metal plate and black padlock. With RFID you just have an additional method of verifying the authenticity. The policies of the CC Pool System remain the same.

Compared to the investment the industry has already made in the CC Containers – the €250m – the cost of the handheld scanners is a very modest expense of protecting this investment. At the same time it is the industry’s guarantee that the loyal customers are not footing the bill for the parasites.

With the time spent scanning, it is as with so many other new things, you quickly get used to it and then it is done quickly. If you at the same time choose to integrate the information scanned with your logistics system, you will be able to achieve savings in administration time. We are of course happy to advise our customers on how best to take advantage of the benefits RFID makes possible.

Advantages for everybody

What advantages is it that the users will get with RFID?



TVG: With integration of RFID you have the possibility to register in and outgoing containers automatically, set up 'Track and Trace' and much more. By furthermore adding the information about the content of the CC Container and the information on the RFID tag, then RFID can be used for automatic order control.

It is also important to note that still more retailers are requesting RFID tagging of transport items. By using CC Containers you thereby ensure that you do not risk being excluded as a supplier, just because it is too costly to implement your own RFID solution. The logical conclusion for the CC Pool system is therefore to implement common and internationally acknowledged RFID tags. The CC Containers will therefore already be tagged by November 1, 2010.

If you do not wish to integrate RFID into your logistics system and thereby apply RFID directly, then I guess there are no advantages?

TVG: Yes, there are still some significant advantages. Firstly, you avoid that the annual pool fee spiralling out of control, and instead being reduced over time. Secondly, fake container copies of inferior quality which risk costing man-hours in handling and eventually collapsing, will be weeded out. Thirdly, the users have been safeguarded against future requirements that would otherwise mean without RFID tagging of their deliveries they would be excluded as suppliers.

Besides these direct benefits of the RFID implementation there are also a range of in-direct benefits. Despite the fact that the CC Container is unique and fulfils its role, we do have some ongoing development projects. We are however, holding back the launch of these until the pool has been closed. We have e.g. pilot project running with new noise-reducing wheels, shelves in a new, lighter material that are also less noisy and have been prepared for automatic processes – all to the benefit of the working environment. We are very much looking forward to offer these improvements to all customers, when the pool has been closed off for poor quality copies. All CC Container users will benefit from these improvements whether they wish to take advantage of the RFID technology or not.

Read more about the RFID implementation on www.cc-rfid.com and www.operation-chip-it.com.