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Cisco, SAP Ventures Back RFID Startup

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Reva Systems Inc. revealed today that SAP AG's venture capital arm and Cisco Systems Inc. were "substantial" participants in the RFID network infrastructure startup's [recently closed](#) \$13.5 million round of "Series B" financing.

The funding brings Reva's total capitalization to \$20 million since its [inception](#) in early 2004. Also participating in the round were Reva's original venture capital backers -- North Bridge Venture Partners and Charles River Ventures -- as well as individual investors, the company said.

In an interview with *Managing Automation*, Reva CEO Tom Schuster declined to say how much capital Cisco and SAP Ventures provided. "Everyone put in a substantial contribution," he said, alluding to the company's four major investors.

The cash infusion will be used by Reva to create a global network of channel partners and hire an internal staff of pre- and post-sales engineers to support multinational and territory-specific RFID rollouts, Schuster said. Reva, he added, also expects to pour more money into R&D to build specific customer/vertical-market workflows.

In addition, the company plans to use its fresh capital to expand its Tag Acquisition Network (TAN), which provides scalable network intelligence to help companies deploy and tune RFID readers to site-specific requirements, and its Tag Acquisition Processor (TAP), which implements the TAN by creating above the reader level a logical layer that [acts as an extension to enterprise TCP/IP networks](#). Reva's products support the EPCglobal Gen2 air interface protocol, reader-to-network protocols, and RFID data access standards.

Dollars aside, analysts said the backing of industry powerhouses Cisco and SAP, which have complementary interests in the success of RFID, should give Reva -- and its standards-based way of making RFID deployment and management intrinsic to the enterprise TCP/IP network -- an instant infusion of credibility as companies worldwide seek demonstrable cost justification to invest in RFID technology for purposes beyond compliance with customer mandates.

"Large names like these add a lot of credence and credibility" to Reva, noted Michael J. Liard, director of the RFID and Contactless practice at ABI Research.

Jennifer Scholze, a partner at SAP Ventures, told *Managing Automation* that Reva fits perfectly with its investment portfolio, which includes companies such as T3Ci, a company that offers an on-demand, subscription-based application service that enables suppliers and retailers to analyze RFID data in real time.

Reva's allure, she said, is its ability to plug into SAP's NetWeaver infrastructure: Reva, for example, already [supports](#) SAP's Auto-ID application interoperability standard. The startup's heavy involvement with international standards bodies, and its desire to address cross-industry business requirements beyond pure supply-chain tracking in segments such as pharmaceuticals, high tech and retail, also made Reva a desirable investment, she added.

"We usually don't do early-stage investments, but Reva seems to have traction," Scholtze

explained, pointing to the start-up's original investors, its strong management team, and marquee customer references such as Hewlett Packard, which is using the startup's RFID products across its global supply chain to meet requests for tagged goods from retailers and other customers.

Reva, Scholze added, appears well positioned to prosper if and when the RFID market takes off. "[Companies] will need infrastructure to be able to retrieve and analyze data," she said. "The folks within SAP are excited about the approach Reva has taken."

By working with Reva, SAP no longer has to worry about translating data that resides on the RFID layer of the network. "It's already taken care of," Schuster said, adding that the discussion with the customers becomes, "Now that you have scalable and accurate information ... let's talk about what to do with it."

SAP will be working with Reva internationally to build "vertical-market-specific proofs of concept" for various industry segments and applications within retail (in store) as well as manufacturing (factory floor for discrete and process control).

Cisco, meanwhile, sees RFID readers as just another device on the enterprise TCP/IP network, an infrastructure that will increasingly co-mingle wired and wireless devices, and whose value increases by virtue of the number of nodes connected (see [Metcalf's Law](#)). Reva's use of a network appliance to manage RFID deployments also struck a chord with Cisco, "because they've done it at their own company," Schuster said, pointing to Cisco's Wireless Networking business unit, the group with which Reva will be working to turn unified network infrastructure from vision to reality.

Schuster said it was premature to talk about a network roadmap that would cast future collaborations with Cisco into digital stone. A Cisco spokesman did not return phone calls for comment by press time.

A roadmap, as well as tighter integration with enterprise applications, just might be the tonic needed to coax wary user companies to justify further investments in RFID, analysts said. "Our customers -- tier 1 and 2 retail suppliers and manufacturers -- already have supply chain visibility," noted Chantal Polsonetti, vice president of manufacturing advisory services with ARC Advisory. "Where they don't have it is in the retail store." For instance, they need granularity into why a promotion is doing better in aisle 8 compared with aisle 12, she explained.

SAP, ABI's Liard said, "sees RFID as a game-changing technology," which, once "serialized" on a per product basis, can yield insights that can be better leveraged by all parties across the extended supply and distribution value chains. Making RFID data collection and management part of the enterprise networking stack will be a major step forward in helping user companies consider transformative business processes that enable more synchronous management of supply and demand from the point of sale looking back, he noted. And, thinking through the business and technology implications will take time.

"When it comes to RFID, it's a marathon, not a sprint," he declared, noting that there are still too few standard, off-the-shelf approaches to speed RFID deployments (a shortcoming Reva's TAN hopes to address). "With RFID, there's lots of customization -- it's a theme of a thousand variations," Liard lamented. "There's no cookie cutter when you are talking about physics."

Time is something the cash infusion affords Reva. "This [investment] gives us a good runway," Schuster said, noting that he couldn't predict if or when Reva would require additional funding before it turns cash positive. Capital needs will be determined by the market's trajectory, he said. "How steep and fast the curve will be is hard to predict. It's up to us to make sure we're really solving critical problems that are in killer applications areas that offer proper ROI for [customers] and give us top-line growth."

Schuster said it was premature to speculate on how the equity stakes held by SAP and Cisco would affect the company's future funding plans. "We're focused on building a category, developing it globally, and building a valuable business," he said. "Exit strategies take care of

themselves -- if you build a valuable business."

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