

RFID Markets to Continue Growth, but Majority of Activity Outside of Traditional Supply Chain

Security, ID Cards Driving Market Growth; 325 Million Tags to be Sold into CPG -Retail Worldwide in 2008

SCDigest Editorial Staff

Anyone interested in RFID market size or growth needs to take the many projections of such by various analyst and research firms with a few grains of salt.

First, many of the earlier projections have obviously not panned out as forecast.

Second, just what goes into a given market number is somewhat subjective, and not always clear. For example, if a \$3 million manufacturing system is installed that happens to use RFID to track work-in-process, how much of that number should be counted as "RFID revenue?"

Finally, the methodologies used to derive the numbers are often not clear and just as often suspect.

The researchers at IDTechEx seem to do among the best jobs of clarifying those issues, and recently released a report on RFID adoption rates in 2007 and projections for 2008 to 2018.

IDTechEx CEO **Raghu Das** is predicting relatively low market growth worldwide for 2008, with total RFID sales moving from \$4.93 billion in 2007 to \$5.29 billion this year, or an increase of approximately 7% - good growth for a mature market, but not an emerging one.

Das does see growth accelerating, with the market rising more than five fold (or 500%), to over \$25 billion, by 2018. Interestingly, that will involve an increase in RFID tag sales of over 30,000% during that time, "driven by the development of lower cost tags and installed infrastructure which will enable high volumes of articles to be tagged."

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Raghu Da, CEO IDTechEx

Digging into the Numbers

A summary of the full report (available for purchase at the IDTechEx web site) provides some additional interesting market insights.

For example, the real driver of RFID activity and sales right now are applications related to security, identification, and other forms of cards with embedded RFID tags.

"The majority of this value [2008 projections] is due to large national RFID schemes for transportation and national ID, incorporating contactless (RFID) cards," Das says.

For example, China is in the final stages of a huge program to provide all citizens with RFID-based national ID cards, representing a significant portion of global RFID spend.

In fact, 57.3% of the total market value for RFID in 2008 will be spent on cards and associated infrastructure, according to the research.

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RFID Tag Revenues by market 2008

Tag Value (\$million)	2008	Highlights
Airline and Airports	25.9	Excludes passports, cards
Animals and Farming	90.0	Animals
Books, Libraries, Archiving	27.4	Retail books, documents
Financial, Security, Safety	1126.4	Access control, passports
Healthcare and Pharmaceutical	37.7	Drugs, people, assets
Land and Sea Logistics, Postal	38.9	Conveyances, vehicles, postal
Manufacturing	24.0	Assets, tools etc
Military	86.5	Pallets, assets, items etc
Passenger Transport, Automotive	650.7	Card,ticket, clicker,tire
Retail, Consumer Goods	86.5	Pallet, case,apparel,cpg
Other	162.6	Research, education etc
Total Tag Value (\$million)	2357	
Total Tag Value (\$billion)	2.36	

Source IDTechEx

As can be seen from the chart above, in terms of tag sales, these non-supply chain applications are currently dominating RFID technology revenues.

Still, IDTechEx is generally bullish on RFID adoption for supply chain applications, especially in the consumer goods-to-retail supply chain that has been slow to take off. It predicts total tag usage worldwide in that sector of about 325 million in 2008 – but notes that a lot of that number comes from a single retailer, the UK's Marks & Spencer, which has used over 100 million tags to date, mostly from internal tagging,

not a Wal-Mart style supplier mandate.

"We continue to still be in a "chicken or egg" type of situation with regard to RFID," said SCDigest editor Dan Gilmore. "That includes not only tag prices – when prices come down, users will buy more tags, while tag makers say they need more volume to lower prices – but also reader infrastructure. There is no question that as infrastructure is put in place, it will reduce the marginal cost of increased tagging and applications."