

## Do RFID Market Size Estimates Mean Anything to End Users?

### Why are the Numbers So Different from Study to Study?

#### SCDigest Editorial Staff

As we continue in the “post Wal-Mart” era of RFID, it seems to Supply Chain Digest that the number of studies being released that estimate the size of the RFID market in North America and worldwide has slowed.

Still, they are not uncommon, as exemplified this week by a new report from ABI Research that projects global RFID sales of \$5.3 billion in 2008.

What does that number really mean? And should average companies care?

A few points of clarification are worth noting.

First, the majority of these studies are conducted by firms that make their money from selling the market studies to RFID-related vendors. Like any industry, many solution providers in a market such as RFID are interested in estimates in the size of that market and its projected growth rates to help guide investment and marketing decisions.

Some would argue that because the targeted audience is made up of RFID vendors (the same holds true for market sizing estimates in any technology area), the surveys have a tendency to bias the numbers upward, because vendors are more likely to purchase studies that forecast strong growth than ones that are less optimistic.

The research firms generally issue “teaser” press releases that offer a few highlights of the report without giving away too much of the full report that they offer for sale.

#### Wildly Different Numbers

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In RFID market sizing estimate, as with any technology market studies, there can be huge differences in market size numbers offered by different research companies – differences sometimes in the billions of dollars.

How is that possible? Some of it is related to methodology, but the biggest question has to do with what is included in the market size numbers – it is rarely an apples to apples comparison between the numbers in different studies.

RFID is especially challenging in terms of market definition. The hardware numbers are fairly straightforward. How many readers and tags are going to be sold, and at what price?

Where it always gets tricky is in the area of software and services. Should RFID middleware be included in the RFID market size number? What about an existing Yard Management System that now starts to use RFID in addition to bar codes?

## Do RFID Market Size Estimates Mean Anything to End Users? (Con't)

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
<b>Total Tag Value (\$million)</b>	<b>2357</b>	
<b>Total Tag Value (\$billion)</b>	<b>2.36</b>	

Source IDTechEx

What about the consulting services related involved in any of these deployments? If a Manufacturing Execution System is deployed that will use RFID tracking, do all of the software and services dollars for the implementation count as RFID dollars?

This is where there are a lot of differences between market size estimate, and where there is an awful lot of room for interpretation by the researchers on what should be included in the estimate or not.

### Should RFID Users Care?

Market growth numbers can provide "end users" (as opposed to technology vendors) some insight into where other companies are investing money. If there is a high level of growth in RFID-based asset tracking, for example, that may be an indication that other companies are starting to find value there, and that this is an application that may be worth starting to explore.

That data may be useful not only in triggering

ideas, but also in providing support for funding requests made to launch the RFID technology initiative.

That said, it is good to know that few market sizing studies are based on real surveys of purchasing intentions by end users companies, because of the cost and effort to do that well. Instead, they are generally (but not always) based on surveys of the technology vendors themselves as to how much they have sold and what they expect to sell, combined with assumptions and analysis from the researchers. The research is often supported by qualitative research (interviews) with end user companies that provide insight that helps in making growth assumptions.

It is also sometimes necessary to read the language carefully. A 2006 article on one study, for example, said this: "The key finding: the growth opportunity for the total life science RFID market size is estimated to be \$9.7 billion today, and is expected to exceed \$14.8 billion by 2009."

Did that mean the RFID market in life sciences was \$9.7 billion that year? No where close. What it meant was that **if** RFID had been deployed in a number of potential application areas, the market **potential** was \$9.7 billion. Actual sales to that market were a small fraction of that.