

# ABI: RFID Market Poised for Growth

The market research firm predicts that the global RFID market will reach \$3.1 billion by 2008.

By Jennifer Maselli

July 18, 2003 - Allied Business Intelligence, a research firm based in Syosset, New York, projects spending in the global RFID market will grow to more than \$3.1 billion by 2008, from about \$1.3 billion this year 2003. Industries that will drive spending include consumer packaged goods and retail, automotive, military and homeland defense.

In 2003, spending on RFID technologies in the worldwide defense market was about 22 percent higher than the previous year, with even higher growth anticipated for 2004, says Edward Rerisi, ABI's director of research. "The US military clearly drives spending in this vertical," says Rerisi.

Savi Technology has been working with the US military for years to help the Defense Logistics Agency track container and vehicles deployed over seas. Late last year, the military ordered that all goods be tracked with RFID tags (see Military Orders RFID Tracking). And in February, the Department of Defense gave Savi a major contract to continue developing the military's RFID infrastructure (see Savi Wins \$90M RFID Contract).

Rerisi says the commercial sector can step up spending now because standards are emerging, the cost of RFID technologies is decreasing, and vendors are teaming up to offer integrated packages that include installation, software and hardware components.

ABI projects revenue from RFID implementations geared towards asset and supply chain management will grow to 48 percent of the market, from 20 percent today. Initial spending will be focused on systems designed to track containers for supply chain management, but Rerisi expects to see more in-store trials of RFID technologies in the coming year.

"The two industries that will have the highest growth rates are the consumer packaged goods and retail verticals," says Rerisi. "Clearly Wal-Mart and other retailers are driving this trend with recent initiatives to track pallet and cases," he says.

A recent joint survey conducted by ABI and *RFID Journal* revealed enhanced visibility is an end-user's primary motivation for deploying the technology. The cost of RFID tags, confusion about standards and the cost of integrating RFID systems with enterprise applications were seen as factors slowing the market (see Integration Impeding Use of RFID).

The automotive industry also represents a large portion of RFID spending today, says Rerisi. Companies like Michelin and Goodyear Tire and Rubber, for example, are using RFID technologies to comply with The TREAD (Transportation, Recall Enhancement, Accountability and Documentation) Act, which requires vehicles to "warns the operator when a tire is significantly underinflated."

Automobile OEMs are also using RFID for supply chain management applications. "Just-in-Time inventory

systems are essential to remain competitive in the auto market, RFID provides the visibility required to enable such systems," says Rerisi.

ABI's new report "RFID: Emerging Applications Driving R&D Investment and End-User Demand," released last week, examines RFID standards, applications, vendors integrators, developers, and vertical markets. The report also explores asset management, supply chain, and point-of-sale implementations.

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