

IDC Forecasts Bubble, Burst, Boom

The author of a new report sees the RFID market for the retail supply chain growing to \$1.3 billion in 2008, and then declining before the real growth starts.

Jan. 12, 2004—IDC, the technology market research and advisory firm, has published a new report that forecasts the market for RFID technology in the U.S. retail supply chain will rise from \$91.5 million last year to \$1.3 billion in 2008. But the real growth may come after that, according to Christopher Boone, the report's author.

The report, entitled "U.S. RFID for the Retail Supply Chain Spending Forecast and Analysis, 2003-2008," focuses only on the retail supply chain and tries to quantify the impact of Wal-Mart's mandate—and to a lesser degree, the U.S. Department of Defense's—on RFID sales within the CPG industry. It also covers retailers that will follow in Wal-Mart's footsteps and issue their own tagging requirements for manufacturers, wholesalers and logistics providers.

The bulk of the \$1.3 billion will comprise sales of hardware, including RFID tags, readers and antennas, plus spending on servers to run those readers and network equipment to handle the data. The remainder will come from spending on middleware and services related to business consulting, systems integration and maintenance and support.

Boone, who is program manager for U.S. vertical industry research at IDC, didn't include spending on enterprise applications in this forecast. "It's harder to quantify at this time because the solution sets are nebulous at best," he says. "It's unclear at this stage if there will be standalone applications from enterprise providers or if they will just upgrade their existing applications to take advantage of data from RFID tags. I think there will be additional spending on those enterprise apps, but I decided to limit the scope of this forecast."

The report suggests that growth will be uneven during the next four years. There will be a spurt in 2005 as large suppliers begin to deploy the technology to meet their customers' requirements. Midsize suppliers will wait to see the outcome of this work before forging ahead. "Costs will have started to come down, and there will be enough information out there about lessons learned and business cases that worked or didn't work that you will see another wave of investment in 2007," Boone says. "There will be growth in 2006, but it won't be a nice neat exponential curve."

The report predicts that spending will decline after 2008. By that time, many companies will have deployed RFID in their distribution centers and warehouses. But Boone expects that four years from now, the cost of RFID tags and readers won't have fallen to a point where RFID can be used on individual items and store shelves. So the bubble will burst before spending on item-level tagging begins. "The real growth is going to happen in that second stage," Boone says. "But that's so far out I'd hesitate to put a number on it."

He says that IDC Chief Research Officer John Gantz compares RFID to other "next big things," including the personal computer. "There was a PC bubble in the early 1980s," Boone says. "It crashed and then the real wave of growth began. The market today for PCs is obviously so much larger than it was in the 1980s. That's

the trend we are going to see repeated with RFID—bubble, burst, boom."

The report can be purchased for \$4,500 from [IDC's Web site](#).

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