

Integration Services Set to Take Off

A study by market research firm ABI shows that on RFID integration services will soon exceed spending on RFID hardware.

By Claire Swedberg

Feb. 23, 2004—A recent study by ABI, a technology market research firm based in Oyster Bay, N.Y., predicts that the amount of spending on RFID integration services worldwide will exceed spending on RFID hardware by 2007. ABI also expects that by next year, companies will spend more on supply chain RFID integration services than they will on readers, tags and other RFID hardware deployed to track containers, cases, pallets and items.

In 2005, according to the study, supply chain RFID integration services will total \$580 million worldwide, up about 400 percent compared with 2004's estimated total of \$135 million. Such services involve ensuring compatibility between readers and software, middleware and making sure the data generated by deployed RFID system can be accessed through the company's computer network and back-end applications.

The report, entitled "RFID Integration Service Markets: Meeting Demand for Reader, Software, and System Integration Solutions," was conducted through interviews with representatives from about 40 companies that make RFID middleware, hardware and warehouse management applications. ABI senior analyst Erik Michielsen says he had expected to find growth in RFID-related integration services when he launched the survey. Nonetheless, he was surprised by the level and speed of the growth anticipated by the survey's respondents.

"We've gotten past the initial hype around hardware when no one thought about the back-end applications," Michielsen says. "That's a significant push forward. It's explosive growth."

It is not only explosive, it had also been unexpected because many companies have thus far concentrated on shopping for RFID hardware and made integration a secondary concern. Part of the growth that ABI foresees for integration services will be fueled by the push for consumer packaged goods (CPG) makers to comply with Wal-Mart, Metro AG and Department of Defense deadlines to tag shipments. These mandates will be forcing many companies to take a close and immediate look at the impact of RFID systems will have on their own workflow management and logistics systems.

To take the offensive in RFID preparation, retailers, distributors and CPG manufacturers should launch a deeper analysis of their enterprise and back-end software and its integration with the RFID systems they will be installing, according to Michielsen. To do this, each company's logistics, marketing, and information technology (IT) personnel will need to focus on the entire supply chain and logistics process to determine how they will work with RFID. As part of this process, companies will need to examine and implement changes to the multiple layers of their computer systems.

"IT people need to get involved really quick," says Michielsen, explaining that companies need to work with their IT department to create an ongoing business case analysis. "This isn't just a matter of 1-2-3; it has to be 1-2-3, 1-2-3, in a cyclical fashion."

According to ABI's report, makers of warehouse management software and supply chain execution applications, including Catalyst International, Manhattan Associates, Provia and RedPrairie, are incorporating RFID into their products to assist their customers with their integration systems.

ABI publishes market research and technology intelligence on the wireless, automotive, electronics, broadband and energy industries. Full text of the report is available at the company's Web site, www.abiresearch.com.

[RFID Journal Home](#)

[Attend RFID Journal Live! 2004
Executive Conference, Chicago, March 29 to 31
It's Where RFID is Happening
Register Today](#)

Copyright ©2005 RFID Journal, Inc. All Rights Reserved