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# Research Firm Increasingly Bearish on NFC

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April 11, 2007—ABI Research of Oyster Bay, New York, today announced a new forecast as part of a recent study on the market for near field communication (NFC), the RFID-based

technology that will enable a wide variety of contactless commerce applications via consumer mobile handsets (cell phones). ABI predicts that by 2012, just under 300 million handsets will be equipped with NFC capabilities, or about 20 percent of the global market.

This prediction represents the second time in seven months that ABI has revised down its projections for the NFC market. Last September, the company downgraded a previous forecast to 450 NFC-equipped handsets by 2011. At 292 million, today's forecast is less than two-thirds that number and won't be reached until a year later.

ABI cites the build-out of the NFC infrastructure as a key variable in achieving uptake of the technology. The vision of NFC is to consolidate myriad contactless commerce applications onto cell phones such that consumers can use the devices to purchase goods, ride public transportation, unlock doors, and even download digital content from physical advertisements like movie posters. The seamless operation of such a vision requires the participation of a large and varied ecosystem of stakeholders: phone manufacturers, network operators, card issuers, public transportation companies, contactless transportation ticketing providers, payment processors, and retailers, among others. Achieving cooperation among so many disparate interests seems like a daunting task indeed.

"The multiple applications NFC facilitates bring a host of complexities and interoperability issues when it comes to creating the business relationships required to enable and manage NFC applications on each handset," says ABI. "Success in developing NFC relationships will determine the speed and shape of deployment and consumer availability of NFC in handsets."

One group in particular looms large: the mobile network operators. Because they are the largest purchasers of mobile phones, they ultimately have a big say in which features are

added. If they don't believe that consumers will value a particular bell or whistle, like NFC, they will balk at buying millions of phones with such a feature. "As the dominant mobile handset purchasers in the world, mobile operators stand as the gatekeepers of NFC's entry into new handsets," explained ABI senior analyst Jonathan Collins, "and until they are comfortable with getting a return on the investment in those handsets, NFC will not reach a mass market."

As a counter to ABI's increasingly bearish outlook for NFC, the technology's industry association NFC Forum has published a handful of rosy announcements over the last couple years regarding its rapid membership growth. Most recently, NFC Forum topped 110 member organizations, at a respectable 10 percent increase from the quarter prior. For the technology's sake, it will be critical that those members are able to strike deals with one another sooner rather than later.

Read today's announcement from ABI Research



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