

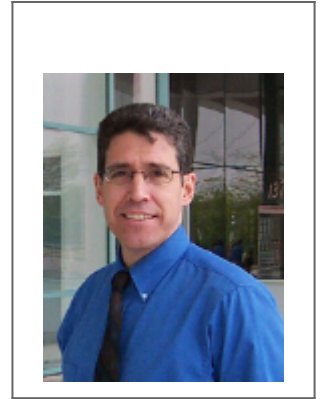
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## **VCs Are Writing Checks Again**

Aug. 11, 2003 – Hidden among all the bad news about the continued bloodshed in Iraq, the terrorist bombing in Jakarta and the supposed end of privacy at the hands of RFID, there was some bright news for the RFID industry and end users last week. In the second quarter, venture capital funding



in the United States grew quarter-on-quarter for the first time in more than three years. And 62 percent of the 442 deals involved IT startups.

Last week, we reported that Alien Technology received \$38 million in funding and Power Paper, an Israeli company that makes thin film batteries for smart active RFID labels, got \$15 million. And last month, Matrics raised \$20 million.

The additional funding gives these companies the resources they need to enhance their existing products or create new products. It also puts to rest any questions in the market about the staying power of companies that are developing new RFID-related technologies. A host of venture capitalists are now looking for opportunities to invest in RFID companies, which ultimately means that we will see innovations that will help to drive the market forward.

It's a great time to be a VC again. In fact, I often tell friends that the only job I would want right now—other than being the editor of *RFID Journal* —is being a venture capitalist with a pile of money to invest in RFID companies. VCs today have an enormous opportunity to identify companies with RFID and related technologies that will emerge as the winners as RFID technology takes off. I'm no financial whiz, but I've got a unique view of the developing RFID market, so I'm going to take a crack at playing amateur financier.

The first place I would look is in the area of conductive inks and printing processes—both critically important to the future of RFID. Companies that develop low-cost, highly conductive

inks for printed RFID antennas will do well. So will businesses that develop technology for placing the microchip accurately onto an antenna as a carton moves rapidly through the printing press.

There's also a huge need for intelligent software. Some companies are already providing middleware products (see RFID to ERP: The Land Between). As good as these products are, there's a pressing need for a software layer that filters data and somehow figures out which enterprise applications it needs to be routed to, without a lot of custom coding.

Also, with all the real time data coming from RFID systems, it's clear that companies will need intelligent software that learns from patterns and highlights problems, such as potential out-of-stocks, before they happen. SAP has incorporated agent technology from BiosGroup into a prototype replenishment system (see Agents Key to RFID Supply Chains). But companies have only begun to scratch the surface of what's possible.

If I had a longer investment horizon, I would consider companies that are developing low-cost smart sensors coupled with RFID tags. This is probably the most exciting area. Once you can identify an individual item, you can track its status. For instance, smart labels could let you track meat or wine and tell you if it was exposed to excess heat (because it was left in the hot sun on a loading dock) and is no good any more.

The fields of nanotechnology and biotech could merge some day with RFID to produce smart products. Those who are opposed to technology will conjure up images of the government tracking us through Frankenfood covered in gray goo, but the potential to improve people's lives is astounding. Imagine a world where no one gets sick from eating tainted food because sensors in the packaging detect bacteria before the product ever gets to the store shelf. Airplanes never crash because sensors detect

minute changes in heat or vibrations. Authorities are alerted immediately to a potential anthrax attack by tiny sensors on rooftops.

I don't know if these applications are commercially or technically viable. A lot will depend on the ability to create sensors that are inexpensive and can be married to the RFID tag's microchip. But I do know that once you can identify an object and communicate with it via radio waves, you open a whole new world of opportunities to make products better, smarter and safer. And the companies that figure out how to seize that opportunity are going to make a lot of money. It would be exciting to be part of that, but I'll stick with my day job and be satisfied with the knowledge that *RFID Journal* is bringing companies with innovative technologies to the attention our readers.

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