

PRESS RELEASE



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FOR IMMEDIATE RELEASE

RFID IN THE SUPPLY CHAIN: THE WAL-MART FACTOR PART TWO: IMPACT ON NEAR-TERM MARKET GROWTH

Natick, Massachusetts – March 8, 2003 – Given the recent bevy of RFID implementation announcements by Wal-Mart, Metro AG, the US Department of Defense and, most recently, Target, VDC has adjusted the market size and compound annual growth rate (CAGR) originally published in “The Global Markets and Applications for RFID Equipment and Systems, 4th Edition” (2002).

Originally estimated to rise by 21% between the years 2003 and 2005, the near-term compound annual growth rate for RFID software and systems is now expected to surpass 37%.

GLOBAL SHIPMENTS OF RFID SYSTEMS SEGMENTED BY PRODUCT CATEGORY						
(MILLIONS OF DOLLARS)						
	Base Year		Original Forecast		Adjusted Forecast	
	2003	2005	CAGR	2005	CAGR	
Transponders	554	848	24%	853	24%	
Readers	272	371	17%	683	59%	
Software	301	431	20%	594	40%	
Total	1128	1651	21%	2130	37%	

Factors impacting forecasts:

- Recurring Transponder Costs – Although price points are declining (they will remain far above five-cent per transponder level), manufacturers are faced with the ongoing cost of buying RFID transponders.
- System Infrastructure Requirements Driving Near-Term Growth – Forget the cost of transponders, it is the cost of RFID system infrastructure that causes sticker shock among C-level executives and IT managers.
- What *exactly* does RFID compliance mean? – The language found in major RFID mandate announcements has been vague.
- Technology performance challenges loom – Unresolved physical infrastructure issues are expected to

impede near-term market growth.

- Too much too soon? – The benefits of RFID technology are not in question; however, the timing of these RFID mandates is in doubt.

For more information, please contact Michael J. Liard, Senior Analyst at: mikel@vdc-corp.com or 508-653-9000 ext. 130.

A white paper is available on this subject at: <http://www.vdc-corp.com/autoid/white/04/walfactor2.pdf>

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