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RFID Market Approaches \$4B, Expect a Tough 2009

Natick, Massachusetts – May 11, 2009 – According to the latest results from VDC Research Group's 6th edition of its *RFID Business Planning Service*, the RFID market is expected to grow approximately 11% this year, after reaching nearly \$4 billion in 2008.

Demand for RFID solutions softened in the fourth quarter of 2008, and continued to contract in the first quarter of 2009. Based on current opportunity pipelines and sales cycles, the next two quarters will continue to present challenges to suppliers and their channel partners.

The consensus among the supplier community is that the negative segments of the market will stabilize during the next six months, and return to growth as early as Q4 this year.

The market overall is expected to see growth accelerate sometime in the middle of 2010.

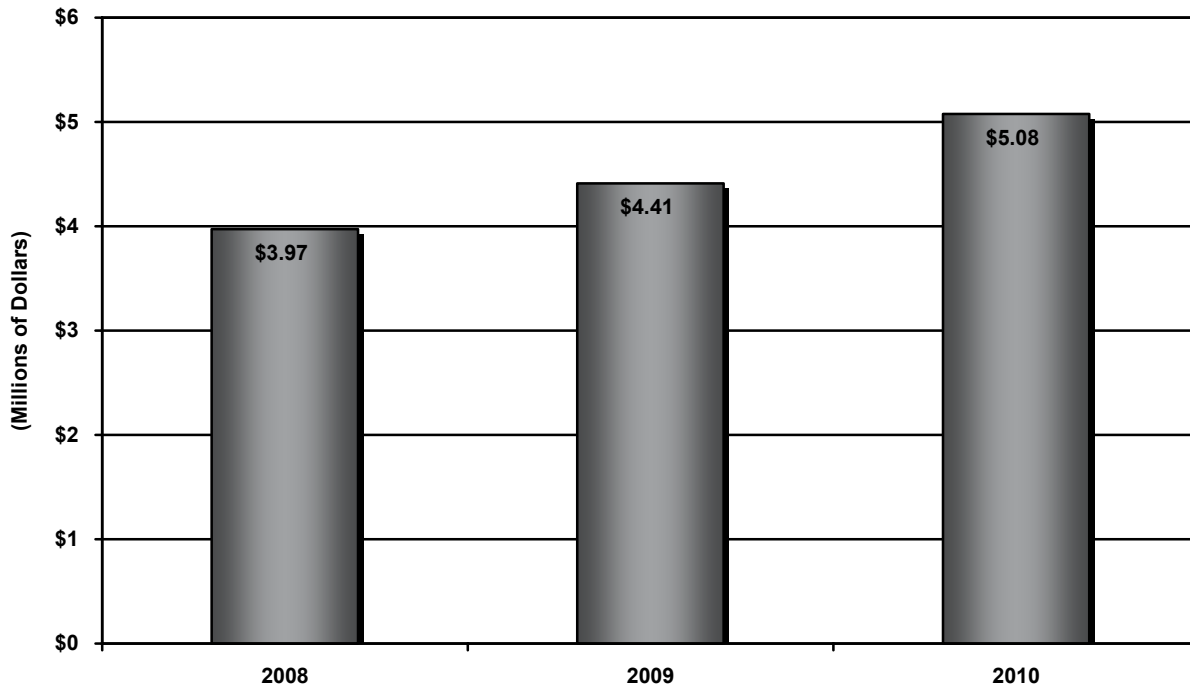
The slower, uneven growth is impacting most RFID market segments. Even application segments that have demonstrated continued growth, attractive ROIs, and tangible operational improvement are experiencing funding challenges. Applications supported by suppliers with established business models such as Security/Access Control, Asset Tracking, and Supply Chain Management, are slowing in both the expansion of existing installations and the development of new accounts.

Enterprises are reducing their RFID budgets significantly and delaying their current RFID strategies due to the recession. "Nearly 75% of end users responding to our survey this year indicated a 60% or more reduction in RFID spending for 2009," says Drew Nathanson, RFID Practice Director at VDC. "In addition, more than 80% of the new adopters in 2008/2009 anticipate using less than 50,000 transponders and expect to attain their ROI in less than 9 months – both of these values are down more than 30% as compared to last year."

2009 will be a tough year for RFID supplier revenue growth and margin generation. RFID solution spending will dampen, deployments will be delayed or scaled back, and investment in new technologies/solutions and R&D will slow as companies try to conserve capital, leverage their extraordinary positions in one of the best IT buyers' markets in years, or explore new financing or deployment models.

"Even though the total global RFID market grew nearly 35% from 2007 to 2008 – approaching \$4 billion, its not recession proof" states Nathanson. "The good news is that the market will still grow and should rebound in early/mid 2010." Although the near-term forecasts are down, this market is expected to gradually return to its historical growth (~30%) rates by 2013.

Exhibit
Total Global RFID Revenues



ABOUT VDC RESEARCH GROUP

VDC Research Group (VDC) is a technology market research and strategy consulting firm that advises clients in a number of technology markets including: Automatic Identification and Data Collection, Embedded Hardware and Systems, Embedded Software and Tools, Industrial Automation and Control, Mobile and Wireless, and Power Conversion and Control. Using rigorous primary research and analysis techniques, the firm helps its clients identify, plan for, and capitalize on current and emerging market opportunities. We strive to deliver exceptional value to our clients by leveraging the considerable technical, operational, educational and professional experience of our research and consulting staff. During our nearly four decades of ongoing operation, we have had the pleasure of serving most of the world's leading technology companies, many high-profile start-ups, and numerous blue-chip early and later stage investors. Our products and services consist of research reports, annual research programs, and custom research and consulting services. Founded in 1971, the firm is located in the Boston area. Please visit our Web site at www.vdcresearch.com to learn more.

For more information, contact:

Andrew Nathanson, Director, Research Operations, 508.653.9000 x148, andrewn@vdcresearch.com

Tom Wimmer, Director, AIDC Practice, 508.653.9000, wimmer@vdcresearch.com

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