

Americas Smart Card Market Analysis

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About Frost & Sullivan

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The information presented in this publication is based on interviews and surveys. Frost & Sullivan takes no responsibility for any incorrect information supplied to us by manufacturers or end users.

Executive Summary

Introduction

The Smart Card Alliance has represented the interests of the North American smart card market for more than 12 years. As the collective voice for the more than 100 member organizations, the Alliance has been dedicated to stimulating the understanding, adoption, and widespread use of smart cards across multiple market domains. This mission has recently expanded geographically to include Latin America as well through its Latin America Chapter.

To further this effort, the Smart Card Alliance, in collaboration with growth consulting company Frost & Sullivan, undertook this exercise to evaluate the North and Latin American microcontroller smart card markets.

Frost & Sullivan is one of the world's leading market information companies, providing organizations worldwide with the information resources required to compete successfully. The company has been helping clients solve their business challenges for over four decades. The company is the leading provider of market information to the smart card industry and has provided in-depth market analyses for this industry for over a decade. Frost & Sullivan's smart card team of highly qualified and experienced research personnel is noted for its innovative thinking and market-oriented analyses. They have covered a wide variety of topics within the smart card industry and have provided critical analyses to our community over the past years. Their global smart card team is composed of analysts in every region that have the pulse of each region.

This study provides detailed analysis by application markets -- namely Government & ID, SIM, Payment & Loyalty, Access Control and Pay TV applications. The North and Latin American markets for each of these applications have been analyzed individually.

Goals and Objectives

The goal of the study is to provide a qualitative and quantitative analysis of the Americas microcontroller smart card market. Smart Card Alliance collaborated with Frost & Sullivan to conduct this analysis in order to drive education and awareness about smart cards in North and Latin American markets.

The key objectives of the study are as follows:

- To evaluate the metrics of the North and Latin American smart cards markets and analyze the growth potential of different applications
- To accurately quantify the market for 2003 and 2004 and to arrive at forecasts based on the various drivers and challenges influencing it

Methodology

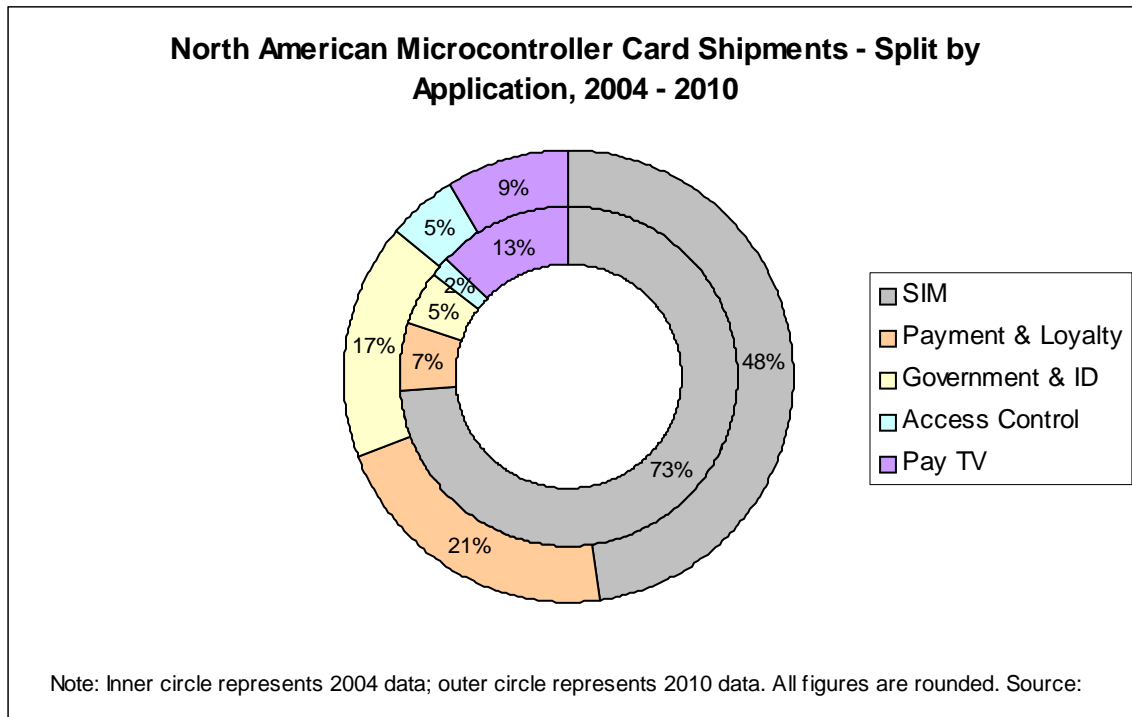
- Qualitative and quantitative analyses were performed based on detailed interviews conducted amongst smart card industry participants in the Americas
- The primary research was supported with Frost & Sullivan's ongoing smart card research coverage
- Through triangulation and cross-verification of information/data collected from the different sources, a close to accurate analysis of the market has been reached.

Summary of Key Findings

The following are some of the key findings of this study for the North American smart card market:

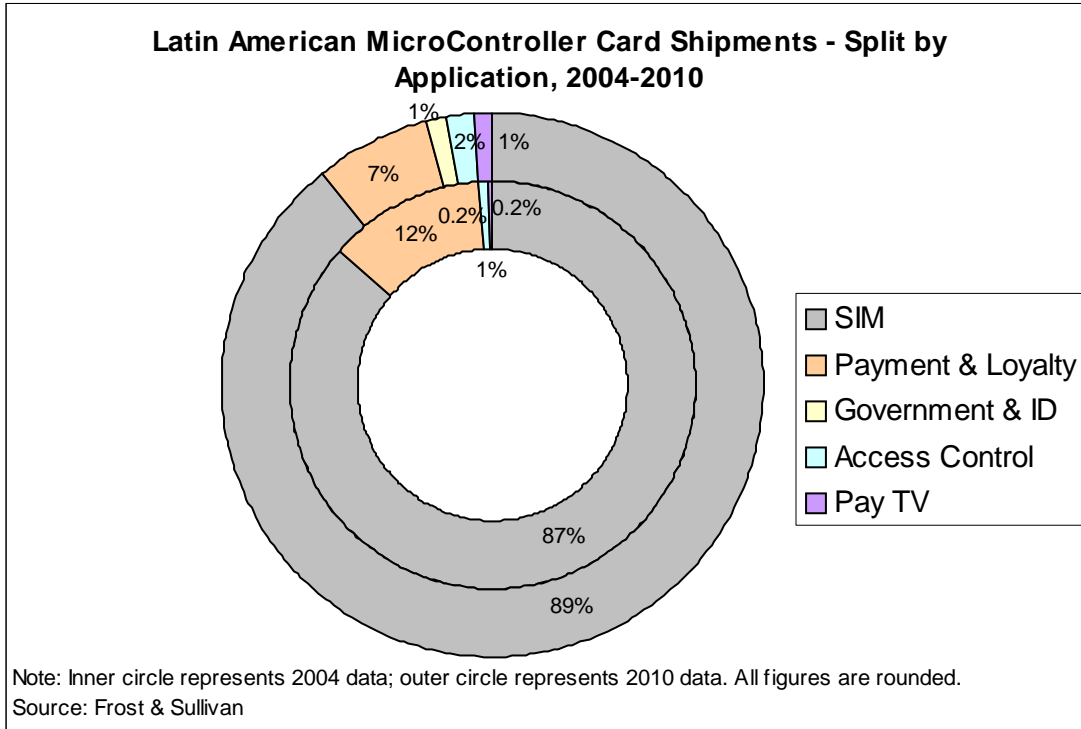
- 132.2 M smart cards are expected to be shipped in North America in 2005, with over 27 percent CAGR projected through 2010
- SIM is the largest market segment in 2005 followed by payments, pay TV, government & ID and access control. SIM share of market is expected to drop dramatically over the next 5 years as other applications become more widely deployed

- HSPD-12 is a key driver for the government & ID market. The deployment of FIPS 201-compliant ID applications within federal agencies, as well as the U.S. e-passport project, will be the key growth factors in this market
- Enterprise access control applications will feature a marked convergence between physical & logical access control. This, in turn, is driving smart-card-based ID badges that combine physical and logical access



The following are some of the key findings of this study for the Latin American microcontroller card market:

- 136.4 M smart cards are expected to be shipped in Latin America in 2005, with over 59 percent CAGR projected through 2010
- The SIM mobile telecommunications market is the largest smart card market in Latin America comprising 86.4 percent of the total market in 2004
- The migration of the financial industry to EMV in Mexico as well as Brazil will continue to grow at a steady rate in the short and medium term. Additional countries have also begun pilot projects for chip-based banking and payment cards



Conclusion

Both the North and the Latin American smart card markets are currently on the verge of high growth for numerous applications. As a result, smart card as a technology will play a more significant role in the day-to-day affairs of end-users in these regions. The Smart Card Alliance, an organization that is dedicated to stimulating the understanding, adoption, and widespread use of smart cards in North and Latin America, will play a significant role in this growth.

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How to Obtain this Report

The Smart Card Alliance and Frost & Sullivan are pleased to make the full report available to members and non-members of the Alliance. The report is delivered electronically in presentation form as a PowerPoint PDF.

Details on purchasing an electronic copy of the report can be obtained by contacting either:

- James Politis, Frost & Sullivan Account Executive, 210-247-3875, email: jpolitis@frost.com, or
- Visit www.frost.com or www.smartcardalliance.org for details