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Contactless Smart Cards to find Widespread Acceptance in Asia-Pacific from 2012

Frost & Sullivan predicts shipments to rise over 20 percent annually between 2012 and 2016

Sydney, August 20, 2010 -- Contactless smart cards, already having found user appeal for their freedom of form, are expected to see wider adoption in Asia-Pacific once key implementation projects are fully operational in two years.

Frost & Sullivan research analyst Reuben Foong expects growth in unit shipments to peak from 2012 to 2016 at rates between 20 and 25 percent year-on-year, and averaging at a CAGR (compound annual growth rate) of 16.4 percent (2009-2016). By end-2016, an estimated 1.9 billion contactlesssmart cards will be shipped in Asia-Pac, up from 590 million last year.

New analysis from Frost & Sullivan (http://www.smartcards.frost.com), Asia-Pacific Smart Card Integrated Circuit on Different Form Factors, forecasts the regions contactless smart cards sector to gross estimated revenues of just over US$2.0 billion by the close of 2016, at a CAGR of 13 percent (2009-2016).

The contactless cards market was worth US$775 million in 2009, against a total smart cards market (contact and contactless) of US$1.94 billion. By units shipped, contactless cards accounted for 23 percent of the 2009 total card shipment. Foong expects this to grow to half of all smart cards shipped in 2016.

According to Foong, demand for contactless cards will be driven mainly by NFC (Near Field Communication), e-Passport and mass transit projects being implemented around the globe and across Asia-Pacific.

The world is already prepared to roll-out NFC commercial projects with a small number of commercial projects having already begun and more than 200 pilot projects already completed across the globe, he says. In Asia-Pacific, we can expect large-scale mobile NFC deployments in the next one to two years.

He adds that NFC on mobile devices will also prompt renewed interest in contactless bank credit and debit cards, with security issues having been ironed out.

The use of the contactless interface in e-Passports has long been a well-accepted standard worldwide sanctioned by the International Civil Aviation Organisation (ICAO), United States and European Union, and more than 80 countries having already adopted that standard.

Foong expects demand for contactless cards for e-Passport and similar government identification (ID) applications in Asia to continue. Government ID projects are by far the largest user of contactless cards currently (66 percent of contactless card shipment, 2009), and will likely remain so for the next five years as more nations migrate to the contactless interface, he explains. Bearing in mind also that e-Passports have to be renewed, typically, every five to ten years.

India, China, the Philippines, Indonesia and Vietnam are all slated to implement e-Passports within the next five years.

One of the earliest applications of smart card technology was transportation such as mass transit services, which has, arguably, been the platform on which new form factors were introduced and espoused, motivated by user convenience. Mass transit ticketing is the second biggest application for contactless cards - 28 percent of contactless card shipment in 2009 - after government ID, and Foong believes uptake will continue with the rise of mass transit projects across Asia-Pacific.

Other forms of contactless card applications other than standard plastic cards include minicards and USB devices - both also available in contact form - tokens and wristbands and watches.

While some of these forms have been around for some time, they have yet to find commonplace purpose, Foong says. As with any new technology, it will take time to find a proper niche as well as a concerted effort amongst all stakeholders to bring about a competitive value proposition to end users and gain market acceptance, he concludes.

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