

Biometrics: Marking Time

In this year's ranking, four biometrics companies experienced the following growth in 2003: Identix 4.8 percent, Viisage 15.7 percent, Cogent 96.7 percent, Bioscrypt 35.8 percent and Precise Biometrics -26.8 percent. While on average, profits grew 49 percent during the same period, not everyone benefited equally.

By MANDY CHEN

The biometrics industry has not performed to expectations during the last two years despite a major impetus from the Sept. 11 attacks. Increased fear of terrorism spurred interest in many different levels security applications and widespread biometrics implementations from border control and airport security to personal identification and access management.

While governments and authorities have been enthusiastic at passing new legislation and policies, such as the U.S. VISIT program among other biometrics passport and local identification standards, proposed biometrics solutions are often pie-in-the-sky schemes. Lawmakers frequently postpone public projects, cut budgets and are unable to agree on standards.

The main factor accounting for lower-than-expected growth is: "Government expenditures, which the industry mistakenly believed would generate the most revenue, slowed in 2002 and 2003," said Prianka Chopra, program manager of biometrics, smartcard and security at Frost & Sullivan, a U.S. market-research company. Despite this, the entire biometrics industry is hoping to drive up sales with wider implementation in 2004 and 2005. That said, dependence on government projects will

Rank	Company	Country	2003 Revenue	2003 Profit	Profit as % of Revenue
20	Identix	U.S.	\$55.10	\$17.50	31.8%
29	Viisage	U.S.	\$37.30	\$9.50	25.5%
31	Cogent Systems	U.S.	\$32.10	\$21.90	68.2%
43	Bioscrypt	Canada	\$8.70	\$3.60	41.5%
50	Precise Biometrics	Sweden	\$1.70	\$0.47	28.0%

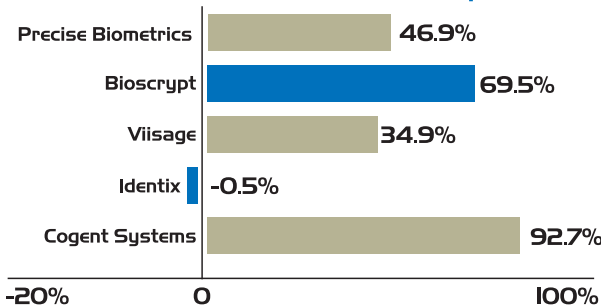
in US\$ million

still hold back progress.

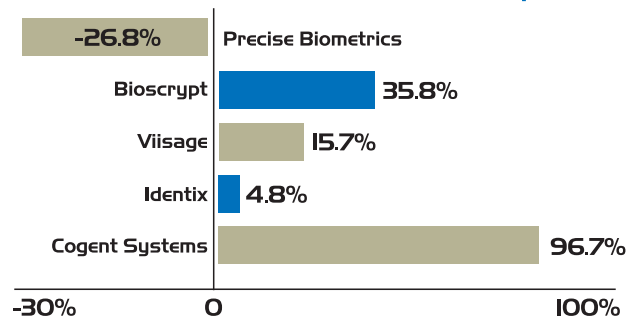
Take Identix. In 2003 and 2004, 13 percent of its revenue on average was from U.S. federal government contracts. This was also true at Viisage, where key sales in 2003 were driven by contracts with the U.S. departments of State and Defense.

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Profit Growth of Biometrics Companies



Revenue Growth of Biometrics Companies



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Differentiation

"We are seeing incredible biometrics implementations; the market has never been more active than it is right now," said Pierre Donaldson, president and CEO of Bioscrypt.

Though government is certainly one key revenue source, Bioscrypt has taken a different approach by focusing on commercial applications or the non-automated fingerprint-identification systems (AFIS) market. Rather than trying to match fingerprints to public records, Bioscrypt has developed software to verify people by performing one-to-one matches. Integrability has ensured wide adoption of Bioscrypt products in health-care organizations, financial institutions and corporate enterprises.

Erilk Michielsen, director of ABI Research in New York, explained that, "The whole market is divided into two sectors: homeland security and civil identification. Criminal verification is classified as public sector while physical and logical access control, time and attendance, visitor identification, medical management and personal-asset protection as private."

Accuracy

Although biometrics technologies have generated substantial interest, players need to develop solutions with higher accuracy and reliability, thus underlining the fact that widespread biometrics deployment is still at a very early stage.

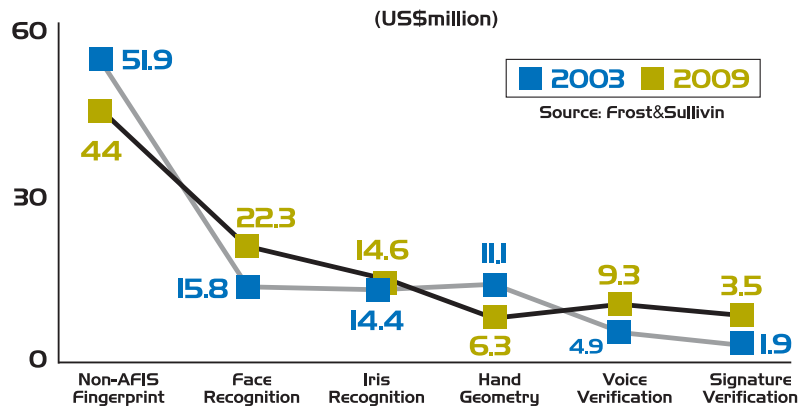
According to Chopra, false claims regarding accuracy and performance have led to a gap between expectation and reality. To make good on its promises, Identix developed live-scan technology to provide not only individual-identification solutions but also fraud prevention.

Acquisitions and Partnerships

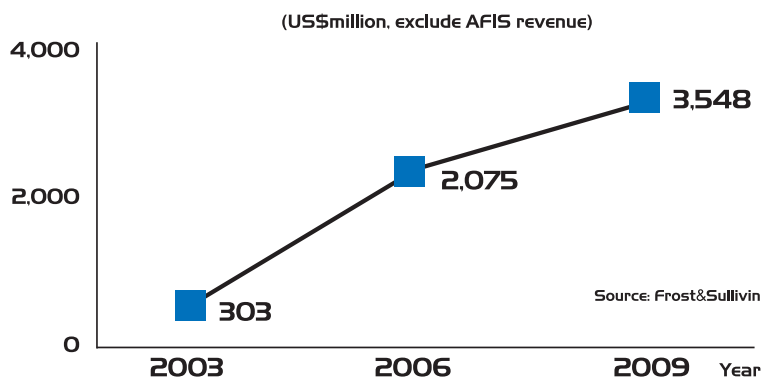
The acquisition of ZN Vision Technologies, a German facial-recognition company, provided Viisage with access to emerging global markets. "Viisage is also looking to develop strategic partnerships," said Bernard Bailey, the company's president. The recent acquisition of Trans Digital Technology is yet another example. TDT is a privately-held Arlington, VA-based firm, which is the sole provider of high-security technology and services to the U.S. Department of State for the production of U.S. passports.

Meanwhile, its partnership with Bosch Security Systems on facial-recognition technology will further enhance its access to building-security implementations at commercial organizations. "We need to pool our ability and capability to expand to other, non-government, projects. Comprehensive solutions are

Market Percentage Split Across Technologies



Total Non-AFIS Biometrics Market Revenue Forecasts



key," said Bailey.

Chopra seconded this. "Companies need to form alliances with complementary security firms to solidify and grow their market presence, particularly with systems integrators and resellers to broaden geographic reach as well as relevant markets."

Emerging Focus

"While the public sector is one major focus, companies like Fujitsu, Upek and Authentec are looking at consumer electronics, especially mobile phones and personal computers," noted Michielsen. Naturally, personal computers and network security are predicted to be fast-growing segments. According to Chopra, adoption by IT companies will enhance use of biometrics and slowly create new infrastructure.

"In a few years, fingerprint sensors may become standard components in laptops if manufacturers continue building them in."

Before that becomes a reality, however, consumer demand has to rise and the cost of sensors has to drop dramatically. While the obstacles seem daunting, prospects in the biometrics industry are inspiring confidence.

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