

SPECIAL EDITION: Sept. 11 plus ONE[®]

Eleven months ago, as I emerged from my personal post-Sept. 11 stupor, and the world collectively came to grips with the grief, fear, profound sadness and rage at what had transpired, public attention began to shift away from the struggle to comprehend the incomprehensible and moved toward thinking about how we might have **prevented** this tragedy in the first place. And, more proactively, what specific course of action might we take to prevent a tragedy of similar proportions in the future.

Biometrics was rediscovered within this context. The processes and systems that had failed to protect the innocent were re-evaluated. The opportunities to leverage existing technologies or create new technologies that could help protect us in the future were examined. All eyes turned to biometrics. Politicians, government officials, technology pundits and the media fueled a market frenzy proposing biometrics as the solution to everything from preventing acts of terror to making our streets safe from domestic crime to tagging and tracking our children. Suddenly biometrics vendors achieved near celebrity status and quickly jumped on the bandwagon eager to leverage this long-awaited limelight. With a sigh of relief, and with a certain humility based on the circumstances of their arrival, they proclaimed, "Finally, this is it, the windfall we have all been waiting for. The year of biometrics is here."

This is the environment that heralded the introduction of **Biometrics Market Intelligence (BMI)** and now, as the anniversary of Sept. 11 is upon us, **BMI** takes a look back at this "year of biometrics" and digests the impact of the tragic event that spawned a radical shift in political and social agendas. We focus on some of the milestones and defining moments that have occurred over the last twelve months for this little industry on the verge of stardom and consider how these indicators bode for the ongoing development of the biometrics marketplace.

Biometrics Sept. 11 plus One: Milestones and Market Defining Moments

Hype, Hype and More Hype

Lots of hype, hope, encouragement, press, lobbying, discussion, debates, recommendations, mandates, policies, legislation, interviews, analysis, reviews, market projections, tests, plans, proposed solutions, new products and system architectures, keynotes, conferences, conferences, conferences and more conferences, mergers, acquisitions, announcements, alliances, partnerships, promises, pilots, standards, shakedowns, security assessments and spoofs. And what has all this done for biometrics? Make the struggling industry even **hungrier** for the "killer app," the "holy grail," the "big deal" that will save the day and flood the industry with customers and revenue, and even **less focused** on the disciplined, rigorous day-to-day work of building a market. All this hype dragged biometrics into The Chasm before it had fully baked in the Early Market and created expectations that Mainstream adoption was coming fast.

Stock Price Surge?

Well temporarily, at least, for some biometrics vendors. From October through December stock prices for companies like Viisage, Visionics and Identix (now merged), Nuance and Speechworks, among others soared. In some cases quadrupling in price, in one case increasing to more than nine times the pre-Sept. 11 value. By mid-December, these stocks had settled down but were still

well in excess of September 10, 2001 closing prices. Today, most of these stocks are just about where they were a year ago. The huge increase in valuation accompanying the dizzying market hype has subsided. Much of the blame may be attributed to recent market setbacks, the gory, all-to-familiar details of which I will not cover here. But much is also due to the now deflated “hyped” exceptions. General economic recovery hopes are now pinned on Q1 to Q2 '03, and as budgets for US federal programs begin to trickle down from large system integrators, and enterprise expenditures increase in response to anticipated economic improvement, biometrics may finally begin to see something of a windfall. In the meantime, however, there will continue to be much breath-holding and belt-tightening among industry players.

Biometrics Consortium Sell-Out

NIST's Biometrics Consortium Conference — a once comfy gathering of industry hopefuls — ballooned into an unprecedented event. Originally scheduled for September 2001 in Florida, the event was postponed and took place in Washington DC in February 2002. With a sell-out crowd of well over 800 attendees, it was without exception the largest biometrics event that had ever been held worldwide. Clearly, interest in and awareness of this previously obtuse technology had skyrocketed.

TSA: Fast Track or Quagmire?

Out of the Bush administration's attempt to demonstrate a rapid response to Sept. 11 and make air travel security a domestic priority, the Transportation Security Administration (TSA) was born. Among other projects, the TSA was chartered to “fast track” twenty tests of new and emerging technologies that could contribute to increased air travel security. To date, TSA resources have been devoted to federalizing airport security screeners, standardizing airport security procedures (often in strange, onerous and seemingly ineffective ways), contracting airport security assessments and meeting federally mandated Explosive Detection System (EDS) deployment requirements at the 439 primary US airports. There was much ado about biometrically enabled systems including the development of a “Trusted Traveler” program.

Eight months into the year, not one significant technology test has been initiated and the flailing airline industry — desperate to improve customer service in the face of the new, federally imposed security regulations and recover from a financial crisis well underway before Sept. 11 and exacerbated beyond any reasonable expectation by public fear — are trying to create their own “Trusted Traveler” programs. Several major US airlines are working directly with system integrators and biometrics vendors to bring such programs online in the next few months to streamline nightmarish airline security holdups and improve service for their lifeblood: the frequent business traveler.

A very recent announcement may indicate that the TSA is beginning to gear-up. On September 3, 2002, a pilot program to test biometric access to storage lockers located inside security checkpoints at the Minneapolis-St. Paul airport was announced. No where near as dramatic or far reaching as the “Trusted Traveler” proposal. But it is a start. As for the EDS machines, it is something of a mystery why the federal government insists on spending \$40 billion to install grossly expensive, incredibly awkward (in size and weight) technology that is acknowledged to have a 20 to 40 percent failure rate and cannot process baggage quickly enough to be a viable alternative. Especially when these EDS machines are ultimately trying to duplicate a highly effective system for detecting explosives that has been perfected by nature in the snout of a dog.

Biometrics Out of the Mouth Of George W

It was a glorious day for biometrics vendors and industry pundits alike, when out of the mouth of George W. Bush came the word “biometrics.” However, despite intense efforts by both US Legislative and Executive branches to address transportation, border, critical infrastructure and cyber security, very little, if any, real progress has been made. The Patriot Act, The Enhanced Border Security and Visa Reform Act and other federal initiatives, including background checks on airport employees, have created intense industry buzz, have vendors scurrying madly and have generated new sales of Automatic Fingerprint Identification Systems (AFIS). However, for the most part, deadlines imposed by specific initiatives and laws are set for 2003 and 2004 at the earliest. And even these may be unrealistic. The measures seem to be geared toward calming the public, not addressing the complexity associated with upgrading existing and creating the new technological and operational infrastructures required to comply with the legislation. Though it

sure makes politicians feel good and provides the public with the reassurance that our government is doing “something” to address homeland security.

Biometrics Behemoth is Born

The new Identix – the result of the merger between the former Identix and Visionics – now represents a Biometrics powerhouse. The recently integrated organization has positioned itself as a “new kind of security company” and redefined its strategy to take a market-oriented, rather than a product-driven, approach to market development. Formerly organized along product lines, the new Identix now has four business units focused on US federal government, US state and local government, commercial enterprises and international markets. While these announcements represent a commendable step in the right direction, Identix falls short of fully capitalizing on the opportunity to create a new market category for itself and, by default, the entire industry.

Identix’s position as a “new kind of security company” confuses the definition of the biometrics market space, particularly in regards to competition from traditional security industry heavyweights. Identix is in fact an identity management solutions provider offering specialized enabling technologies and expertise to established security players, not a \$100 million dollar player competing with security behemoths in a \$100 billion dollar marketplace. As for the business units, they are rather broadly defined. As a \$100 million player, Identix must define large markets to satisfy the interests of the financial community. However, a more balanced strategic statement that addressed both the requirements of the financial analysts and presented a more targeted market position could have helped establish biometrics as a clearly differentiated, solutions-oriented market category with Identix as its de facto industry gorilla.

Speaking of The Economy ...

...and just like the little Energizer Bunny, the US economic slump just keeps going, and going and going. In fact, we are having so much fun with our economic mess that recently, European friends such as Germany have decided to come along for the ride. Security is a luxury under these conditions. Industry surveys repeatedly indicate that IT expenditures over the coming 12-18 months will be limited to short term, easily deployable projects that leverage existing technology investments and provide demonstrable ROI. With renewed IT emphasis on short-term ROI and an almost religious zeal from CEOs of high-tech giants such as Oracle, Cisco, SAP and Dell to focus on business process improvement in response to the post-Internet frenzy and the lagging economic slump, biometrics’ ability to impact the bottom line is crucial. (Who knew that the nature of the technology industry would fundamentally change and *require* vendors to sell products that actually improve business process, affect the bottom line and provide value pricing for their customers?)

Sidetracked by Security

At the risk of being stoned by industry heavyweights, I must admit the biometrics industry appears to have been duped by the post-Sept. 11 security frenzy. One year since Sept. 11, I am not aware of any significant contracts for biometrically enabled systems as a direct result of the media-hyped focus on biometrics as a security enabler. With few –if any,– exceptions, major biometrics projects were either well underway, or in the planning stages long before Sept. 11. It is true that awareness and acceptance of the technologies has increased significantly and this may have influenced green-lighting projects under consideration. It is also true that there have been a number of technology demonstrations and pilots, particularly with facial recognition at airports. And, it is likely that as the end-of-year of fiscal 2002 approaches, and the US government spending spree progresses, there will be opportunities to close deals. The recent passage of the Border Security and Visa Reform Act bolstered by 2003 budget allocations should spawn genuine business over the next 12 to 18 months. However, the tangible impact of Sept. 11 security fervor on the industry has been limited, and much of the industry is now nursing a serious market-hype hangover.

Future

So what hope is there of driving quantifiable market growth for biometrics? Where’s the opportunity? Well, it is not nearly as patriotic or sexy as making the world safe from terrorism. Mainstream adoption is driven by business process improvement. Successful

biometrics deployments are driven by demonstrable ROI. Security is a bonus, not the compelling driver. (And even if it is a strong motivator, demonstrable ROI will always be the closer.) This is not a promising prognosis for rapid market growth of a security-focused technology.

The biometrics industry has indeed been sidetracked by security. Post-Sept. 11 media hype about the promise of technology enhanced security has unduly influenced biometrics hopefuls who were convinced that government initiatives for public safety would provide the “killer app” they have long searched for. The industry must take a deep breath and a broader view. They must ignore the media hype and look beyond the immediate (now somewhat tempered) security fervor and focus on providing identification and authentication solutions that address severely painful problems that cannot be easily solved in any other way.

Biometrics are not a panacea for improved security for transportation, border or immigration management or any other government or commercial endeavor. Biometrics are one element of what will evolve to be a large, complex systems of integrated technologies that include digital identity management, data mining, and process and supply chain management that have the potential – *if implemented properly with adequate attention to privacy and civil liberties* – to significantly improve security while achieving substantial benefits in the operational efficiency of government and commercial enterprises.

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