

EAST BAY BUSINESS TIMES

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From the January 20, 2006 print edition

Identifying the market for biometrics

Biometrics device makers move from technology to applications

[Katy Lieber](#)

Venture capitalist and biometrics industry veteran Randy Hawks says the nascent biometrics industry is no longer just about cool technology.

As costs come down, biometrics companies must turn their attention increasingly to how their technology is applied, according to Hawks, a managing partner at Oakland-based venture capital firm [Claremont Creek Ventures](#). Hawks previously was an executive vice president and chief operating officer at [Identix Inc.](#), one of the leading suppliers of biometric security products.

"Bottom line, a lot of people get interested in biometric sensors," Hawks said. "It's all really neat stuff, but from a business perspective the value has moved up the food chain a bit."

Hawks compares the evolution of sensor technology used to identify fingerprints, speech patterns, and more to the commoditization of computer disk drives. Not many companies make much money merely by making and selling disk drives anymore, Hawks says. Biometrics companies face a similar fate unless they can incorporate their technology into an effective system.

"Every three months there is another company in Taiwan building a new sensor and it's cheap and better than the last one," Hawks said. "So, it is hard to get companies built that just do sensors."

For companies that can keep up, including a handful in the East Bay that make or incorporate biometrics devices in their own products, the rewards may be substantial. Those companies include Emeryville's UPEK Inc., which makes fingerprint scanners, and Fremont's [ActivCard Corp.](#), whose products include smart cards, biometric readers and USB keys.

Revenue for the North American biometrics industry is expected to triple through 2008, up from \$527 million in 2004 to \$1.4 billion in 2008, according to the consulting firm [Frost & Sullivan](#). By 2008, the global market is expected to generate \$3.5 billion in revenue.

With more and more people carrying their personal data on their belt loops, an identity thief lurking in the e-mail inbox is no longer merely a possibility; it is an assumption.

Relying on unique physical characteristics to confirm the identity of someone withdrawing cash, boarding a plane or unlocking your front door, biometrics promises to become ever-more important to consumers and businesses.

"There are so many programs both here and internationally," said Tovah LaDier, managing director of the [International Biometric Industry Association](#) in Washington, D.C. "There is a growing sense that there is no better way to confirm a person's identity and that this is really necessary in a multitude of ways, security and otherwise."

LaDier's cautious optimism comes at a time when the government is busy incorporating biometric technology in homeland security programs and the standards for interoperability are becoming better, a key factor in the widespread adoption of biometric technology, according to experts.

But largely thanks to the high cost of implementation, biometrics remains in its infancy.

"We've felt that for a long time that the field was poised to grow," said Bill Bosen, a partner with [Trusted Strategies LLC](#), a Pleasanton information technology consulting firm. "People thought it'd take off in the early '90's and really go but it didn't, so it's been a very slow adoption rate. But, the pace is picking up. I still won't expect explosive growth in the biometrics area just because it's expensive to roll out."

Where the technology has gained popularity, Bosen said, is in devices such as notebook computers, smart phones or personal digital assistants.

"It is particularly useful when people want convenience as well as security," said Trusted Strategies Managing Partner John Muir.

"A trend that really makes sense here is that we are increasingly pushing data out to where it is going to be used," Muir said. "People have things that are valuable to them on electronic devices and I think that biometrics as an authentication method to protect that data makes all kinds of sense.

"It's natural. It is kind of easy. People are burdened just remembering all the passwords."

But, widespread system-level integration is "years down the road," said Bosen. Although interoperability is improving, it still not where it has to be to lower costs enough for mass appeal.

Fingerprint identification is the most mature segment of the industry, although questions remain as to its widespread adoption.

"It is important to think about where the technology might be used," Muir said. "If you put a fingerprint reader on the doorway of large building and everyone's got to go put his finger on it, how would you feel about putting your finger where everyone has put their finger? They have to be appropriate to the setting."

Facial recognition, eye scans, voice verification and even palm geometry are some of the newest areas of research for the industry. To differing degrees, sanitation and safety concerns exist for those technologies, too.

As with a lot of new gadgetry, technology companies will be some of the early users of biometrics. Financial services firms and the federal government, which is already incorporating biometrics in the identification cards of some of its employees, are also among the early adopters. Health care and even manufacturing are expected to follow.

But, in the short term, user convenience is what will grow the industry, said Trusted Strategies' Bosen.

"I see the technology out there right now," he said. "Your computer locks up after not using it for 15 minutes. You go to lunch and forget to log off your computer; your computer automatically goes to sleep and it requires you to log back in.

"Well, it'd be nice if you didn't have to type a password: If just by putting your finger on the mouse your palm is read. User convenience is a big driver of the industry."

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