

MOBILE TELEPHONY AND BANKING

The smart card industry underwent high levels of growth in 2004 in both volume and value terms. For example, the number of microcontroller cards jumped by 50%, with the number of units coming very close to the 1.5 billion mark, and the cumulative turnover of the main card manufacturers increased by some 15%. Gemplus, Axalto and Oberthur Card Systems alone registered a total turnover that broke the two billion euro barrier for the first time.

After the post-2000 crisis years, this slight improvement could raise fears that 2005 is a sort of lull or decline, which the industry has often experienced in the past. "All indications point to the contrary. Growth today is firmly anchored in the two traditional vectors of the smart card industry: mobile telephony and banking.

The SIM card market

The market for mobile phone SIM cards increased by 57% in volume terms in 2004, representing 1 050 million cards. Eurosmart reckons that the figure should rise by 16% this year to reach 1 220 million. But several observers have already noted that this figure could be topped. The two main SIM card manufacturers, Axalto and Gemplus (50% of the world market last year with 512 million cards supplied) registered a strong increase in their sales volumes, compared to the same period in 2004: +48% for Axalto during the first half of the year and 44% for Gemplus during the second quarter. Oberthur Card Systems also recorded an increase in volume of 29% for the second quarter.

This market benefits from the conjunction of several growth factors:

- The first of which is the continual rise in the number of new GSM subscribers. With a 21% increase in 2004 (source: GSMA), these new users also contributed to the growth of the SIM card market for approximately 30%. During the same period, 713 million of them (source: Gartner) purchased a new phone, and in many cases changed their SIM card while they were at it. Whereas the total number of users worldwide broke the billion and a half mark (1 500 million) at the end of 2003, analysts estimate that annual sales of mobile phones will reach this figure by 2009.

- Second growth factor: the migration of certain major operators (China Unicom in China, Tata in India) using TDMA and CDMA technologies (1) to GSM or other solutions integrating cards of the same type as SIM cards. This choice paves the way for new services (particularly roaming) and prevents the operator from having to manage stocks of telephones to be customised.

- The last lever for growth concerns the renewal of cards, the volume of which is directly related to the number of subscribers. It is caused by the changes in technology (such as the changeover to 3G, which has just reached 50 million subscribers worldwide) or upselling in terms of services.

EMV -the driving force behind the banking sector

The banking market rose by 37% in 2004 with 280 million cards issued. Eurosmart is forecasting an 18% increase this year (330 million cards). But once again, as is the case with mobile telephony, these forecasts were made early in the year and could be revised slightly upwards. The estimates actually need to include contactless credit cards of the PayPass (2) variety, whose takeoff in the US has caught many observers by surprise. Some are suggesting a figure of 10 million cards, or even twice as much, distributed this year across the Atlantic.

1) These technologies are different from those of GSM and do not natively use SIM cards, but they can integrate it. These cards are called RUIIM (Removable User Identity Module).

2) PayPass is a contactless payment technology for small amounts (fast food, petrol stations, cinemas, etc.) developed by MasterCard and also adopted by Visa.

Furthermore, the banking market is mainly "driven" by EMV migration (3), whose progress is fairly uneven around the world. Europe is at the top. According to the GIE-CB, the French economic interest grouping for banker's cards, 35% of the 551.2 million credit cards in Europe (excluding Turkey, which has 67 million cards, a high proportion of which are already EMV cards) were EMV cards as of 30 June (192 million), where nearly 100% are English cards (141 million) and 40% are French cards (49 million). But in Asia, it is also worth noting Malaysia, which has practically finished its migration, and Japan, which already has 50 million EMV cards out of the 120 million cards in circulation. In the Americas, Mexico has proven to be one of the most dynamic countries: with just under 10 million EMV cards now in circulation, it even beats Brazil, which stands in 3rd place worldwide for the number of credit cards (148 million), despite having had EMV terminals ready for some time now.

The banking market lies on a growth reserve of some 2.5 billion magnetic strip credit cards, which sooner or later will migrate to the chip with EMV.

The growth of this market is driven by several factors:

- The "statutory" framework defined by the main operators, Visa and MasterCard, to set the deadlines for EMV migration.
- The fight against fraud. This is one of the reasons behind the migration in Great Britain.
- The global increase in the use of the card as a means of payment, compared to other ways such as cash or cheques.

(3) EMV stands for Europay, MasterCard, Visa: all the international specifications defining the functions of a multipurpose credit card (debit/credit, loyalty, purse, etc.).