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The Asian Challenge

In the past decade or so, the APAC region has proven to be an emerging market with immense intensity, both economically and technologically. ACS capitalised on this golden opportunity and has never looked back since. Now, expanding even further into other countries in APAC, ACS is determined that even with the constant challenges in the economic landscape, it will not hinder its effort to succeed. Read on with Gilbert in the hot seat.

CNA : With the proliferation of new competitors in the Asian cards market, how is ACS reacting to these challenges?

Gilbert : As one of the major smart card & card reader market players in APAC, Advanced Card Systems (ACS) has always understood the requirements of our Asian customers. That's why ACS is ranked as the No.1 supplier of PC-linked smart card readers in 2007, according to a research report.

Our strategy to penetrate the world market was to get our smart card readers certified as early as possible against international standards so that our customers will have confidence in our product technology, quality and reliance. PC-linked readers were used in commercial quantities in Europe and the US earlier than in Asia. Thus, we promoted our readers to Europe and the US first.

In early 2005, we set up our Chinese office in Shenzhen, which is considered as the South Gate of China, in order to promote our products to the Chinese market. These products have been widely used in the international market under various applications. The quality and reliability have been well-ascertained. They are now receiving warm response from the Chinese customers. As the market of smart card readers in China is growing rapidly, I believe the share of our business in China as a percentage of our total business will increase as well.

NFC is a hot topic in recent years. ACS predicts that NFC device shipments and revenue will grow steadily in the next 3-5 years, thus we decided to develop the 1st PC-linked NFC reader that is compliant to the Chip Card Interface Device (CCID) standard in 2006 and received the first substantial commercial order in Q2 2007 from PCCW - a leading telecom operator in Hong Kong. We are keeping our eyes on the Japanese market and plan to establish a branch office in Tokyo when the time is right. This shows that we have great confidence to penetrate the Japanese market with our expertise in the smart card sector and references from the European market.

CNA : Already having a solid footing in APAC, how has ACS performed out of Asia? Which part of the world holds the greatest potential at the moment?

Gilbert : ACS has built a strong foundation in our focused technology areas and has won a reputation in the world market as a company that lives up to its commitments. As a technology-intensive company, we are facing different challenges every day. Technology is advancing with no hesitation and the marketing demand is mercilessly changing if you're slow to react. We think globally and has been serving over 100 countries worldwide, thus making us the world's 4th largest supplier of smart card readers used with the PC. The usage of smart cards in Europe is still ahead of other regions. For example, the healthcare system is the one of the biggest smart-card-based projects in Europe. It is estimated that the expenditure of the healthcare system would exceed US$300 billion. In some cases, both patients and doctors will be provided with card-based health cards. The cards are used to authenticate themselves in order to control the access on some private data such as medical history. It can also prevent illegal insurance claims as well.

CNA : What are some of your most prominent achievements in the card reader industry in 2008? Share these successes with us.

Gilbert : In 2008, we were chosen by the World Olympians Association (WOA) to secure its events in 2008 Beijing Olympic. In order to prevent unauthorised access to the Olympians Reunion Centre (ORC), WOA chose to apply smart card technology for its access control system this year. The ORC is set up by WOA in every Olympic Games. ACS was invited to participate in this security enhancement project and provide a set of smart-card-based security access control system to WOA. Around 4,000 credentials were issued using ACS microcontroller smart cards, the ACOS3, which cannot be cloned as all the information is encrypted in the card module. Our handheld PIN pad reader - ACR88 - was used to read the smart cards and verify the identity of the guests. The data captured were transferred to the PC network system for compiling the statistics of people who joined the events or used the facilities in the centre. The portable ACR88 allows a high-level of flexibility and mobility so that it can be used anywhere in the centre.

The ACR122 NFC contactless smart card reader was introduced to the market as the world's 1st CCID reader (a reader compliant to Microsoft's Integrated Circuit(s) Cards Interface Devices standard) supporting Sony's FeliCa card and the NFC standard (defined by Sony and NXP). The 1st commercial shipment of the ACR122 was also made to PCCW.

CNA : With the global economy going through a rough patch at the moment, how is it affecting expansion plans at ACS? Is there a need to sit down and re-evaluate your plans?

Gilbert : Without doubt, the global economy is going through a rough patch at the moment, but it doesn't affect the expansion plan at ACS. We continuously attend various major smart card exhibitions in the world. We provide good services to our customers and are extremely demanding in our quality. Our aim has always been to win the trust of our customers.

Besides, in order to increase the economy of scale, our strategy is to increase the ratio of junior to senior staff in 2009. Notwithstanding, we continue to develop and enhance our IT system to handle information of our huge customer base, to track the time&attendance record of the employee, to debate on and resolve issues using our customised programme, and to track product development work from product idea formation to testing, debugging and supporting.

CNA : As 2008 draws to a close, lets hear your observations for the year and aspirations as we usher in 2009.

Gilbert : Nowadays, the need for secure online authentication and identification tops the list among government sectors, banking services and transportation ticketing services. As most of the business models gradually transform to e-Commerce via the Internet, intranet and virtual private networks, smart-card-based e-Authentication becomes crucial to ensuring the integrity of information and data transactions. Certainly, the growth of network security applications is anticipated to generate strong demand for smart card readers worldwide. According to a market report on the Smart Card Reader/Chipset Market (January 2007), the total demand for smart card readers and chipsets in the world is projected to expand from US$120 million in revenue to an estimated US$210 million in 2012, reflecting unit shipments growth from 15 to 40 Millions of units (Mu). The increasing growth and acceptance of smart card technology during this time will be an impetus for smart card reader vendors to establish more opportunities that pave the way for product innovation. In the future, I believe the most common payment method in the market will be based on the EMV cards and contactless prepaid cards. Adopting these cards will require storage of user and other necessary data onto the cards' memory and regular transaction monitoring schemes. An example of which is the rising popularity of smart-card-based e-Banking or prepaid service using Voice-over-Internet Protocol (VoIP) desktop phone.

Apart from PCs, VoIP desktop phones will become one of the major elements on secure online authentication and identification process in the next 3-5 years. Several solution providers and operators forecast that VoIP usage will continue to increase, and they also predicted the growth in the IP telephony market for the next several years. VoIP phone revenues are expected to double in the next 5 years, reaching over US$6 billion by 2012. Shipments of VoIP phones are forecast to grow 25% a year over the same period. It is estimated that most of the strong future growth in VoIP phones will mainly come from VoIP desk phones that will start to incorporate more features and functionalities. These could include larger, colour displays, touch screens and video capabilities. As the cost to incorporate these features drops, users will expect their desk phones to have a feature set similar to their mobile phones. A smart card reader connected to the VoIP desktop phone is able to add the benefits of smart card technology such as cryptography and secure payment with VoIP technology. This combination provides innovative and crucial applications for everyday use. CNA