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ATM Makers Now Bullish On U.S. Servicing Market

■ BY DAVID BREITKOPF

The top three automated teller machine companies are stepping up their efforts to win managed servicing contracts from U.S. financial companies.

A growing number of U.S. banks have outsourced the task of operating ATMs, which have evolved in recent years from basic cash dispensers to complex machines capable of providing a variety of services. ATM companies, in turn, have expanded their offerings beyond providing hardware, software, and basic maintenance to include driving the machines and even helping banks issue cards.

NCR Corp., Diebold Inc., and Wincor Nixdorf International GmbH have offered managed servicing for years, but all three said the machines that have been installed in the last 12 to 18 months are far more sophisticated than previous ones. For example, the venerable OS/2 platform is being phased out and replaced with Microsoft Corp.'s Windows operating system, which is more flexible but trickier to use and support.

Alan Walsh, Wincor Nixdorf's vice president of U.S. banking, said in an interview Monday that ATMs need to be more powerful today, because customers use them far more often than they go to a bank branch.

But adding more capabilities makes the ATMs more complicated, and "these financial institutions don't have the internal capability" and do not want to service the machines, he said. "These guys want to be bankers, not IT experts, and they're looking for partners to provide those kinds of services."

Managed servicing deals tend to run for about five to seven years and are often renewed, Mr. Walsh said, "so ultimately the business is very stable."

Though the U.S. ATM market is the world's biggest, with about 400,000 machines in the field, it is also saturated, he said, and new sales contracts come up less frequently than they did in the past, so finding other revenue sources is a necessity for vendors here.

Wincor Nixdorf has offered managed servicing deals in Europe for about five years, Mr. Walsh said. Its customers include Barclays PLC, ABN Amro Holding NV, and Bank of Ireland Group.

ATM executives said U.S. banks have been slower to come to the table, but this is changing.

Greg Steffy, the senior director of integrated services for Diebold, said that managed servicing deals are also easier to win than they were in the past.

Today bankers think that keeping an ATM network up and running is not their "core competency," he said. They think, "This thing got harder on me. All of a sudden I have a Windows environment, security issues, high-speed lines, check cashing. I didn't have to deal with that in the last 25 years."

His company's customers "are asking for help, and we're stepping up," Mr. Steffy said. However, even when banks outsource the care and maintenance of their ATMs, they want to "retain ownership of the strategy" for the machines.

Diebold employees try to sell bankers "a solution package" that is more lucrative than just selling ATMs, he said. He estimated that machines sell for an average of \$25,000, and that a five-year maintenance contract for a machine brings in \$25,000. A five-year managed services deal can add another \$30,000 of revenue.