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Diebold emphasizes service unit amid growth

ATM leasing, security, management gain traction

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It was a good sign for Diebold Inc. when Keith Lewis realized he couldn't limit conversations with potential customers of the company's Integrated Services unit to a mere 15 minutes.

Although the recession in recent months has been holding down its overall sales, the maker of automated teller machines and bank security equipment is seeing significant growth within Integrated Services, which provides banks with services including ATM leasing, branch and ATM security, and ATM systems management.

Interest in the unit has been so high that Diebold has named its expansion a top priority for 2009, alongside widening its global footprint and pushing the sale of deposit automation ATM technology, said Mr. Lewis, director of marketing for Diebold.

Mr. Lewis has seen that interest firsthand. During a November 2007 trade show, he organized meetings with individual prospective customers to inform them about the Integrated Services unit.

The meetings tended to go longer than he expected.

"What started to be 15-minute discussions turned out to be hour-long discussions," Mr. Lewis said.

That interest was enough to convince Diebold to take its show on the road: The

company since January 2008 has visited more than 350 potential customers to give presentations about the unit. The response has been "overwhelming," Mr. Lewis said, adding that he didn't know exactly how many customers signed on because of the effort.

Mr. Lewis said the unit, which Diebold started a decade ago in Brazil and expanded to the United States four years ago, has been popular because the outsourcing of services allows banks to focus on their core operations.

He said the current weak economy and new technologies such as deposit automation have made leasing ATMs more popular, especially for banks that can't afford to buy a new set of ATMs at once.

"If you want to refresh your fleet of 50 ATMs, you don't need a huge outlay of capital," he said.

The Integrated Services unit's revenue grew about 30% in 2008 and is expected to grow at least that much this year, said Diebold CEO Tom Swidarski.

A company spokeswoman said Diebold would not release revenue figures for the unit.

However, the unit will be a "key component" in Diebold's plan to increase the portion of the company's revenue that comes from services to 75% from 50% in five to seven years, Mr. Swidarski said. Company revenue totaled \$3.17 billion in 2008, with \$1.61 billion



Lewis

Swidarski

coming from services, much of it from ATM maintenance.

Medina County Federal Credit Union has found the unit's services useful, according to credit union president Pete Grimm. The organization opted to have the unit provide its security and ATM management services about a year ago after Mr. Grimm realized that outsourcing the work made his job easier for the same cost of doing the work in house.

"I sat there and said, 'What am I missing?'" Mr. Grimm said.

The Integrated Services unit is in a good position to boost its revenues because banks are looking to outsource more services, especially when they can hand them all off to one company, said Jagdish Dalal, managing director of thought leadership for the International Association of Outsourcing Professionals.

"It's not a case where they are a flash in the pan," he said. ■

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