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Dear Sir:

NCR Response to the CMA Phase 2 investigation

NCR is pleased to provide our response to the CMA Phase 2 investigation into the proposed merger of Wincor and Diebold in the UK in relation to the following markets

- i. the supply of customer-operated ATMs in the UK;
- ii. the supply of teller cash dispensers and teller cash recyclers in the UK;
- iii. the supply of teller-assist ATMs in the UK;
- iv. the supply of kiosks and multifunctional financial self-service devices in the UK;
- v. the supply of ATM software, including different types of software such as remote monitoring and management software, security software marketing software and other types of ATM-related software;
- vi. the supply of first line maintenance services in the UK; and the supply of second line maintenance services.

Preface:

We have attempted to address each question in turn, taking into account the market sectors above.

As a preface, we reiterate the view we expressed in our earlier submissions in this matter that we do not view TCRs as being part of the same market as ATMs. Thus, we do not address (ii) in our responses below.

To begin, we would note that the ATM and related market in the UK, now into its 50th year, is a mature market, with over 70,000 devices installed and active participation from at least four major ATM hardware vendors and seven ATM software vendors. Over this period there has been many changes, innovations and market participants, indicating an open market for competitors to participate.

Over this period, we've also seen significant customer consolidation across our customer base, within the retail banks and building societies (FIs), as well as the Independent ATM Deployers (IADs). The result is a consolidation of the potential customer base in the UK for ATM providers to compete within. The UK banking market is now led by five major groups, each with a nationwide reach and many beyond just the UK, and which together account for around 70% of the UK's branch network and financial institution ATM base.

During the period there has also been a global and UK move to industry standard software platforms (based on the CEN – XFS Standard) meaning that prior proprietary vendor supplied ATM application environments are no longer the norm. This has facilitated competition in both hardware, and software providers. During the same period there has also been a widening of the third party maintenance providers present in the market, meaning there is choice in addition to the OEM vendors for service and ATM application software supply.

1. Whether the merger between Diebold and Wincor would result in a reduction in competition for any of the markets listed above or whether there are sufficient viable alternative suppliers available such that competition would not be expected to be affected.

Markets i, iii & iv: It is our experience that every buying decision in the UK is highly competitive. We do not believe the acquisition of Wincor by Diebold will change the competitiveness of the ATM hardware, software or service markets in the UK. There are multiple reasons for the highly competitive environment in the UK ATM market.

Purchasing Power - The UK is home to several of the largest banks in the world; these institutions have significant purchasing power and sophisticated procurement processes. They also have visibility to pricing in countries around the world, which provides tremendous leverage. Vendors must consistently deliver aggressive pricing and a positive brand experience or risk losing business not only within the UK, but also in other markets around the world. The world's largest IAD is also a major player in the UK market, in the off premise independent ATM deployer segment. Their active participation creates an environment of aggressive competition in this segment in terms of both price and non-price related value elements.

Procurement Process - Most UK organisations go through either annual or multiyear formal RFI and RFP processes that fosters competitiveness and specifies required levels of vendor performance. Because of the relatively high level of investment required in the self-service channel, this tends to be the norm in most UK FI organisations due to their procurement and purchasing policies.

Multiple Suppliers - Both FI and IADs have demonstrated an ability and willingness to source ATMs from multiple vendors. According to RBR's 2015 Global ATM Report, the nine largest ATM deployers in the UK all have a base that includes ATMs from two or more suppliers. There are currently four primary ATM hardware suppliers (, Hyosung, NCR, Triton and Wincor) with meaningful base in the UK market (< 2,000 installed units); the acquisition of Wincor by Diebold will not change this dynamic.

Multi Vendor Software - There is high use of multi-vendor ATM software by the UK FIs, including RBS Group, Lloyds Banking Group, Barclays, Bank of Ireland, TSB, HSBC, Santander, Citibank, National Bank of Kuwait and Harrods Bank (Source: RBR ATM Multi-Vendor Software Study, 2016). Multi-vendor software provides greater purchasing power to the FIs by allowing them to buy from a range of hardware vendors without regard to their software applications. The high use of multi-vendor software also lowers the barriers to entry in the UK, by enabling hardware providers to enter and compete in the UK without being required to invest and build substantial software businesses and capabilities in-country.

Ease of Entry - In terms of new market entrants, we believe the primary barrier is a vendor's willingness to invest. We are seeing continued interest and activity in the UK market by manufacturers who currently have no share. We would also note that there are multiple examples of manufacturers entering new markets that have established providers including Nautilus Hyosung entry into the United States, Perto entry into

India, and GRG entry into the Sudan. This entry is further simplified by the use of multi-vendor software, which negates the need to establish software and professional services infrastructure.

Market v: The UK software market is very dynamic, with FIs and IADs taking advantage of multi-vendor software to simplify their operations, speed time-to-market, lower cost and allow them to buy from a range of hardware vendors without regard to their software applications. RBR reports high use of multi-vendor software by UK FI's including RBS Group, Lloyds Banking Group, Barclays, Bank of Ireland, TSB, HSBC, Santander, Citibank, National Bank of Kuwait and Harrods Bank. There is also active competition for monitoring software in the UK. According to RBR, there are currently five separate providers in the monitoring segment, with three vendors having 30% or more share; the acquisition of Wincor by Diebold does not change this position.

A number of ATM software providers are already present in the UK market all comply with the XFS standard (developed in conjunction with financial institutions), providing a high degree of competition. We encourage the CMA to ensure that any merged entity of Wincor or Diebold fully support of these industry standards in their ATM platform software, ensuring that this competition remains. Subject to this continued support, the merger between Wincor and Diebold in the UK should have no impact on the merged entities software installed base in the UK.

Market vi: Relating to first line maintenance services (FLM) and the supply of second line maintenance services (SLM) in the UK, there has in recent years been consolidation in this market, with the two national CIT providers, who did provide SLM/FLM services withdrawing from the market. The requirements of the market for a high availability service model, with increasing focus on intelligent service architecture and remote and predictive services means that organisations that can provide the scale and reach, with technology investment, are winning at the expense of "break fix" service providers. Conversely bringing together the two disparate service operations of Wincor and Diebold could provide the economies of scale to provide a stronger competitor in the market place, with the national reach and density of scale, to compete aggressively. There is a strong non-OEM service market in the UK.

2. Whether users possess sufficient buyer power that they would be able to resist any increases in prices (or diminution of service, promotions or other aspects) or reduction in product or service quality, through resisting changes in terms or switching to alternative suppliers.

It is our experience that every buying decision in the UK is highly competitive, both in terms of price, as well as other factors including quality of product and service. The UK is home to several of the largest banks in the world; these institutions have significant purchasing power and sophisticated procurement processes. They also have visibility to pricing in countries around the world, which provides tremendous leverage. Vendors must consistently deliver aggressive pricing and a positive brand experience or risk losing business not only within the UK, but also in other markets around the world. The world's largest ATM deployer is also a major player in the UK market, in the off premise independent ATM deployer segment. Their active participation creates an environment of aggressive competition in this segment in terms of both price and non-price related value elements.

The use of multi-vendor software by the UK FIs provides the ability to resist increases in prices or reduction of product or service quality, through switching to alternative providers readily easily, without concern over software and certification.

Also, most UK organisations go through either annual or multiyear formal RFI and RFP processes that fosters competitiveness and specifies required levels of vendor performance. Because of the relatively high level of investment required in the self-service channel, this tends to be the norm in most UK FI organisations due to their procurement and purchasing policies.

Both FIs and IADs have demonstrated an ability and willingness to source ATMs from multiple or alternative vendors. According to the RBR 2015 Global ATM report, the nine largest ATM deployers in the UK all have a base that includes ATMs from two or more suppliers. There are currently four primary ATM hardware suppliers with meaningful base in the UK market (< 2,000 installed units); the acquisition of Wincor by Diebold will not change this dynamic.

3. Whether users of Diebold's products would switch between different suppliers in response to small changes in relative prices.

Markets i, iii, iv: It is our experience that every buying decision in the UK is highly competitive, due to several factors.

- The UK customers have tremendous leverage because of their size and global reach; vendors must consider and propose aggressive pricing and a positive brand experience or risk losing business not only within the UK, but also in other markets around the world.
- In addition, the procurement processes used by many UK customers are extremely sophisticated and comprehensive, and designed to yield the lowest price and most favorable terms related to performance and service level agreements. Customers typically engage in a formal Request for Proposal (RFP) process, and solicit responses from multiple potential suppliers. Small changes in relative prices can be used to select between technology providers.
- Also, the UK customers have shown a willingness to use multiple suppliers, as well as multi vendor software, to maximize flexibility and options in the procurement process. Multi-vendor software

makes it easier for many customers by allowing the separation of hardware and software buying decisions.

Market v: In general, relatively small price differences in software are less likely to cause an FI to switch vendors, as there are substantial additional costs to running multiple software platforms, or switching from one platform to another.

Market vi: In general, relatively small price differences in services are less likely to cause an FI to switch vendors, as there are substantial additional costs to utilising multiple providers for the same services, or switching from one provider to another.

4. Whether users of Wincor's products would switch between different suppliers in response to small changes in relative prices.

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- In addition, the procurement processes used by many UK customers are extremely sophisticated and comprehensive, and designed to yield the lowest price and most favorable terms related to performance and service level agreements. Customers typically engage in a formal Request for Proposal (RFP) process, and solicit responses from multiple potential suppliers. Small changes in relative prices can be used to select between technology providers.
- Also, the UK customers have shown a willingness to use multiple suppliers, as well as multi vendor software, to maximize flexibility and options in the procurement process. Multi-vendor software makes it easier for many customers by allowing the separation of hardware and software buying decisions.

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Market vi: In general, relatively small price differences in services are less likely to cause an FI to switch vendors, as there are substantial additional costs to utilising multiple providers for the same services, or switching from one provider to another.

5. Whether other existing producers of similar products, or suppliers of similar services, would be easily able to provide a similar product and/or service.

It is our experience that every buying decision for hardware, software and service in the UK is highly competitive. Customers are able to provide requirements and request responses via their procurement processes from multiple potential suppliers, and these suppliers are able to propose similar products and/or services to meet those requirements.

6. Whether entry, on a significant scale, into the market(s) in the UK for the supply of automated teller machine (ATM) hardware, software and services by an alternative supplier is possible and likely, and what barriers may exist (such as reputational, regulatory, legal or cost barriers).

As is evidenced by other geographic markets new market entry is possible. The UK tends to support global and industry standards (such as EMV, PCI, CEN-XFS) with no specific UK requirements which would prevent market entry. So any market entry will largely be governed by applicability of the solution to the local market, and then establishing a UK sales and marketing presence and reputation.

Thus, we believe the only barrier to entry into the UK is a vendor's willingness to invest. We see continued interest and activity in the UK market by manufacturers who currently have no share. We would also note that there are multiple examples of manufacturers entering new mature markets around the world that have established providers including Hyosung and Glory entry into the United States, Hysosung in Russia and Italy, Oki in Russia, GRG in Turkey and Germany.

Market entry is further simplified by the use of multi-vendor software by a majority of the UK FIs and IADs, which negates the need for a new vendor to establish software and professional services infrastructure. Multi-vendor software also simplifies certification, speeds time-to-market, and meaningfully lowers costs required to do business. RBR reports high use of multi-vendor software by UK FI's including RBS Group, Lloyds Banking Group, Barclays, Bank of Ireland, TSB, HSBC, Santander, Citibank, National Bank of Kuwait and Harrods Bank. Multi-vendor software makes it much easier for the UK FIs to consider alternatives to their current technology providers.

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