



DIEBOLD NIXDORF, INC.

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DECLARATION

I hereby declare that no portion of the work referred to in this thesis has been submitted in support of an application for another degree, or qualification thereof, or for any other university or institute of learning.

I declare that this thesis is my independent work. All sources and literature are cited and included.

I also hereby acknowledge that my thesis will be made publicly available pursuant to Section 47b of Act No. 552/2005 Coll. and AAU's internal regulations.

Valeriya Fateeva

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Table of Contents

Executive Summary.....	7
1. Introduction.....	8
2. Company Details.....	9
2.1 <i>Brief History</i>	9
2.2 <i>Organizational Structure</i>	10
2.3 <i>Management</i>	11
2.4 <i>Markets</i>	13
2.5 <i>Products and Services</i>	15
3. Mission Statement.....	17
4. Vision Statement.....	17
5. Conclusion.....	18
6. Business Model Canvas.....	19
6.1 <i>Customer Segments</i>	21
6.2 <i>Value Proposition</i>	21
6.3 <i>Channels</i>	21
6.4 <i>Customer Relationships</i>	21
6.5 <i>Revenue Streams</i>	22
6.6 <i>Key Resources</i>	22
6.7 <i>Key Partnerships</i>	22
6.8 <i>Cost Structure</i>	23
6.9 <i>Key Activities</i>	23
7. Current Activity Systems Map.....	24
7.1 <i>Manufacturing ATMs</i>	25
7.2 <i>Developing Connected Commerce Platforms</i>	26
7.3 <i>Providing Software-enabled Services</i>	27
7.4 <i>Research and Development</i>	28
7.5 <i>Providing Professional Services</i>	29
8. Strategic Fit.....	30
9. Conclusion.....	32
10. Current Strategy.....	33
10.1 <i>Current Strategy Analysis</i>	33
10.2 <i>Porter's 5 Tests</i>	33

10.3	<i>Conclusion</i>	34
11.	Financial Analysis.....	36
11.1	<i>Diebold Nixdorf – Acquisition Costs</i>	37
11.2	<i>Diebold Nixdorf – Operating Expenses</i>	37
11.3	<i>Diebold Nixdorf – Revenue Summary by region</i>	38
11.4	<i>Diebold Nixdorf – Revenue Summary by service and product solution</i>	39
11.5	<i>Diebold Nixdorf and NCR - Revenue and Net Income Analysis – Comparison</i>	41
11.6	<i>Diebold Nixdorf and NCR - Profitability Ratios – Comparison</i>	42
11.7	<i>Diebold Nixdorf and NCR - Liquidity Ratios - Comparison</i>	43
11.8	<i>Diebold Nixdorf and NCR - Stock Performance Analysis - Comparison</i>	45
11.9	<i>Conclusion</i>	46
12.	Industry Trends.....	47
12.1	<i>Conclusion</i>	48
13.	Competitive Environment.....	49
13.1	<i>Key Competitors</i>	49
13.2	<i>Strategic Group Map</i>	49
13.3	<i>Competitive Analysis</i>	50
13.4	<i>Conclusion</i>	51
14.	Porter's 5 Forces.....	52
14.1	<i>Power of Buyers</i>	52
14.2	<i>Threat of Substitutes</i>	52
14.3	<i>Power of Suppliers</i>	53
14.4	<i>Threat of New Entrants</i>	53
14.5	<i>Industry (Rivalry Among Existing Competitors)</i>	53
14.6	<i>Conclusion</i>	53
15.	Critical Success Factors.....	54
16.	Core Competencies.....	54
17.	Conclusion.....	55
18.	SWOT.....	56
18.1	<i>Strengths</i>	57
18.2	<i>Weaknesses</i>	58
18.3	<i>Opportunities</i>	59
18.4	<i>Threats</i>	60

18.5	<i>Conclusion</i>	60
19.	TOWS Matrix.....	61
20.	Strategic Alternatives.....	63
21.	Current strategy.....	65
22.	Strategic Question.....	65
23.	Recommended Strategy.....	65
23.1	<i>Implementation Steps</i>	66
23.2	<i>Suggested Activity Systems Map</i>	67
23.3	<i>New Strategic Fit</i>	68
23.4	<i>Porter's 5 Tests Comparison</i>	71
24.	Thesis Conclusion: Strategic Implementation Factors.....	72
25.	Appendix.....	74
25.1	Annual Financials for Diebold Nixdorf, Inc. – Balance Sheet.....	74
25.2	Annual Financials for Diebold Nixdorf, Inc. – Income Statement.....	76
26.	Works Cited.....	78
27.	Bibliography.....	81

Executive Summary

The strategic planning paper provides an analysis of the current strategy of Diebold Nixdorf, a world leader in providing IT products, services, and solutions to the banking and retail industries, and introduces the recommended strategy based on external and internal analysis of the company. Currently, Diebold Nixdorf is headquartered in North Canton, Ohio, USA¹ and Paderborn, Germany.

Diebold Nixdorf has recently experienced a number of changes, the most significant being the acquisition of Wincor Nixdorf AG, a German company headquartered in Paderborn. The acquisition was strategically beneficial for Diebold, however recent financial results showed a significant decrease in net income due to the increased expenses related to the acquisition and integration processes of two companies.

These facts led to the following Strategic Question: *In comparison to prior periods, the total gross margin for the fourth quarter of 2016 for Diebold decreased by 9.6 percentage points from the fourth quarter of 2015, which was primarily driven by acquisition and integration costs. What strategy should Diebold Nixdorf develop and implement in order to reduce costs, grow revenue and sustain a competitive advantage?*

In 2016 Diebold acquired Wincor Nixdorf AG, which was the most significant event in its 156-year history² and a strategically significant step, which gave the company an opportunity to enrich the portfolio of solutions and services provided, especially for the retail line of the business, and expand its geographical coverage.

Even though the merger of the two companies is beneficial for Diebold Nixdorf as it enables them to combine resources and research and development, the internal alignment process affects Diebold Nixdorf negatively because of the increased expenses and the decrease in operational efficiency and effectiveness.

Thus, the recommended strategy for Diebold Nixdorf includes the reduction of costs through improving operational effectiveness, growth of revenues through expansion to new markets with innovative retail software products and enhanced selling and marketing activities. Additionally, the improvement of professional services will help to increase customer satisfaction and retention. These activities combined together will help the company to improve its financial results, win more market share and outperform its main competitor NCR.

¹ "Diebold Nixdorf – official website", 2017.

<www.dieboldnixdorf.com>

² "Diebold Annual Report 2015", p. 5, Dec. 2015. Mar. 2017.

<<http://investors.dieboldnixdorf.com/phoenix.zhtml?c=106584&p=irol-irhome>>

1. Introduction

Diebold Nixdorf is a leading provider of ATMs, connected commerce platforms supported by innovative software, bank security systems, information technology and solutions and software-related services across financial and retail industries. The company has strong presence in USA for financial self-services and operates in more than 130 countries outside of U.S.³

After recent acquisition of its German rival Wincor Nixdorf AG, the company reduced competition, added key employees, resources, research and development and increased its geographical coverage. This opened the opportunities for Diebold Nixdorf for successful expansion to new markets, especially for the retail line of software products, and becoming a world leader in providing self-services solutions and technology, including ATMs and related maintenance services and software⁴.

Diebold Nixdorf values its customers benefiting them by delivering a substantial expertise, innovative solutions, and 24/7 support. The company has a reputation of reliable and trustful partner, who drives innovation and provides secure services, software and systems to the banks and retailers.

The company Diebold was founded in 1859 in Canton, Ohio, USA and has a long history of evolution, through which it grew to be serving "nearly all of the world's top 100 financial institutions and a majority of the top 25 global retailers"⁵.

During the past couple of years, Diebold Nixdorf has made key strategical moves: divesting its North America electronic security business to Securitas AB, creating joint ventures in China with Inspur Group and Aisino Corporation⁶ and acquiring Phoenix Interactive Design in 2015 and Wincor Nixdorf AG in 2016⁷.

These steps brought Diebold Nixdorf additional IT resources and expertise and gave the company an opportunity to accelerate business growth through enriching its customer base using partner channels, having stronger and more diversified software solutions and services portfolio,

³ "Diebold Nixdorf – official website", 2017. Mar. 2017.

<www.dieboldnixdorf.com>

⁴ "Diebold Nixdorf – official website", 2017. Mar. 2017.

<www.dieboldnixdorf.com>

⁵ "Diebold Nixdorf – official website", 2017. Mar. 2017.

<www.dieboldnixdorf.com>

⁶ "Diebold Nixdorf Investor Presentation", p. 10, Dec. 2016. Apr. 2017.

<<http://investors.diebold.com/phoenix.zhtml?c=106584&p=irol-calendar>>

⁷ "Diebold Annual Report – 2015", 2015. Mar. 2017.

<<http://investors.dieboldnixdorf.com/phoenix.zhtml?c=106584&p=irol-irhome>>

expansion to new markets, such as retail North America market and Asia Pacific region, and delivering innovation to the customers⁸.

The recent combination of Diebold and Wincor Nixdorf AG has increased the expenses of the new company because of the transformation and integration costs and internal alignment of the company's processes. It includes optimization of costs and manufacturing outputs, integration of products and services portfolio, combination of customer base, provisioning of contracts under the new company name and changing the financial reporting.

The current lack of internal alignment and restructuring processes affect negatively the company's ability to provide the outstanding services to the customers and can lead to the loss of them. However, Diebold Nixdorf developed the integration plan that is aimed at decreasing the risks of combination failure of two companies⁹.

Although Diebold Nixdorf showed positive financial results during previous years, the recent acquisition of Wincor Nixdorf AG affected the company's revenues negatively due to the increased expenses, transformation and integration costs.

Therefore, the strategic question for Diebold Nixdorf is following: *"In comparison to prior periods, the total gross margin for the fourth quarter of 2016 for Diebold decreased by 9.6 percentage points from the fourth quarter of 2015, which was primarily driven by acquisition and integration costs. What strategy should Diebold Nixdorf develop and implement in order to reduce costs, grow revenue and sustain a competitive advantage?"*

2. Company Details

2.1 Brief History

Diebold was founded in 1859 in Cincinnati, Ohio and its first name was the Diebold Bahmann Safe Company, which was changed to the Diebold Safe & Lock Company in 1876 after becoming incorporated. During that time the name of the company reflected its activities, mainly the production of safes and vaults and other types of security equipment for financial institutions.

Starting from 1871 Diebold had experienced the Great Chicago Fire that destroyed almost all Diebold's safes and the World War 2 and later made several significant acquisitions to

⁸ "Diebold Nixdorf Investors Day", p. 70, Feb. 2017. Apr. 2017.

<<http://investors.dieboldnixdorf.com/phoenix.zhtml?c=106584&p=irol-calendar>>

⁹ "Diebold Investor Presentation", p. 19-22, Mar. 2016. Apr. 2017.

<<http://www.dieboldnixdorf.com/-/media/diebold/diebold-wincor-documents/diebold-investor-presentation-march-2016.pdf>>

decrease the competition and improve the portfolio of its products. In 1930s the company became publicly traded and only in 1943 its name was changed to the Diebold, Inc. In 1964 the company started trading its stocks on the New York Stock Exchange under the name "DBD". Already during that time Diebold positioned itself as a company that values security, brings quality to the customers and has a diversified line of products.

In the second half of the 20th century Diebold started manufacturing ATMs in the United States¹⁰. In 2016 the company acquired its German rival Wincor Nixdorf AG, changed its name to Diebold Nixdorf and has started the integration process of two companies.

Currently, Diebold Nixdorf is headquartered in North Canton, Ohio, U.S. and in Paderborn, Germany and is publicly traded on the New York Stock Exchange (NYSE) and on the Frankfurt Stock Exchange (FWB) under the same symbol "DBD".

2.2 Organizational Structure

Diebold Nixdorf has three lines of the business including the software, hardware and professional services for the retail and banking industries. As the company serves two different segments of the customers, retailers and banks, it develops products and services according to their specific needs, that is why there is a split in the portfolio of solutions for each industry.

Diebold Nixdorf	Retail GM, AM	Banking GM, AM
Line of the Business for Software GM, Experts	Retail SW products	Banking SW products
Line of the Business for Hardware GM, Experts	Retail HW products	Banking HW products
Line of the Business for Professional Services GM, Experts	Retail PS	Banking PS

Table 1. Represents the internal organizational structure of Diebold Nixdorf, including divisions for the retail and banking industries, three lines of the business for the software, hardware and professional services and products

¹⁰ "Diebold, Incorporated." Diebold, Incorporated Marketline Company Profile, 14 Jan. 2016, pp. 6-12. EBSCOhost, search.ebscohost.com/login.aspx?direct=true&db=bth&AN=113391814&site=ehost-live. <<http://web.b.ebscohost.com.ezproxy.lib.cas.cz/ehost/pdfviewer/pdfviewer?sid=b3eb7a98-a259-4714-a2c0-321fa79cf93c%40sessionmgr104&vid=13&hid=116>>

that belong to each business line and the market¹¹. (Note: GM=General Manager, AM=Account Manager, SW=Software, HW=Hardware, PS=Professional Services).

The table above shows the internal organizational structure of Diebold Nixdorf. Each line of the business is controlled by general manager and includes the experts who have a better knowledge of the local market and the customers' preferences.

The divisions for retail and banking solution sets are represented by general managers and account managers. They are in charge of managing all three lines of the business together, either it to be the retail businesses or banking sector of the business.

The company develops and offers its products and services, including software- and hardware-enabled products, such as ATMs, cash recyclers and dispensers, etc., to the retail and banking industries.

For instance, the software for the retail customers includes solutions that help to determine their customers' preferences and boost sales by analyzing the sales transactions and to enhance the shopping experience by allowing customers to scan the products at a shop using their own mobile device.

The software for banks includes the ability to view the transactions made at the ATMs, to remotely report them, control the security of the terminals, etc.¹² The lines of the business for the hardware and professional services are divided into the solutions and services for the retail customers and for the banking following the same logic with differences in the customer needs as described in the example above.

This type of the organizational structure helps Diebold Nixdorf to determine the amount of profit the company gets particularly from each business line, the software, hardware or professional services, and total sales for the retail and for the banking segment. This allows to analyze how well particular products are sold and whether anything needs to be improved.

2.3 Management

Recently the top management team has been reorganized due to the acquisition of the German company Wincor Nixdorf AG by Diebold in 2016. Even though Diebold was the acquirer, the two companies were working closely together during the acquisition and integration processes on the changes in the leadership team as well as on the creation of the new business model.

¹¹ "The organizational structure of Diebold Nixdorf", Apr. 2017, created by Valeriya Fateeva.

¹² "Diebold Nixdorf – official website", 2017. May 2017.

<<http://www.dieboldnixdorf.com/en-us/software/financial>>

Due to the differences in the cultures (Diebold is the U.S. based company and Wincor Nixdorf is German based) and the way leadership teams used to operate, Diebold Nixdorf decided to combine the leaders from two companies having three directors of Wincor Nixdorf to join the existing Diebold's Board of Directors and three directors from Diebold to join the supervisory board of Wincor Nixdorf AG.¹³

The decision to mix the leaders from two companies was made in order to contribute the integration process. Currently the newly combined company is running their global operations from North Canton, Ohio and Paderborn, Germany.

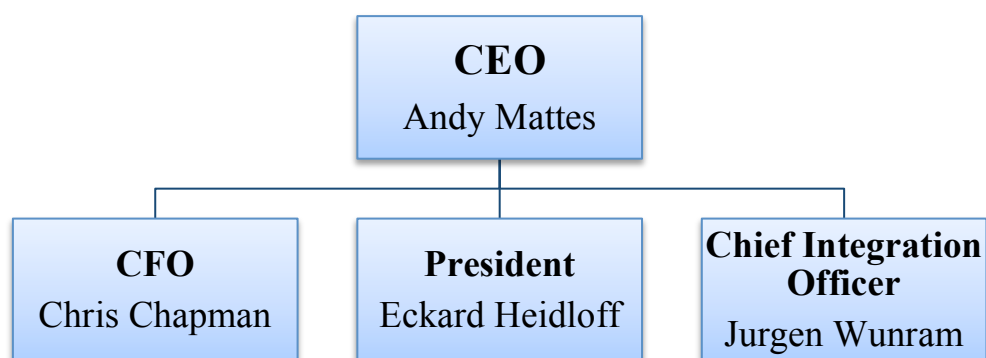


Table 2. Represents the new executive team of Diebold Nixdorf, which shows the position each member occupies and their names. The new leadership team is a mix of both Diebold and Wincor Nixdorf directors¹⁴.

The table above represents the main figures of the executive team of the newly combined company, the positions are held by: Eckard Heidloff, the President and CEO of Diebold Nixdorf (in the past the President of Wincor Nixdorf, Germany), Andy Mattes, the CEO of Diebold Nixdorf (in the past the CEO of Diebold, US), Dr. Jürgen Wunram, the Chief Integration Officer and Retail Lead (in the past the CFO at Wincor Nixdorf, Germany) and Christopher Chapman, the Chief Financial Officer (in the past served various financial leadership positions in Diebold,

¹³ "Diebold Inc and Wincor Nixdorf to Combine, Creating Premier Selfservice Company for Financial and Retail Markets M&A Call - Final." Fair Disclosure Wire (Quarterly Earnings Reports), n.d.
EBSCOhost,search.ebscohost.com/login.aspx?direct=true&db=bwh&AN=32U3940358053FDW&lang=cs&site=ehost-live.
<<http://web.b.ebscohost.com.ezproxy.lib.cas.cz/ehost/detail/detail?vid=6&sid=b3eb7a98-a259-4714-a2c0-321fa79cf93c%40sessionmgr104&hid=116&bdata=Jmxhbmc9Y3Mmc2l0ZT1laG9zdC1saXZl#AN=32U3940358053FDW&db=bwh>>

¹⁴ "Diebold Investor Presentation", p. 11, Mar. 2016. Apr. 2017.
<<http://www.dieboldnixdorf.com/-/media/diebold/diebold-wincor-documents/diebold-investor-presentation-march-2016.pdf>>

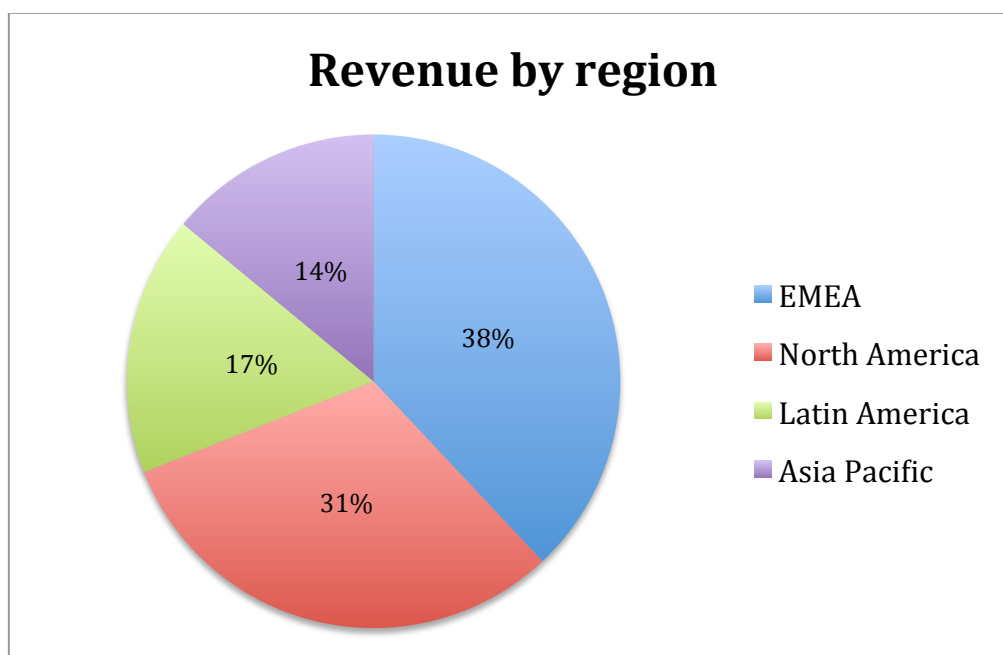
US). The Diebold Nixdorf leadership team includes experienced and knowledgeable aged members who can drive growth and innovation to the company.

The mixture of leaders from both companies, Diebold and Wincor Nixdorf AG, benefits the integration process because the leaders can exchange the knowledge and experience between themselves to transform the company in the best and fastest way and achieve the common goal of becoming a premier self-services provider to financial and retail markets.

2.4 Markets

Diebold Nixdorf operates in the three main regions: the Americas, EMEA and Asia Pacific and provides there its products and services to the retail and banking markets.¹⁵ Thus, it is relevant to show how much of total revenue each market, retail and banking, brings to the company.

The tables below show the percentage of total revenue gained by Diebold Nixdorf from each region. The sales in the Americas region differ significantly depending on whether it is the North America or Latin America, thus, the chart illustrates them separately.



Graph 1. Represents the percentage of revenue that Diebold Nixdorf earns from each region, including the Americas, where it is divided to the North and Latin America, EMEA and Asia Pacific in Q3, 2016¹⁶ to be able to see better where the company should increase sales and expand to in order to have more balanced revenue mix across regions.

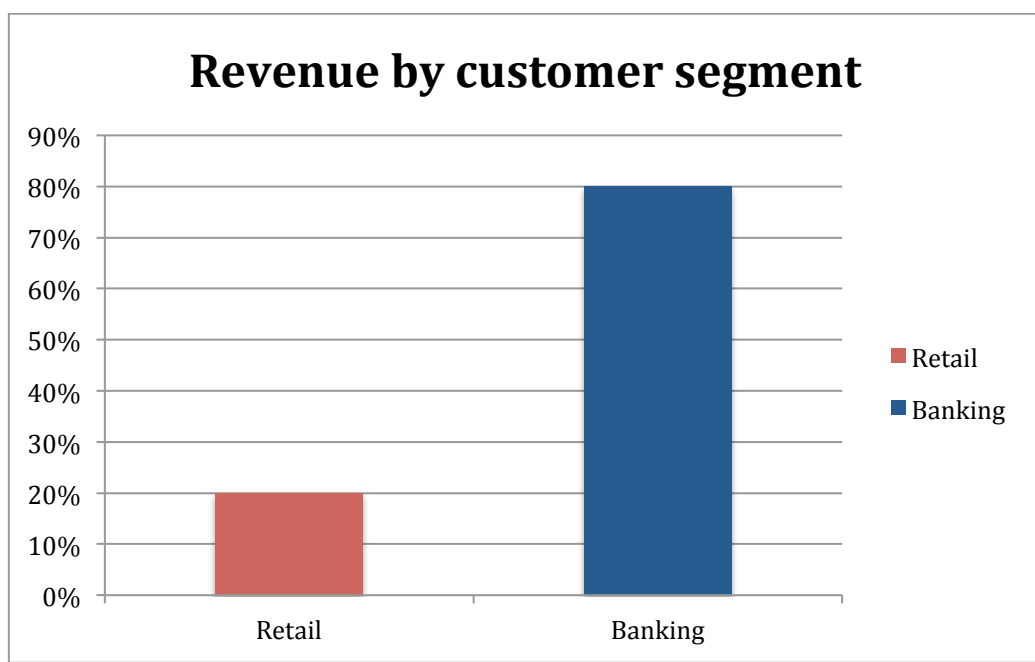
¹⁵ “Diebold Nixdorf Investors Day 2017”, p. 35, Feb. 2017. Apr. 2017.
<<http://investors.dieboldnixdorf.com/phoenix.zhtml?c=106584&p=irol-calendar>>

¹⁶ “Diebold Nixdorf Investor Presentation”, p. 17, Dec. 2016. Apr. 2017.
<<http://investors.diebold.com/phoenix.zhtml?c=106584&p=irol-calendar>>

In 2016, Diebold Nixdorf introduced the analysis of its revenue mix by regions and their trends. The *Graph 1* represents the percentage of the revenue earned from the sales of products and services by Diebold Nixdorf in each region including North America, Latin America, EMEA and Asia Pacific.

The EMEA region holds the largest percentage of the revenue from both products and services mainly because the acquired company Wincor Nixdorf by Diebold in 2016 had strong presence and the relationships with customers mainly in the EMEA region.

The Americas and Asia Pacific regions are still good areas for expanding, winning new customers and increasing sales through opening of new branches and offices, making partnerships with banks and retailers or creating strategic alliances with IT and technology companies in order to reach the customers better.



Graph 2. Represents the approximate percentage of total revenue Diebold Nixdorf receives from the sales to two markets it operates in or two customer segments it provides products and services to: retail and banking for the end of 2016¹⁷. It helps to see that there is an opportunity for Diebold Nixdorf to increase sales from the retail products and services.

The *Graph 2* above illustrates the approximate percentage of total revenue Diebold Nixdorf receives from the sales of its products and services to the retail and banking customers for the end of 2016. Although the Diebold Nixdorf is present worldwide, it has different number

¹⁷ “Diebold Nixdorf Investors Day”, p. 37, 77, Feb. 2017. Apr. 2017.
<<http://investors.diebold.com/phoenix.zhtml?c=106584&p=irol-calendar>>

of customers depending on whether they are financial institutions or retailers and the time the company started to operate in a particular region.

By looking at the *Graph 2*, it can be seen that the company has an opportunity to increase the revenue by offering more of its retail products and services.

After the acquisition of Wincor Nixdorf AG, the company increased the customer base in EMEA, especially for the retail line of the business¹⁸. However, Diebold Nixdorf lacks retail customers in the Americas region¹⁹ mostly due to the late entry to the retail market in comparison to other competitors, such as NCR Corporation. This gives an opportunity for Diebold Nixdorf to use its innovative retail software products and solutions to expand further to other markets, especially to the growing retail market in North America and Asia Pacific²⁰, in order to increase the customer base, sales and market share.

2.5 Products and Services

Diebold Nixdorf provides a wide range of IT products and services to the financial and retail industries. This includes manufacturing ATMs, cash dispensers and cash recyclers and selling or leasing them to the financial institutions or retailers. Additionally, the company develops and sells the software products and applications for the specific needs of the banks and retailers to help them digitize their businesses and reach their customers through different online channels.

Diebold Nixdorf provides software-enabled services, where the company gives its customers the access to the software through the internet, but performs maintaining, controlling and managing activities from its own computers. It gives an opportunity to the customers of Diebold Nixdorf to choose between buying the software as a product (SaaP) and running it themselves or buying it as a service (SaaS) and letting the company control it.

Diebold Nixdorf also provides after-sales services and support to the customers, including the maintenance, remote control and technical support of ATMs and software products. When the software system experience a breakdown, the technicians of Diebold Nixdorf help to solve the issue through 24/7 on call assistance, troubleshooting (remote solving of an

¹⁸ “Diebold Nixdorf Investors Day 2017”, p. 76, Feb. 2017. Apr. 2017.

<<http://investors.dieboldnixdorf.com/phoenix.zhtml?c=106584&p=irol-calendar>>

¹⁹ “Diebold Nixdorf Investors Day 2017”, p. 18, 77, 82, Feb. 2017. Apr. 2017.

<<http://investors.dieboldnixdorf.com/phoenix.zhtml?c=106584&p=irol-calendar>>

²⁰ “Annual Report 2015-2016 Wincor Nixdorf”, p. 26, Apr. 2017.

<http://www.wincor-nixdorf.com/internet/cae/servlet/contentblob/1337156/publicationFile/90369/AnnualReport1516_pdf.pdf>

issue) or physical assistance on-site.

Additionally, the company provides professional services including consulting, planning, strategic analysis and project management. It helps the banks and retailers to successfully transform and expand their businesses through the upgrade of their internal IT infrastructure, digitalization and customization²¹.

The IT & Technology innovations as an essential part of the Diebold Nixdorf's business growth and sustainability

The IT and technology innovations are narrowed for only financial and retail industry because Diebold Nixdorf produces ATMs, cash dispensers, cash recyclers, security products and develops hardware and software for financial institutions and retailers.

Technology innovations depend on what currently the banks and retailers need and demand according to their customers preferences. It includes easier-to-use interface of the ATMs or the increased functionality of them, the ability to perform payment transactions fast and secure, personalized approach and others.

The banking technology includes the trends of the financial institutions to use more of IT equipment in their branches, such as ATMs or cash recyclers, because it reduces the operational time and costs. The ATM now is not only the machine of accepting and dispensing cash, it can be used to pay the bills, make real-time transactions, check the amount of cash on a card, transfer money to another account, changing PIN, recharging mobile phones, etc.

The innovations in software for ATMs include the ability of a bank to see the operational information, the amount of cash in the machine, identify the trends in transactions, etc. The software for the retailers allows to make the product comparison, collect, exchange and integrate data across the store, monitor the cash level, make reports, etc.

Overall, all IT and technology innovations in the financial and retail sectors aimed at increasing operational efficiency and reducing costs while enhancing their customer's satisfaction through enabling the products with futuristic design, smaller size, the use of lighter and eco-friendly materials, touch-screens, increased capabilities, easy-to-use interfaces, the ability to scroll, zoom and many others.

²¹ "Diebold Nixdorf – official website", 2017. Mar. 2017.
<www.dieboldnixdorf.com>

3. Mission Statement

Diebold Nixdorf currently has the following mission statement:

"We deliver innovative technology and services to financial institutions and retail businesses making them better through a powerful combination of customer knowledge, inspired thinking, and attentive associates."

It is a good mission statement, but not detailed and not easily understandable for regular people. It is clear that the Diebold Nixdorf's customers are the financial institutions and the retailers and that the company is a technology and services provider. However, this mission statement gives very general picture of the company.

There is a need to add more specific information about what kind of technology the company delivers and how because the word "technology" itself is very broad and can include a lot of different things. The expressions "inspired thinking" and "attentive associates" do not tell a lot about the ways of delivering the "innovative technology" and should be reformulated.

The suggested changes in the mission statement make it more precise and specific about what the company does, how and who it serves. The updated mission statement is the following:

"We deliver innovative information technology products, services and solutions, including ATMs, developing, implementing and maintaining the connected software platforms, to financial and retail industries helping them to improve operational efficiency, reduce costs and make their customers' experience with their products easier and more convenient through automation, digitalization and customization."

The new mission statement became more complex, but it gives the more detailed explanation of the company's activities and uses the wordings understandable for any interested in the company parties.

4. Vision Statement

The current vision statement of Diebold Nixdorf is the following:

"To be recognized as the essential business partner in creating and implementing ideas that optimize convenience, efficiency and security."

The above vision statement does not distinguish Diebold Nixdorf from other companies because it is too broad and general and can be applied to many companies. Any company might want to become the essential partner to its customers. The vision statement should give the customers, shareholders or any other interested in the company parties the clear view of what the company is about and what it aims to become in the future. Therefore, the proposed vision

statement is the following:

"To become a premier information technology product and services provider around the globe that addresses the security, convenience and efficiency needs of financial institutions and retail businesses."

The suggested vision statement makes it clear that the company is an IT product and services provider and it wants to become the best in this area on the global level by addressing the needs of its customers, which are the financial institutions and the retail businesses.

5. Conclusion

The original mission and vision statements of Diebold Nixdorf are vague and do not provide enough information to differentiate the company from other competitors. The updated versions of mission and vision statements provide more specifics about the company itself, its customers, what kind of products and services it delivers and how. The suggested mission and vision statements will help Diebold Nixdorf to better position and introduce itself to any interested in the company parties.

6. Business Model Canvas

<p>Key Partners</p>	<p>Strategic Alliances: banking partners (JPMorgan Chase & Co., PNC, Bank of America, Wells Fargo, US Bank, Capitec Bank), retail partners (Itab, Datema²², Pedab) and distributors (Pedab, Nokas, Loomis). Cooperation: Wincor Nixdorf, Phoenix Joint Ventures: Inspur Group (China), Aisino Corporation (China) Buyer-Supplier relationship: Itab, Pyramid, Zebra, Tillster²³</p>
<p>Key Activities</p>	<ul style="list-style-type: none"> ● Manufacturing ATMs ● Developing Connected Commerce Platforms ● Providing Software-enabled services ● Research and Development ● Providing Professional Services (consulting, project mgt, strategic analysis, etc.)
<p>Key Resources</p>	<ul style="list-style-type: none"> ● Human capital (talented employees, investors) ● Physical assets (equipment, facilities, ATMs) ● Intellectual property (patented technologies) ● Financial resources (capital investment, cash reserves, cash from acquisitions) ● Reputation

²² PR, Newswire. "Diebold Nixdorf Establishes Strategic Partnership with Datema Retail Expanding Its Mobile Self-Scanning Portfolio." ["DieboldNixdorf-Datema"]. PR Newswire US, 23 Mar. 2017.

EBSCOhost,search.ebscohost.com/login.aspx?direct=true&db=bwh&AN=201703230800PR.NEWS.USPR.CL43082&site=ehost-live.

<[http://web.b.ebscohost.com.ezproxy.lib.cas.cz/ehost/detail/detail?vid=7&sid=d4293fff-8423-4980-872f-](http://web.b.ebscohost.com.ezproxy.lib.cas.cz/ehost/detail/detail?vid=7&sid=d4293fff-8423-4980-872f-0fdaa3d2c105%40sessionmgr103&hid=116&bdata=JnNpdGU9ZWhvc3QtG12ZQ%3d%3d#AN=201703230800PR.NEWS.USPR.CL43082&db=bwh)

[0fdaa3d2c105%40sessionmgr103&hid=116&bdata=JnNpdGU9ZWhvc3QtG12ZQ%3d%3d#AN=201703230800PR.NEWS.USPR.CL43082&db=bwh](http://web.b.ebscohost.com.ezproxy.lib.cas.cz/ehost/detail/detail?vid=7&sid=d4293fff-8423-4980-872f-0fdaa3d2c105%40sessionmgr103&hid=116&bdata=JnNpdGU9ZWhvc3QtG12ZQ%3d%3d#AN=201703230800PR.NEWS.USPR.CL43082&db=bwh)>

²³ "Wincor Nixdorf – Suppliers", Mar. 2017.

<http://www.wincor-nixdorf.com/internet/site_EN/sid_B98A660C1783A27ABA15589BB55F809C/EN/WincorNixdorf/Suppliers/NewSuppliers/newsuppliers_node.html>

Cost Structure	<p>Value-Driven</p> <ul style="list-style-type: none"> ● <i>Fixed costs</i> (employees) ● <i>Variable costs</i> (manufacturing, storage, transportation/logistics, marketing) ● <i>R&D costs</i> (platform development, technology improvements/innovations)
Customer Relationship	<ul style="list-style-type: none"> ● Direct communication: <ul style="list-style-type: none"> - Personal assistance (call-centers, e-mails, on-site) - Dedicated personal assistance (key account managers, unique individual approach) - Communities (user groups)
Customer Segments	<p>Segmented:</p> <ul style="list-style-type: none"> - Direct customers: financial institutions and retailers - Indirect customers: distributors (Pedab, Nokas, Loomis)
Value Proposition	<p>Diebold Nixdorf provides the ATMs, connected commerce platforms, professional and software-enabled services to financial institutions and retailers, including the customers' after-sales service and support²⁴.</p>
Channels	<p>Mix:</p> <ul style="list-style-type: none"> ● Own Channels: <ul style="list-style-type: none"> - <i>Direct</i>: Sales force ● Partner Channels: <ul style="list-style-type: none"> - <i>Indirect</i>: wholesale distribution
Revenue streams	<ul style="list-style-type: none"> ● Assets sale: ATMs including hardware ● Licensing: software licenses ● Leasing fee: leasing ATMs ● Services: managed services, software-enabled services

²⁴ "Diebold Nixdorf – official website", 2017. Mar. 2017.

<www.dieboldnixdorf.com>

6.1 Customer Segments

Diebold Nixdorf serves segmented market including financial institutions and retailers because they have relatively similar needs and wants, such as the innovative information technology solutions, reliable connected commerce platforms and high-quality software-enabled services, but for slightly different purposes. All of them want to be provided with outstanding service and latest information technologies, such as software, to transform their businesses in accordance with the changes in their consumers' behavior to reduce operational costs, increase profits and sustain a competitive advantage.

Besides having the direct customers, banks and retailers, Diebold Nixdorf has the indirect customers, which are the distributors that buy their products and services and sell to other smaller businesses.

6.2 Value Proposition

Diebold Nixdorf provides the ATMs, connected commerce platforms, professional and software-enabled services to financial institutions and retailers, including the customers' after-sales service and support²⁵.

6.3 Channels

Diebold Nixdorf sells ATMs, software and other IT-related products directly to the banks and retailers upon requests or agreements using its own sales force. The company does not sell anything online, by one piece or to individuals. All sales happen by large amount (thousands of ATMs) to the banks or retail businesses. In addition to that, the company reaches its customers through indirect sales using the distributors channels, the companies like Pedab, Nokas and Loomis²⁶.

6.4 Customer Relationships

Diebold Nixdorf values its customers and provides them with various kinds of assistance. The personal assistance includes call-centers and e-mails as well as the on-site support where customers can discuss the issues with a contact person directly.

Dedicated personal assistance means face-to-face interactions with the key account managers and consultants on the individual basis approach. Communities include user groups, which are the experts who try new products or services of the company and provide their feedback (can be arranged in customer-experience centers as well).

²⁵ "Diebold Nixdorf – official website", 2017. Mar. 2017.

<www.dieboldnixdorf.com>

²⁶ "Diebold Nixdorf official website", Apr. 2017.

<www.dieboldnixdorf.com>

6.5 Revenue Streams

The revenue of Diebold Nixdorf comes approximately 80 % from selling the products and services to the banking customers and 20 % from the sales to the retailers²⁷. The asset sale includes manufactured by the company ATMs.

Another revenue comes from the software licenses and the software-enabled services (see the more detailed explanation of the terms in the section *2.5 Products and Services, p. 15*). In some cases, Diebold Nixdorf leasing its own ATMs to the banks or retailers and gets leasing fee from it, which is also a part of the company's main revenue streams.

6.6 Key Resources

Among the key resources of Diebold Nixdorf is the human capital including skillful employees, talented engineers, experienced analysts and investors. Secondly, it is intellectual property that consists mostly of the patented technologies. The physical assets include the IT equipment and facilities to engineer new products (security products for the banking industry), ATMs themselves and the factories.

Financial resources include capital investments, cash reserves, and cash gained from the acquisitions. Reputation is a resource as well for Diebold Nixdorf because it builds trust between the company and its customers (banks and retailers) about always delivering the high-quality ATMs, software and services and keeping the internal information of the customers safe and confidential to others.

6.7 Key Partnerships

Diebold Nixdorf has strategic alliances between non-competitors including partnerships with major US banks, retail partners, such as Itab, Datema and Pedab and distributors like Pedab, Nokas and Loomis²⁸. All these partnerships are long-term and help Diebold Nixdorf to understand better in what direction to transform and innovate the company's products and services and how to use the resources and the knowledge of partners effectively to increase the quality of products.

The acquisitions of the competitors like Phoenix and Wincor Nixdorf in 2015 and 2016, respectively, gave Diebold Nixdorf the opportunity to increase the number of key employees, software capabilities (i.e., the speed, easy-to-use interface, etc.) and broaden the customer base,

²⁷ “Diebold Nixdorf Investors Day”, p. 37, 77, Feb. 2017. Apr. 2017.

<<http://investors.diebold.com/phoenix.zhtml?c=106584&p=irol-calendar>>

²⁸ “Diebold Nixdorf official website – section Partners”, Apr.2017.

<<http://www.dieboldnixdorf.com/en-us/partner>>

especially for the retail sector²⁹. The company has recently created joint ventures with local Chinese companies Inspur Group and Aisino Corporation to create stronger presence in China³⁰ and be able to operate there in compliance with the local law systems.³¹

Diebold Nixdorf has partnerships with its suppliers including the companies like Itab, Pyramid, Zebra and Tillster that provide materials for manufacturing products and services and other relevant to the business supplies.

6.8 Cost Structure

Even though Diebold Nixdorf has different prices for the ATMs including hardware (per unit price), software (license price) and managed services, it is value-driven because it delivers a unique value to its customers through outstanding services, individual approach, problem solving and customization of products and services. The company has fixed costs, including employees' salaries and variable costs consisting of different manufacturing outputs depending on the demand, storage, transportation, and marketing activities.

Diebold Nixdorf is a technology company operating in the financial and retail markets that invests heavily in the research and development. This includes the development of connected commerce platforms and innovative technologies, such as the new software and hardware products, ATMs with increased number of features that did not exist before, to satisfy the customers' needs.

6.9 Key Activities

Among the main activities that Diebold Nixdorf performs are the manufacturing ATMs, and the development of connected commerce platforms for the different purposes of the banks and retailers including online banking, online shopping, cardless payments, service provisioning and others.

The research and development is a significant activity for Diebold Nixdorf as it helps the company to add innovation to the software and hardware products on a consistent manner to better serve its customers.

Another main activities of the company are providing software-enabled and professional

²⁹ "Diebold Investor Presentation", p. 28, Mar. 2016. Apr. 2017.

<<http://www.dieboldnixdorf.com/-/media/diebold/diebold-wincor-documents/diebold-investor-presentation-march-2016.pdf>>

³⁰ "Diebold Nixdorf Investor Presentation", p. 10, Dec. 2016. Apr. 2017.

<<http://investors.diebold.com/phoenix.zhtml?c=106584&p=irol-calendar>>

³¹ "Diebold Investor Presentation", p. 35, Mar. 2016. Apr. 2017.

<<http://www.dieboldnixdorf.com/-/media/diebold/diebold-wincor-documents/diebold-investor-presentation-march-2016.pdf>>

services including consulting, finding new solutions to individual customer’s problems and needs and continuous training of the employees.

The more detailed picture of the Diebold Nixdorf’s activities can be found in the following section 7. *Current Activity Systems Map*, p. 24.

7. Current Activity Systems Map

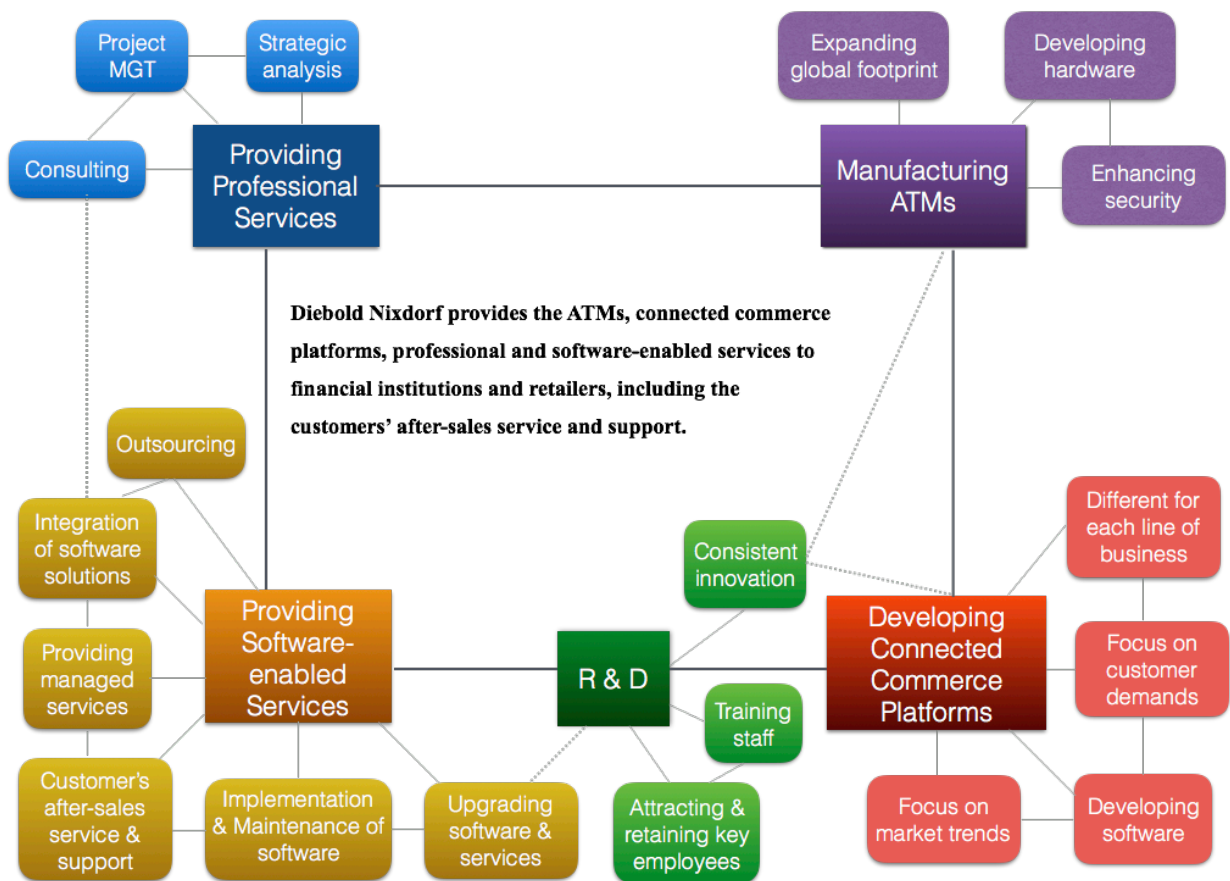


Figure 1: Represents the current activity systems map of Diebold Nixdorf consisting of the core activities, sub-activities, the value proposition in the center and the relationships between them.³²

³² “Diebold Nixdorf’s Activity Systems Map”, created by Valeriya Fateeva, Mar. 2017.

7.1 Manufacturing ATMs

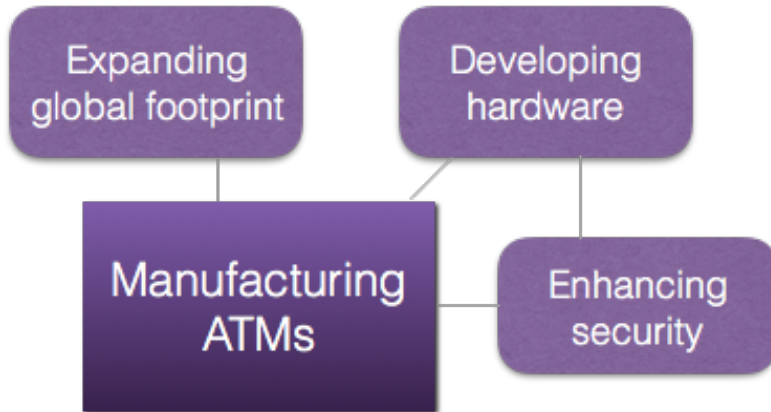


Figure 2: Represents the company's core activity "Manufacturing ATMs" with its sub-activities, created by Valeriya Fateeva.

Diebold Nixdorf manufactures ATMs itself and sells them worldwide. The ATMs are supported by software and hardware that the company's engineers are developing based on the specific needs of the banks trying to consistently improve the quality, increase the functionality and drive innovation. The company is working on enhancing security systems of the ATMs by changing the way the machine reads the chip of the card to protect the users' banking information from the increasing number of hacking attacks.

Currently, Diebold Nixdorf is expanding globally to the new markets (i.e., Asia Pacific) and increasing the customer base for its ATMs. Research and development activities help the company to consistently innovate its ATMs bringing to the market next generation products, adding more features and making the users' experience easier and more convenient. The knowledge and expertise in building hardware benefit Diebold Nixdorf in developing software as well.

7.2 Development of the Connected Commerce Platforms

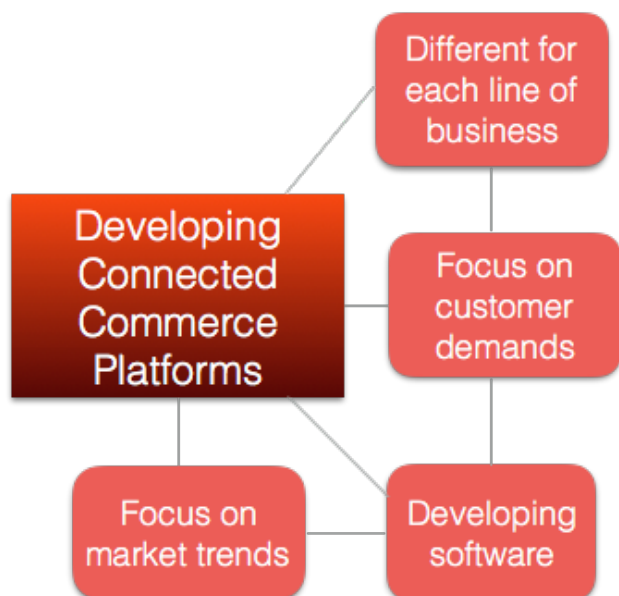


Figure 3: Represents the company's core activity "Developing Connected Commerce Platforms" and its sub-activities, created by Valeriya Fateeva.

Developing Connected Commerce Platforms includes developing the software for different segments of the customers: financial institutions and retailers. Each segment has slightly different demands and requirements and Diebold Nixdorf is trying to satisfy them by creating unique architectural design of the software and add new functions for specific needs of each line of the business.

For the banking sector, the capabilities of the software include the ability to read the card, dispense money, count them, perform different banking transactions fast, have a user-friendly interface and the security systems on the high level.

For the retail sector, the software capabilities include the unique design for each retail customer, easy to use interface, functions for accounting, the ability to see, add and return items to the system, the ability to integrate the retail software with the other store's branches or the other electronic devices, such as mobile phones, tablets, etc.

Recently Diebold Nixdorf introduced its new line of the retail software product, which includes customer touchpoint solutions, retail cash management software, small medium enterprise solution, enterprise management solutions and reverse vending solutions³³. This line of the retail software product is new for the retailers and they are hesitating to try it because it can be risky in case of any failures, which is the reason why

³³ "Diebold Nixdorf official website", Apr. 2017.
<<http://www.dieboldnixdorf.com/en-us/software/retail>>

Diebold Nixdorf lacks the customer references about the performance of its new line of the retail software product.

Operating in different countries requires Diebold Nixdorf to have a focus on the local market trends in order to adapt the software features (i.e., language, functions, design, etc.) to it and have enough demand and sales to exceed the operating costs.

The research and development activities help Diebold Nixdorf to analyze market trends in the financial and retail industries and investigate improvements in the competitors' products in order to introduce more innovative software and add new features that will differentiate the company from other providers of the similar products and services.

7.3 Providing Software-enabled Services

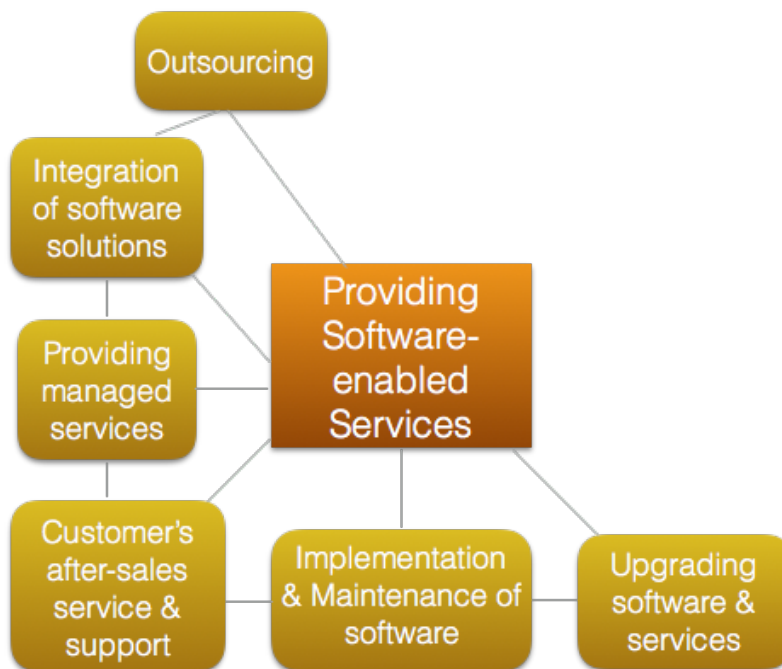


Figure 4: Represents the Diebold Nixdorf's core activity "Providing Software-enabled Services" and its sub-activities that support it, created by Valeriya Fateeva.

The core activity includes the wide range of software-related services and solutions provided and some of them are outsourced in order to reduce costs. The research and development activities help the company to investigate on time the changes in the customer's' needs and provide higher quality software-enabled services in order to increase customer satisfaction and sustain a competitive advantage.

Diebold Nixdorf is growing sales from its services portfolio because the financial institutions and retailers tend to prefer to have a company who will perform services for them and take care of all the IT-related stuff, such as maintenance of ATMs, solving issues,

integration of solutions across the branches, etc. This helps banks and retailers focus on their main activities rather than learning the details of IT and other technologies.

The Diebold Nixdorf's services portfolio includes implementation and maintenance of software products (ATMs, cash recyclers, dispensers and other systems) that can be extended upon request. Managed services are offered on the billing basis in case the contract is finished, but a customer faces some issues or breakdowns in the software.

If a customer's business consists of many branches, Diebold Nixdorf helps to integrate the software solutions between them. After a successful sale, the company continues to serve a customer by providing after-sales service and support that includes repair and maintenance of software products during the warranty period for free and on the billing basis after.

The research on the market trends in the financial and retail industries and competitors' innovations and progress helps Diebold Nixdorf to discover the need for transformation and upgrade of the quality and the range of provided software-enabled services.

7.4 Research and Development

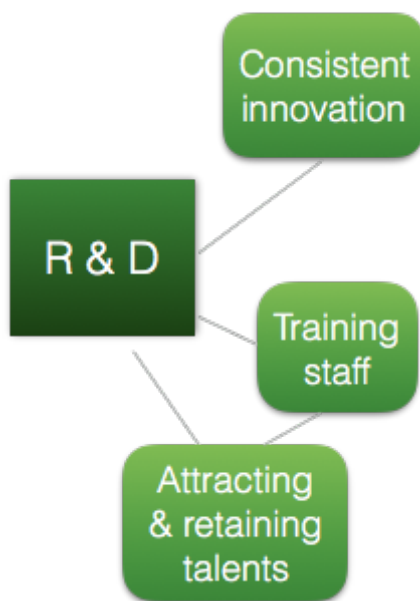


Figure 5: Represents the company's core activity "Research and Development" and its sub-activities, created by Valeriya Fateeva.

The company heavily invests in the research and development activities in order to provide financial institutions and retailers with the newest products and outstanding services.

After the recent acquisition of Wincor Nixdorf AG (see *Section 1. Introduction, p. 8*) Diebold Nixdorf doubled the number of its workforce, but the company still needs to attract more professionals to drive innovation and accelerate the delivery of complex projects. In order to serve and satisfy the customers better, the company needs to keep the professional knowledge of the employees on a high level.

For instance, the sales team of the Diebold Nixdorf is provided with the trainings about the new products, their capabilities, features and how to sell them better, which helps to improve the sales of the company.

Another way of improving professional knowledge of the company is to attract and gain key employees through partnering with other technology companies that have strong IT workforce, such as Phoenix, for instance, that Diebold Nixdorf acquired in 2015.

7.5 Providing Professional Services

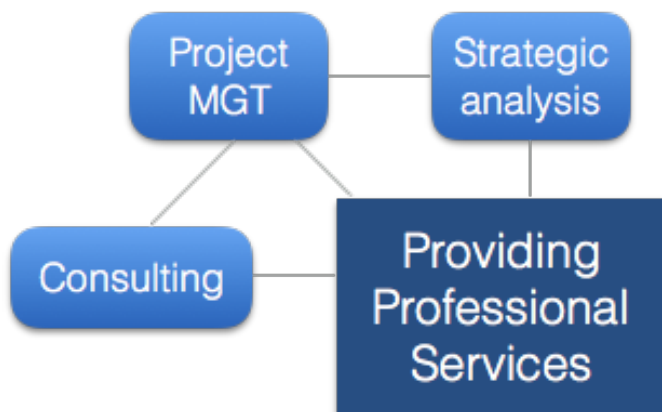


Figure 6: Represents the company's core activity "Providing Professional Services" and its sub-activities, created by Valeriya Fateeva.

Besides ATMs, software and services, Diebold Nixdorf provides professional services to banks and retailers that include consulting, project management, planning and strategic analysis regarding the expansion and transformation through the digitization, software and ATMs integration and implementation for the successful growth of the customers' businesses.

Professional services are aimed at helping financial institutions and retailers to grow the business through the reduction of the costs, optimization, upgrades and improvements of the IT infrastructures, including the architectural design engineering. Currently, the company needs to improve its professional services to reduce the delivery time of the project in order to increase the satisfaction and retention of the customers.

8. Strategic Fit

The Diebold Nixdorf's activities create a strategic fit because they are interrelated and add value to each other. The more detailed examples of the shared value and the fit are introduced below:

1) The core activities "*Manufacturing ATMs*" and "*Developing Connected Commerce Platforms*" and their sub-activities have a shared value.

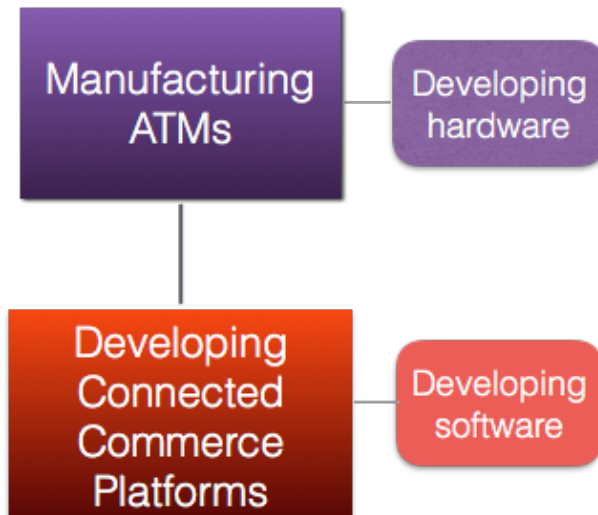


Figure 7. Represents the two core activities of Diebold Nixdorf with its sub-activities in order to see the connection between them and the shared value.

The ATMs include in themselves not only the hardware, but the software as well. Thus, the IT architects are already aware of the process of developing the software and can transfer that knowledge to the development of connected commerce platforms.

2) The "Research and Development" is the activity that adds value to the rest core activities.

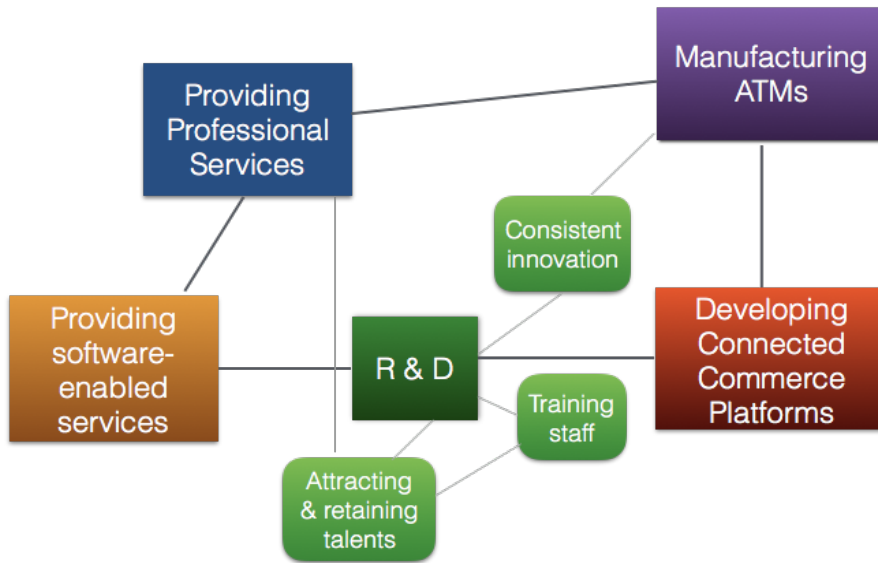


Figure 8. Represents the relationships and shared value between the "R&D" activity and other core activities of Diebold Nixdorf.

The quality of products and services of the company depend on how much it invests in the R&D, including the market and trends research, attraction of engineers, consultants and other key employees and the trainings for the staff.

3) Providing professional services helps the company to understand better the needs of its customers and then transfer that knowledge to provide relevant software-enabled services and add specific features to ATMs interface.



Figure 9. Represents the core activity "Providing Professional Services" and its relationships with the other activities.

4) The software is developed depending on whether the customer is a financial institution or a retailer, thus it is connected to the sub-activity "Different for each line of business" and brings value to the other core activities.

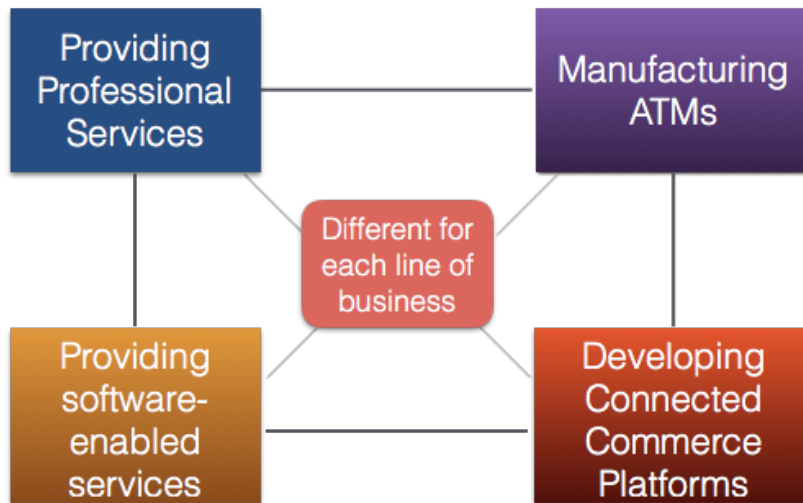


Figure 10. Represents the value of the sub-activity "Different for each line of business" that is transferred to the other core activities making them more customer-oriented.

Thus, the core and sub-activities of Diebold Nixdorf add value to each other by transferring and sharing the knowledge and expertise, that in turn creates the strategic fit and helps the company to sustain a competitive advantage.

9. Conclusion

Currently Diebold Nixdorf is successfully performing its internal transformation and integration activities in order to provide a better quality of the products and services to grow its customer base and expand with services and retail software products to new markets. These processes require a lot of spending, which negatively affects the financial results, but if this stage is completed successfully, the company will be able to gain more profits. In case of the failure to integrate, Diebold Nixdorf risks to lose its competitive advantage. Nevertheless, at the moment the current strategy, the business model, the value proposition and the well-structured system of activities help Diebold Nixdorf to sustain a competitive advantage and retain the position of a strong player on the market place.

10. Current Strategy

10.1 Current Strategy Analysis

Diebold Nixdorf is pursuing the strategy of growth taking advantage of acquisitions of the IT and Technology companies, add of key employees and upgrade and integration of the software products and services in order to be more responsive to the customers and increase customer satisfaction.

The acquisitions of companies that are experts in the IT and technology, especially for the retail and banking industries, help Diebold Nixdorf to gain more key employees that can contribute to the company by sharing the knowledge and experience they have to accelerate the innovation of the company's products and services. This gives Diebold Nixdorf an opportunity to constantly upgrade its existing IT products and improve services, which in turn helps to increase customer satisfaction and customer base.

Additionally, the acquired knowledge and resources benefited the sales of IT services because the company can meet better the growing demand for it. This helps Diebold Nixdorf to diversify the revenue streams and make them more steady across the business lines.

10.2 Porter's 5 Tests

The Diebold Nixdorf's strategy is passing all the five Porter's tests for a good strategy.

1. Distinctive Value Proposition

Diebold Nixdorf offers the distinctive value proposition. The company has an individual approach to every client, it provides financial institutions and retailers with the customized and innovative software and ATMs, extended maintenance of IT products, security, reliability and integrity. The strategy is oriented on making Diebold Nixdorf the best in providing IT services and products, such as the ATMs and software, to the banks and retailers and emphasises it in its value proposition.

2. Tailoring activities to the Value Proposition

Diebold Nixdorf has a well-tailored value chain, where all the core and sub-activities are interconnected with each other, which creates the fit and makes the strategy work for the company. Each activity brings the unique value to the company in order to successfully deliver its value proposition to its customers.

For instance, the activity "Providing Professional Services" helps to understand better the needs of a client and then develop ATMs or connected commerce platforms accordingly by adding specific features or capabilities. In order to be able to provide customers with outstanding products and services, Diebold Nixdorf invests into R&D. (see section 7. *Current Activity*)

Systems Map, p. 24 and 8. Strategic Fit, p. 30).

3. Making trade-offs

The company is able to make trade-offs and choose what is best for it according to the current strategy. Diebold Nixdorf's significant trade-off is to conclude strategic partnerships with non-competitors and to acquire competitors, as it did with Phoenix and Wincor Nixdorf. It chose to add the knowledge and resources of these companies to itself rather than compete with them.

Even though the company is trying to provide the full range of products and services to financial institutions and retailers almost in each region worldwide, sometimes it is difficult to achieve due to the high operational costs. Thus, Diebold Nixdorf has to make trade-offs about what markets to operate in, where to build factories and where to close them and what range of products and services to offer that will best suit the local market and bring high profits.

4. The Fit Test

Diebold Nixdorf has a strategic fit, where the activities transfer the knowledge and expertise between of them and participate in delivering the unique value for customers (see section 8. *Strategic Fit, p. 30*).

5. The Continuity Test

The company is passing the continuity test of a good strategy because the company is pursuing a strategy of growth, which can be followed for a long time, even if the activities, through which it is going to be achieved, might change. Diebold Nixdorf managed to notice on time the growing demand for branch automation in the banking industry and the growing demand for connected commerce platforms in the retail industry. These changes pushed Diebold Nixdorf to start transforming itself through the strategic implementation steps and add the knowledge through acquisitions in order to be able to better satisfy customers and continue growing the company.

10.3 Conclusion

The current strategy of Diebold Nixdorf is aimed at the growth through the acquisition by adding the knowledge, expertise, resources and R&D of acquired companies. This helps the company to accelerate innovation and upgrade of products and services and increase customer satisfaction and retention. The current strategy of Diebold Nixdorf is passing all the five Porter's tests of a good strategy. The company has a distinctive value proposition and well-tailored value chain. Making trade-offs helps Diebold Nixdorf reduce costs and increase efficiency. The activities of the company support the strategy and transfer value, such as knowledge, expertise

and resources, between each other, which gives it a strategic fit. Passing the continuity test of a good strategy tells that the company chose the right strategy that will be relevant for a long period of time.

11. Financial Analysis

The following section is dedicated to the financial analysis of Diebold Nixdorf, industry dynamics and the comparison of the results against its biggest competitor, NCR Corporation. The analysis will focus on the revenue and net income analysis, profitability ratios and liquidity ratios analysis and stock performance analysis for Diebold Nixdorf as well as for NCR.

As Diebold Nixdorf has recently acquired its German rival Wincor Nixdorf, it is relevant to include the amount of cash spent on it in order to better understand why the company has the negative revenue numbers for 2016 financial year and increased operating expenses.

Diebold Nixdorf operates globally and provides products as well as services to financial institutions and retailers. In order to see the more detailed picture from where the company gains revenues this section provides tables that represent the revenue summary by region and by service and product solution.

This choice of combination of ratios and other important financial information provides a better understanding of the financial position of Diebold Nixdorf and its ability to generate the sustainable profit. The comparison of the financial results of Diebold Nixdorf to the ones of NCR helps to see where Diebold Nixdorf needs to improve in order to be able to outperform its main competitor.

It is important to take into account the currency fluctuations and exchange rates that might have an unfavorable effect on the company's financials when looking at the tables below. Diebold Nixdorf is operating worldwide and experiences the fluctuations of the currencies, such as euro, Canadian dollar, Great Britain pound sterling, Chinese renminbi, Indian rupee, South Africa rand, Turkey lira and Brazilian real³⁴.

The *25.1 Diebold Nixdorf - Balance Sheet* and *25.2 Diebold Nixdorf - Income Statement* can be found in the *Appendix section*.

³⁴ "10-K: DIEBOLD NIXDORF, INC", MarketWatch, Feb. 2017. Apr. 2017.
<<http://www.marketwatch.com/story/10-k-diebold-nixdorf-inc-2017-02-24>>

11.1 Diebold Nixdorf – Acquisition Costs

“The aggregate preliminary consideration, excluding \$110.7 millions of cash acquired, for the acquisition was \$1,265.7 millions, which consisted of the following”³⁵:

Cash paid	995.3
Less: cash acquired	(110.7)
Payments for acquisition, net of cash acquired	884.6
Common shares issued to Diebold Nixdorf AG shareholders	279.7
Other consideration	(9.3)
Total preliminary consideration, net of cash acquired	1,155.0

*Table 3. Represents the amount of cash in millions USD that Diebold Nixdorf paid for the acquisition of its German rival Wincor Nixdorf AG, which is important to consider when looking further at the revenue analysis of the company for 2016 financial year.*³⁶

The table above shows the acquisition costs incurred in terms of cash paid and shares issued to Wincor Nixdorf in 2016. It is important to consider when looking at other financial results and ratios because the acquisition costs negatively affected the numbers on the income statement as well as the revenue and profitability ratios of Diebold Nixdorf for the year 2016.

11.2 Diebold Nixdorf – Operating Expenses

The following table represents the financial information regarding the operating expenses of Diebold Nixdorf for the years 2015 and 2016 ended December 31:

	2016	2015	\$ Change	% Change
Selling and administrative expense	761.2	488.2	273.0	55.9
Research, development and engineering expense	110.2	86.9	23,3	26,8
Impairment of assets	9,8	18,9	(9.1)	(48.1)
(Gain) loss on sale of assets, net	0.3	(0.6)	0.9	N/M
Total operating expenses	881.5	593.4	288.1	48.6

*Table 4. Represents the Diebold Nixdorf’s operating expenses in millions USD for the years 2015 and 2016 as well as the change between the presented years in percentages and dollars to illustrate the difference in expenses for R&D and selling activities before and after acquisition*³⁷.

³⁵ "Diebold Nixdorf Incorporated and Subsidiaries Form 10-K as of December 31, 2016. Notes to consolidated financial statements", p. 69, Dec. 2016. Apr. 2017.

<https://materials.proxyvote.com/Approved/253651/20170227/AR_312081/#/78/>

³⁶ "Diebold Nixdorf Incorporated and Subsidiaries Form 10-K as of December 31, 2016. Notes to consolidated financial statements", p. 69, Dec. 2016. Apr. 2017.

<https://materials.proxyvote.com/Approved/253651/20170227/AR_312081/#/78/>

³⁷ "Diebold Nixdorf Incorporated and Subsidiaries Form 10-K as of December 31, 2016. Notes

The table above shows that after the acquisition of Wincor Nixdorf in 2016, the company's selling and administrative expense increased by 273 million dollars (or 55.9%) in 2016 compared to prior year because the company spends more financials on the restructuring and managing the new complex organization.

Additionally, Diebold Nixdorf increased the number of products and services in its portfolio that require more investments to the promotion, selling and delivery. Research and Development and engineering expense increased as well after the acquisition by 23.3 million dollars (or 26.8%) in 2016 compared to prior year because now the company has more operations globally and needs to adapt the software products to local customer demands.

Thus, the total operating expense for Diebold Nixdorf for 2016 increased by 288.1 million dollars (or 48.6%) compared to prior year, mostly due to the company's internal transformational processes and the integration with the recently acquired German Wincor Nixdorf.

11.3 Diebold Nixdorf – Revenue summary by region

Revenue summary by region (in million US dollars)

	2016	2015	2014
NA	1,118.2	1,094.5	1,091.3
AP	470	439.6	500.3
EMEA	1,181.2	393.1	421.2
LA	546.9	492.1	721.9
Total	3,316.3	2,419.3	2,734.8

Table 5. Represents revenue summary of Diebold Nixdorf by region (in million US dollars) for the years 2014-2016 in order to see in detail how much profit the company gets from each region it operates in and where it should increase the sales. The regions are segmented to North America (NA), Asia Pacific (AP), Europe, Middle East and Africa (EMEA) and Latin America (LA)³⁸.

The table above shows the revenue Diebold Nixdorf was receiving from each region in the years 2014-2016, which helps to see how profitable each geographical segment is and where the company should increase the sales or expand more.

North America (NA) shows a consistent growth throughout three years, from 1,091.3 million dollars in 2014 to 1,118.2 million dollars in 2016, and can be considered as relatively stable region for increasing the sales.

to consolidated financial statements", p. 30, Dec. 2016. Apr. 2017.

<https://materials.proxyvote.com/Approved/253651/20170227/AR_312081/#/78/>

³⁸ "Diebold Nixdorf Incorporated and Subsidiaries Form 10-K as of December 31, 2016. Notes to consolidated financial statements", p. 106, Dec. 2016. Apr. 2017.

<https://materials.proxyvote.com/Approved/253651/20170227/AR_312081/#/78/>

Asia Pacific (AP)' revenues have decreased since 2014 from 500.3 million dollars to 470 million dollars due to the efforts of Asian governments to promote its local companies for ATMs and software and limit the operations of other foreign companies. However, since 2015 Diebold Nixdorf created two joint ventures with Asian companies Aisino Corporation and Inspur Group that helped to increase the sales in the Asia Pacific region.

The revenue from sales in EMEA region increased significantly from 393.1 millions dollars in 2015 to 1,181.2 millions dollars in 2016 mainly due to the acquisition of Wincor Nixdorf AG in 2016, which had strong presence in EMEA.

Revenues from the sales to Latin America (LA) have decreased since 2014 to 2015 from 721.9 millions dollars to 492.1 millions dollars, respectively, however in 2016 the company managed to increase sales by 54.8 millions dollars. Sales to Latin America faced difficulties because not all the products and services that Diebold Nixdorf offers are demanded in this region, so the company sells there mainly the financial self-services products.

Even though the revenue Diebold Nixdorf receives is different depending on the region, the company managed to increase its it significantly in 2016 (by 897.3 millions dollars) after a slight drop in 2015. The EMEA was the region that helped to increase the sales in 2016 because of the Wincor Nixdorf's (the acquired) strong relationships with customers there.

11.4 Diebold Nixdorf – Revenue summary by service and product solution

Revenue Summary by service and product solution (in millions US dollars)

	2016	2015	2014
Financial self-service			
Services	1,504.0	1,185.0	1,219.9
Products	1,022.5	923.7	977.3
Total financial self-service	2,526.5	2,108.7	2,197.2
Retail			
Services	202.5	0	0
Products	235.6	0	0
Total retail	438.1	0	0
Security			
Services	201.4	209.3	212.9
Products	72.0	83.5	99.5
Total security	273.4	292.8	312.4
Brazil other	78.3	17,8	225.2
Total revenue	3,316.3	2,419.3	2,734.8

Table 6. Represents the Diebold Nixdorf' revenue summary by service and product solution for the years 2014-2016 in order to see how much profits the company gets from the financial and retail sectors, including security products and services and Brazil other³⁹.

³⁹ "Diebold Nixdorf Incorporated and Subsidiaries Form 10-K as of December 31, 2016. Notes

The table above shows the Diebold Nixdorf' revenues by service and product solution in the financial self-service and retail sector, security products and services and Brazil other. The Brazil other is separated because the company limited the offers of products and services there due to the economic problems there that were affecting the sales numbers of Asia Pacific (AP) region negatively creating the wrong picture, thus, the company tends to show the Brazil separately on all the financial statements.

It is important to see on the above table is how much profits Diebold Nixdorf gets from financial and retail sector and from products and services because the company currently is trying to sell more of products and services to the retail customers and to increase the sales of the services as they are becoming more demanded. There are no numbers for the retail sector in 2014 and 2015 because before the acquisition made in 2016, Diebold Nixdorf was mainly focusing on providing products and services to financial institutions.

The acquired Wincor Nixdorf helped the company to gain new knowledge and talents to increase sales in the retail sector. It can be seen that Diebold Nixdorf receives more revenues from the financial self-service sector than from the retail, which shows the opportunity for the company to expand more to retail. The revenue from the security products and services decreased in 2016 because the company divested its security business to Securitas AB.

Overall, the company's revenues were growing throughout the provided three-year period and the total number of the revenues also shows the growth, which tells that Diebold Nixdorf is doing well regarding the sales.

11.5 Diebold Nixdorf and NCR - Revenue and Net Income Analysis - Comparison

In thousands US dollars

Year	2016		2015		2014		2013	
	DBD	NCR	DBD	NCR	DBD	NCR	DBD	NCR
Net Sales	3,316,300	6,543,000	2,419,300	6,373,000	2,734,800	6,591,000	2,582,700	6,123,000
COGS	2,594,600	4,761,000	1,767,300	4,904,000	2,008,600	4,859,000	1,996,700	4,383,000
Gross Profit	721,700	1,782,000	652,000	1,469,000	726,000	1,732,000	586,000	1,740,000
Total Expenses	881,500	1,183,000	593,400	1,334,000	561,000	1,379,000	726,300	1,074,000
Operating Income	-159,800	599,000	58,600	135,000	165,000	353,000	-140,300	666,000
Net Income	-33,000	270,000	73,700	-178,000	114,400	191,000	-181,600	443,000

Table 7. Represents the Net Income of Diebold Nixdorf (DBD) and NCR Corporation (NCR) in thousands US dollars for the years 2013-2016^{40 41}, which helps to compare the financial results of two competitors throughout four years.

The table above shows the net income for the years starting from 2013 and ending 2016 for Diebold Nixdorf and its main competitor NCR. In 2013 Diebold Nixdorf was facing financial issues and incurred net loss, which led to the resignation of its president followed by Andy Mattes, who managed to improve the situation in the years to come. In 2014 and 2015 the company made a leap in earning positive net income.

However, in 2016 the acquisition of Wincor Nixdorf created significant integration and transformation costs, which explains the net loss incurred in this year. Increase in the Net Sales together with the COGS indicates the recent expansion, when the company started providing the wider range of products and services.

The projection for 2017 is the positive net income due to the increased sales and the new strategic cost-reduction initiative. Even though the net loss is a bad sign for the investors and creditors, in this case it is not considered as such, because of the recent changes in the company's structure.

NCR Corporation, the main competitor of Diebold Nixdorf, slightly managed to improve its Net Sales, even though it is still working on bringing the expenses down after a spike from 2013 to 2014. The restructuring initiative of NCR incurred Net Loss in 2015, however in 2016 company managed to improve its financial position from Net Loss of 178,000 to Net Income of 270,000.

This part of the analysis demonstrates that NCR had better financial position last year

⁴⁰ "(DBD) Company Financials – NASDAQ.com." 17 Mar. 2017.

<<http://www.nasdaq.com/symbol/dbd/financials?query=income-statement>>

⁴¹ "(NCR) Company Financials – NASDAQ.com." 20 Mar. 2017.

<<http://www.nasdaq.com/symbol/ncr/financials?query=income-statement>>

compared to the results of Diebold Nixdorf. However, the projection for the year 2017 would be that Diebold Nixdorf has good chances of recovering after the acquisition because it has more products and services for sale and has already started implementing the cost-reduction plan.

11.6 Diebold Nixdorf and NCR - Profitability Ratios – Comparison

Year	2016		2015		2014		2013	
	DBD	NCR	DBD	NCR	DBD	NCR	DBD	NCR
Gross Margin	22%	27%	27%	23%	27%	26%	23%	28%
Operating Margin	-5%	9%	2%	2%	6%	5%	-5%	11%
Profit Margin	-1%	4%	3%	-3%	4%	3%	-7%	7%

Table 8: Represents the Profitability Ratios for Diebold Nixdorf (DBD) and NCR Corporation (NCR) for the years 2013-2016^{42 43} in order to compare the profitability of two competitors.

The table above illustrates how profitable Diebold Nixdorf and its main competitor NCR were during the last four years. In 2016 the Gross Margin of Diebold Nixdorf decreased from 27% to 22%, which was caused by the increase in the COGS leading to a lowered markup percentage.

The Operating Margin of Diebold Nixdorf during the same year decreased as well from 2% to -5%, however was affected by the increased operating expenses and integration costs after the acquisition (see the tables above in the financial analysis section) and should not be considered as the low profitability of the company.

The Profit Margin (DBD) has decreased in 2016 from 3% to -1% mainly because the expenses of the company significantly increased after the acquisition and even the recent increase in the Net Sales did not produce a positive effect. The company (DBD) already started the initiative on cost-reduction, which aims to attack this decrease. Diebold Nixdorf should seriously consider its effort on increasing ratios before it risks the ability to support business activities.

Compared to Diebold Nixdorf, NCR has a better financial position and all its ratios are going up over the last four years. This indicates that the company effectively manages its expenses, has enough profit from operations to support the business activities and is considered attractive for investors and creditors.

⁴² "(DBD) Company Key Financial Ratios – NASDAQ.com." 17 Mar. 2017.
<<http://www.nasdaq.com/symbol/dbd/financials?query=ratios>>

⁴³ "(NCR) Company Key Financial Ratios – NASDAQ.com." 20 Mar. 2017.
<<http://www.nasdaq.com/symbol/ncr/financials?query=ratios>>

Year	2016		2015		2014		2013	
	DBD	NCR	DBD	NCR	DBD	NCR	DBD	NCR
ROA	(0.6%)	3.5%	3.3%	(2.3%)	4.9%	2.2%	(8.3%)	2.2%
After Tax ROE	-6%	39%	18%	-25%	22%	10%	-30%	10%

Table 9. Represents ROA and ROE of Diebold Nixdorf (DBD) and NCR Corporation (NCR) for the years 2013-2016^{44 45} in order to compare the profitability ratios of two competitors.

Table above illustrates the profitability ratios ROA and ROE of Diebold Nixdorf (DBD) and NCR Corporation (NCR) for the years 2013-2016.

Diebold Nixdorf has a downward trend and its investments into the assets were bringing less money over last three years, even negative in 2016. This was mainly caused by the company's internal transformational processes. ROE also shows a downward trend over the last three years. As mentioned earlier, Diebold Nixdorf currently is implementing a strategy of growth and if the company fails to have the support of investors, taking into consideration the significant increase of short-term debt, it risks hitting the strategy objectives.

In comparison, NCR does not have a significant fluctuation in its short-term debt and ROA increased starting from 2014 to 2016. Both companies do not have a big return on its assets, however NCR has a greater return than Diebold Nixdorf. NCR also is effectively using the capital from shareholders to generate profits and be able to grow the company. Currently NCR is more profitable than Diebold Nixdorf, however, this is mainly because Diebold Nixdorf has recently increased the spendings due to the combination with Wincor Nixdorf and related to its integration costs.

11.7 Diebold Nixdorf and NCR - Liquidity Ratios – Comparison

Year	2016		2015		2014		2013	
	DBD	NCR	DBD	NCR	DBD	NCR	DBD	NCR
Current Ratio	1,44	1,40	1,72	1,43	1,61	1,49	1,74	2,31
Quick Ratio	1,03	1,05	1,33	1,07	1,25	1,17	1,32	1,89
Cash Ratio	0,39	0,25	0,37	0,18	0,45	0,25	0,53	0,87

Table 10: Represents the Liquidity Ratios of Diebold Nixdorf (DBD) and NCR Corporation (NCR) for the years 2013-2016^{46 47} in order to compare two competitors' ability to pay the short-term debt.

⁴⁴ "(DBD) Company Key Financial Ratios – NASDAQ.com." 17 Mar. 2017.
<<http://www.nasdaq.com/symbol/dbd/financials?query=ratios>>

⁴⁵ "(NCR) Company Key Financial Ratios – NASDAQ.com." 20 Mar. 2017.
<<http://www.nasdaq.com/symbol/ncr/financials?query=ratios>>

⁴⁶ "(DBD) Company Key Financial Ratios – NASDAQ.com." 17 Mar. 2017.
<<http://www.nasdaq.com/symbol/dbd/financials?query=ratios>>

The table above illustrates the liquidity ratios of Diebold Nixdorf (DBD) and its main competitor NCR over the last four years. The Current Ratio of Diebold Nixdorf was relatively stable and has decreased in 2016 due to the recent acquisition of Wincor Nixdorf and ongoing internal transformation and integration processes of two combined companies, which increased the assets of the company together with the liabilities. Nevertheless, the company (DBD) still manages to have more current assets than current liabilities to be able to pay off its debt.

The Quick Ratio (DBD) shows that over the last four years the company has been losing its liquidity, but has the above average indicators for the assets to convert them into cash to meet its liabilities on time without using long-term assets and decreasing revenue. If the Quick Ratio (DBD) decreases to less than 1 in 2017, the company should start seriously considering this issue. However, the Cash Ratio (DBD) shows that Diebold Nixdorf does not have enough cash to pay off its liabilities, such as debts, and in case of any problems, it will have to use its assets.

The NCR's ratios are relatively similar to Diebold Nixdorf's. This suggests that the industry dynamics does not allow companies to keep a lot of cash and invest more into the assets. Although NCR has a downward trend in the Current and Quick Ratios indicating a decrease of its current assets relative to the current liabilities, it is still able to pay off its debt. However, NCR has much less cash than Diebold Nixdorf to pay off the liabilities and is less liquid, which makes Diebold Nixdorf be more appealing for the creditors.

⁴⁷ “(NCR) Company Financials – NASDAQ.com.” 20 Mar. 2017.
<<http://www.nasdaq.com/symbol/ncr/financials?query=ratios>>

11.8 Diebold Nixdorf and NCR Stock Performance Analysis – Comparison



Chart 1. Represents the daily stock performance of Diebold Nixdorf (green line) and NCR (orange line) for the period of one year starting May 2016 and ending April 2017⁴⁸. The Chart helps to see the difference in the stock prices throughout a year of two competitors.

The stock price of Diebold Nixdorf was fluctuating a lot during the presented year and decreased significantly between October and December 2016 at the time when the company was finalising the deal with the Wincor Nixdorf acquisition. Nevertheless, the stock price projections by analysts for the rest of 2017 are positive because the company grew and has more assets. However, the internal restructuring processes of the company are still taking place and affect the Diebold Nixdorf's stock prices negatively.

The stock price of NCR was not fluctuating as much as of Diebold Nixdorf's and was growing rapidly starting from November to March of the presented year due to the relatively stable financial position of the company. The NCR stock prices are forecasted to grow as well in 2017, however, the analysts do not project intensive growth for the future. Comparing two companies, NCR has higher and more stable stock prices throughout the presented year than Diebold Nixdorf because it did not experience any significant changes in the company's structure and overall has more market share. However, following the 12 steps of the stock analysis on

⁴⁸ "Diebold Nixdorf Incorporated Interactive Stock Chart – NASDAQ.com." 21 Apr. 2017. <<http://www.nasdaq.com/symbol/dbd/interactive-chart>>

Nasdaq⁴⁹, it can be concluded that both companies are the moderate candidates for growth.

11.9 Conclusion

The net loss on the financial statements of Diebold Nixdorf for 2016 should not be considered as the company's inability to make profits. The recent acquisition of its German rival and the restructuring processes of the newly combined company have increased the expenses of Diebold Nixdorf significantly that were difficult to exceed even with the increased revenues from sales in 2016. However, the company is working on improving the situation by implementing the cost-reduction plan, which should be finished by 2020⁵⁰.

Comparing to its main competitor NCR Corporation, Diebold Nixdorf is doing worse financially and has to reduce costs and increase sales to improve the situation and raise funds for further growth and expansion. Nonetheless, if the company's strategy and plans go well, it will have an opportunity to grow the gross margin and sustain a competitive advantage.

⁴⁹ "The Nasdaq Dozen: Analyze a Stock in 12 Steps" – NASDAQ.com.
<<http://www.nasdaq.com/investing/dozen/>>

⁵⁰ "Diebold Investor Presentation – March 2016", p. 13, 2016. 20 Mar. 2017.
<<http://www.dieboldnixdorf.com/-/media/diebold/diebold-wincor-documents/diebold-investor-presentation-march-2016.pdf>>

12. Industry Trends

Diebold Nixdorf is a technology company within the financial and retail industries, so the industry overview will be focused on the technology advancements and the trends in those industries. The innovative technology affects significantly the development and profitability of financial institutions and retailers because it helps to reduce costs, optimize operations, simplify and accelerate the transaction processes and attract more customers.

1. Growing demand for e-commerce, including m-commerce in the financial and retail industries

The competition is getting intense in the financial and retail industries and the companies (banks and retailers) are trying to win customers through offering them the advanced customer services and enhancing customer experiences using the innovative technologies, which are developed specifically for the banks and retailers.

As people now use many different channels (smartphone, tablet, ATM, etc.) to interact with a bank or a retail store, the financial institutions and retailers need to transform their businesses into the more digitized to satisfy the customers needs and increase the reach to them. It includes the trend for implementing into their businesses the connected commerce platforms for online shopping or banking, i.e., e-commerce⁵¹ (electronic commerce) and m-commerce (mobile commerce).

In order to be profitable and sustain the competitive advantage, financial institutions and retailers need to attract more customers and cut costs, which the e-commerce and m-commerce allow to do. Retailers can reach more customers through the applications on mobile devices⁵² that allow to look at the items, choose and pay for them and get a delivery. It helps the retailers to save money because they do not need to open another branch in a country where it is too costly to operate, and it is beneficial for their customers because it is convenient, fast and can be done from any place in the world with the availability of the internet connection or even without.

Banks can cut costs of the operations and decrease the expenses for employees' salaries if

⁵¹ "ATM Benchmarking Study 2016 and Industry Report", Accenture, p. 10, June,2016. Apr. 2017.

<https://www.accenture.com/_acnmedia/PDF-10/Accenture-Banking-ATM-Benchmarking-2016.pdf>

⁵² "Annual Report 2015-2016 Wincor Nixdorf", p. 37, Apr. 2017.

<http://www.wincor-nixdorf.com/internet/cae/servlet/contentblob/1337156/publicationFile/90369/AnnualReport1516_pdf.pdf>

they implement the connected commerce platforms that are able to perform tasks much faster and more precise than human beings. It includes different software programs for accounting, cash management and human resource management as well as the use of tablets, audio and video assistance and self-services on the smartphones.

The applications for online shopping, digitalized services, banking self-services on the mobile devices are not dreams, nowadays they are the reality and more people are willing to use them in the everyday life.

2. Growing demand for the cash recycling management in the financial and retail industries

The cash recycling management is the automated process of accepting, storing and dispensing cash (notes and coins) from the same recycler that helps to reduce labor costs and errors and increases the security. Cash recyclers are the machines that are capable of secure saving and precise accounting of cash using the technologies that identify the validity and denomination of the banknotes.

Cash recycling management is popular in both the financial and retail industries because it is used for the same purpose: to decrease the risks of mistakes or fraud, to save the space of the branch and to increase staff productivity and operational efficiency.

12.1 Conclusion

The use of information technology in everyday life continues growing. A lot of different channels are used now by customers to interact with banks and retailers, such as tablets, smartphones, ATMs, video and audio self-service assistance, etc. This great availability requires IT and technology companies to consistently improve their products and services capabilities and functionality: easy-to-use interface, security and reliability of the platforms used to perform banking transactions and others.

The customer's demands of the banks and retailers are the main drivers for innovation for the IT and technology companies within the financial and retail industries. What was the dream in the past became the reality now and the technology environment for banking and retail industries continue innovating introducing next generations products, including ATMs and software.

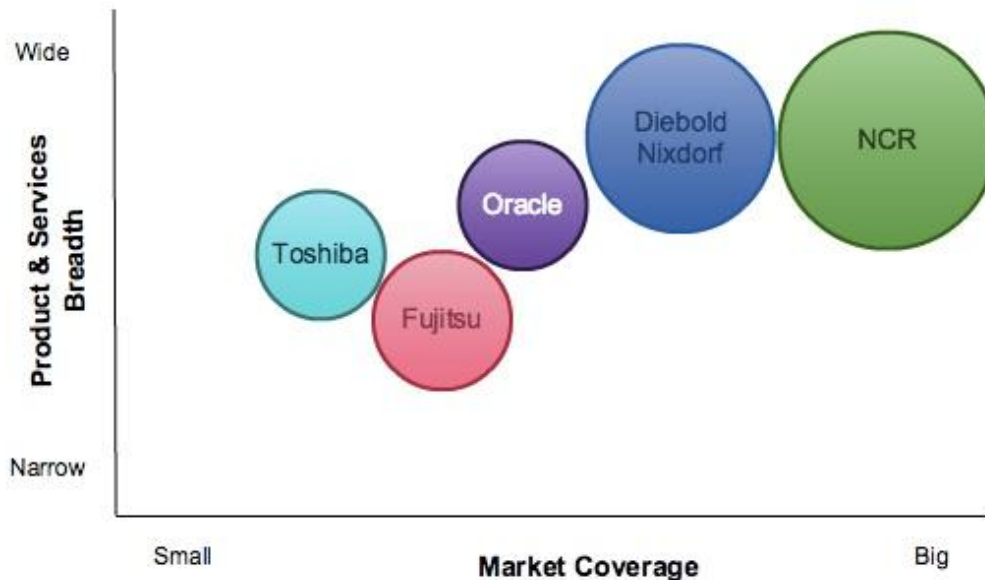
13. Competitive Environment

13.1 Key Competitors

Currently, on the global level, the main competitor for Diebold Nixdorf is the NCR Corporation because it provides similar type of products, software and services to the same target group consisted of the financial institutions and retailers. NCR Corporation has the bigger market share and the customer base because it was founded earlier than Diebold Nixdorf and managed to get loyalty of many customers.

Other smaller competitors include Toshiba, Fujitsu and Oracle because they are capable of and have expertise in providing innovative software and developing e-commerce platforms for banks and retailers.

13.2 Strategic Group Map



Picture 1: Represents the position of Diebold Nixdorf on the marketplace for the financial and retail industries and includes the main competitors, providers of IT products and services to financial institutions and retailers⁵³. The picture allows to see the size of the presented companies and compare their market share and products and services breadth.

The following picture is a strategic group map that compares Diebold Nixdorf to its competitors, the companies that provide IT products and services, such as software, hardware, and connected commerce platforms to the banks and retailers. The comparison is based on the market coverage and the product and services breadth. The size of the circles is proportional to

⁵³ “Strategic Group Map”, created by Valeriya Fateeva. Apr. 2017.

the size of the companies.

On the picture, it can be observed that NCR has bigger market share than Diebold Nixdorf, but relatively same amount and diversity of products and services. Bigger market share is the main reason why NCR keeps the leading position on the market. Besides NCR that Diebold Nixdorf is trying to compete with to get the leading position, there are other companies that in the same time try to get the second place on the market and outperform Diebold Nixdorf, these are mainly Oracle, Fujitsu and Toshiba⁵⁴.

It is important for Diebold Nixdorf to pay attention to those companies because while it tries to get more market share and more customers and become the first, Oracle, Fujitsu and Toshiba trying to attract on their side the customers of Diebold Nixdorf and become the second.

The competition is intense and surrounds Diebold Nixdorf from both sides, which makes it more difficult for the company to win more customers and in the same time not to lose the existing ones.

13.3 Competitive Analysis

Currently Diebold Nixdorf is on the second place in the technology industry within financial and retail markets after the NCR Corporation. After a recent acquisition of Diebold Nixdorf's one of the main competitors Wincor Nixdorf AG, the newly combined company have "an installed base of 1 million ATMs", which is more than of NCR Corporation⁵⁵. Before the acquisition Diebold had two main strong competitors in the technology industry for financial institutions and retailers, which were Wincor Nixdorf AG (the acquired) and NCR Corporation.

NCR is the main and biggest competitor

The NCR Corporation has been the main competitor of Diebold Nixdorf for a long period of time. The NCR Corporation diversified its portfolio of products and services earlier than Diebold Nixdorf and has been working longer on the market as a provider of services enabled by software to the banks, thus, has more expertise, more customers and more market share. This gives NCR significant customer trust and puts it in a leading position on the market.

⁵⁴ "Diebold Nixdorf Investors Day 2017", p. 59, 69, Feb. 2017. Apr. 2017.

<<http://investors.dieboldnixdorf.com/phoenix.zhtml?c=106584&p=irol-calendar>>

⁵⁵ Caruthers, Renee. "Diebold, Wincor Nixdorf Emphasize Software and Services in Forming Largest ATM Maker." Fierce Finance IT, 24 Nov. 2015, p. 1. EBSCOhost, search.ebscohost.com/login.aspx?direct=true&db=bsu&AN=111236634&site=ehost-live.

<<http://web.b.ebscohost.com.ezproxy.lib.cas.cz/ehost/detail/detail?vid=28&sid=b3eb7a98-a259-4714-a2c0-321fa79cf93c%40sessionmgr104&hid=116&bdata=JnNpdGU9ZWWhvc3QtbGl2ZQ%3d%3d#AN=111236634&db=bth>>

The transformation process that takes place in Diebold Nixdorf will help the company to align better its business units internally, which will help to deliver the higher quality of products and services and better satisfy customers, sustain the competitive advantage and achieve the goal of becoming a premier self-services provider worldwide.

Other smaller competitors: Oracle, Fujitsu and Toshiba

Oracle, Fujitsu and Toshiba GSC are competing with Diebold Nixdorf in providing security systems, IT services, software and digital technologies, such as connected commerce platforms.⁵⁶ They have substantial expertise in electronic and IT industry, significant customer base and resources, which creates an additional risk for Diebold Nixdorf and tightens the competition, especially when they aim at attracting the customers of Diebold Nixdorf on their side.

The solution for Diebold Nixdorf to win more market share and outperform NCR and in the same time protect itself from other competitors, including Oracle, Fujitsu and Toshiba can be to attract new customers by offering the high quality of products and professional services to the customers, including after-sales service and support.

13.4 Conclusion

Although Diebold Nixdorf is operating in a highly competitive financial and retail industries, where banks and retailers choose the best technology company to be served by, the most aggressive and main competitor that needs to be outperformed is NCR Corporation. The reasons is that it has more expertise in software-enabled services, trust by financial institutions, recognition worldwide and bigger market share.

There are a lot of other smaller competitors that provide hardware, software and IT services to financial institutions and retailers on the regional and local levels⁵⁷, but Diebold Nixdorf still wins because it provides the more innovative and wider range of products, services and solutions. Almost all other competitors are concentrated on a narrower area of serving customers, such as the only IT-related services, or the only solutions, or the only software/hardware, whereas Diebold Nixdorf delivers both and has more resources including well-established reputation.

The biggest banks and retailers, who value security and want to be served by a trusted

⁵⁶ "Diebold Nixdorf Investors Day 2017", p. 69, Feb. 2017. Apr. 2017.
<<http://investors.dieboldnixdorf.com/phoenix.zhtml?c=106584&p=irol-calendar>>

⁵⁷ "Diebold Nixdorf Corporate Presentation", p. 12, 2017. Mar. 2017.
<http://www.dieboldnixdorf.com/-/media/diebold/diebold-asset-library/dn-corp-presentation_final-2.pdf?la=en-us>

partner, choose Diebold Nixdorf and its position worldwide is becoming stronger⁵⁸. However, in order to achieve the goal of becoming a premier self-services provider to financial and retail industries and win more market share, the company needs to pay close attention to the competitors like Oracle, Fujitsu and Toshiba by researching the innovations in their offerings and protecting its own customer base.

14. Porter's 5 Forces

14.1 Power of Buyers

The bargaining power of buyers is high for the banks and medium for the retailers

The bargaining power of buyers for the ATMs, software and services in the banking and retail industries will be *high* for the financial institutions because they operate a significant amount of confidential financial data and hold lots of software platforms with databases and banking equipment, so that it would be very costly and time-consuming to switch to another provider of ATMs or software platforms.

For the retail businesses the bargaining power is *medium* because the switching between providers is not so risky as for the banks and they are not connected to the government, however, it is still costly and inefficient and can lead to the loss of data about their customers.

The bargaining power of buyers is high for the potential buyers and low for the customers

The bargaining power of buyers also depend on whether it is the potential buyers or the customers. Regarding the customers, the bargaining power is *low* because once they chose to cooperate with a particular company, they are building trust, exchanging the information about the business and are not willing to risk and switch to another unknown provider.

However, the market can offer a lot of different companies to choose from for the potential buyers and the bargaining power in this case will be high.

14.2 Threat of Substitutes

The threat of substitutes is *low*.

The substitutes for ATMs (self-service) can be face-to-face communication and for non-cash transactions via connected commerce platforms (online banking, shopping, ordering, payments, etc.) can be physically going to a place of making transactions and pay by cash. Nevertheless, the market for ATMs is increasing and the transactions tend to be done online

⁵⁸ "Diebold Nixdorf's official website", Mar. 2017.

<<http://www.dieboldnixdorf.com/en-us/company/about-diebold-nixdorf/overview>>

because it is more convenient, easier and faster and can be made from any location in the world without physical presence and cash. Therefore, the threat of substitutes is low.

14.3 Power of Suppliers

The bargaining power of suppliers is *low*.

Suppliers for the IT industry within financial and retail markets are the companies that provide electro-mechanical parts (printers, scanners, motors, etc.), metal or plastic parts, recycling or consultancy services, application software or license software, manufacturing equipment, temporary labour, or commodities. There are a lot of companies to choose from to be a supplier, so that is why the bargaining power of suppliers is low.

14.4 Threat of New Entrants

Threat of new entrants is *low*.

The ATM market is growing and information technology industry becomes very attractive to be in, however, for the new entrants it will be too costly to enter a market and try to beat very strong-positioned and well-established big IT and technology companies within the financial and retail industries that already have wide customer base and customer loyalty. So, the threat of new entrants for the technology companies that produce ATMs and develop IT solutions for the banks and retailers is low.

14.5 Industry (Rivalry among existing competitors)

The competition among ATM makers and software-enabled services providers is *very high*. There are a lot of companies who provide the same or similar products, services and solutions, but of different quality or with less features. Among those, there are small companies that have just started their way of development and now are trying to emerge worldwide. There are big companies with significant amount of resources, global presence and a sustainable competitive advantage (see section *13.3 Competitive Analysis, p. 50*).

The rivalry is very high and increasing and the only way to stay competitive and keep the leading position is to always improve, innovate and transform to meet customer's needs and demands.

14.6 Conclusion

The information technology industry in the financial and retail markets and ATM market is very attractive to be in and to enter, because the demand for IT services, such as software or commerce platforms, is high and growing. Additionally, there are plenty of suppliers to choose from and the threat of substitutes is very low.

However, the competition is very high and to operate in the market and stay competitive,

companies need to always introduce new products or develop know-hows in order to retain customers and attract new ones. It is complicated for the new players to enter the IT and technology market within financial and retail industries because it requires to have a lot of resources and expertise. The abundance of the existing products on the market makes it challenging to create something more innovative and attract the attention of the banks and retailers that are already served by other companies with a strong reputation.

15. Critical Success Factors

Critical success factors for Diebold Nixdorf will be having positive and stable financial results, continuous innovation of IT products and services and retention and expansion of the customer base.

1. Financial stability

Having positive and stable financial results means having enough funds to invest into the research and development and introduce new products as well as to open new offices in order to reach more customers globally. Financial stability affects positively the relationships with investors, creditors and shareholders when they know that the company is in a good shape.

2. Innovation of products and services

Second critical success factor for Diebold Nixdorf is a continuous innovation of its products and services. It means to introduce the next generation software and ATMs, add new features to make customer experience with a product easier, create futuristic design, etc., which help to make the customers consistently choose Diebold Nixdorf as a provider of IT products and services and sustain a competitive advantage.

3. Retention and expansion of the customer base

In order to increase the market share, Diebold Nixdorf needs to expand its customer base by winning new customers and in the same time retaining the existing ones through offering the most innovative products and high-quality services to the financial and retail industries, using the partner channels and increasing the marketing and sales efforts.

16. Core Competencies

The core competencies of Diebold Nixdorf are a wide range of innovative, high-quality products and services, such as software and ATMs, and the ability to provide end-to-end full set of services.

1. The high quality of software and hardware products

There are many software providers and ATM suppliers around the globe, but not everybody is able to consistently keep the quality of the products and services provided on a high level and innovate with a short product life cycle time as Diebold Nixdorf does. Products that Diebold Nixdorf offers are designed better than of competitors because they can interact with and engage the consumer better, give better experience and create more customer journeys in real time using the mobile devices with the cloud base solutions.

2. The end-to-end full set of services

Another core competence is the ability to provide end-to-end set of services, which means to accompany a customer from the beginning of the working process with Diebold Nixdorf to the very end.

In other words, Diebold Nixdorf supports a customer starting the cooperation from figuring out the wants, needs and requirements. Then comes the planning, consulting and strategic analysis, continuing with building software platforms and integrating them into a particular customer's business, and finishing with the maintenance and the customer's after-sales service and support.

It is convenient for a customer because it allows to get all the products, services, support and advising at one place and from the one provider for a better internal integration of IT products.

Those core competencies differentiate Diebold Nixdorf from other competitors, the technology providers within financial and retail industries, and help to sustain a competitive advantage.

17. Conclusion

The critical success factors and core competencies of Diebold Nixdorf support its strategy, mission and vision and help the company to bring more value to its customers and sustain a competitive advantage. The main core competence of Diebold Nixdorf is the high quality of products and services, meaning the reliability, security, usability, innovation etc. Together with the outstanding services it makes the company keep the high leading position on the market.

Even though, NCR Corporation, the main competitor of Diebold Nixdorf, currently has more market share, which makes it still be a leader on the market place, it loses Diebold Nixdorf in the level of quality of its products and services and the high speed of innovation.

18. SWOT

<p style="text-align: center;"><i>Strengths:</i></p> <ol style="list-style-type: none"> 1. Global presence: EMEA, the Americas, Asia Pacific 2. Strategic Alliances with the IT & Technology companies and Partnerships with the banks and retailers 3. Focus on the R&D activities 4. Wide range of software-based products and services 	<p style="text-align: center;"><i>Weaknesses:</i></p> <ol style="list-style-type: none"> 1. Difficulty with winning new customers in USA and Australia because of late go to those markets 2. Poor sales of the New Line of the Retail Software Product because of the lack of customer references about it 3. Failure to deliver complex projects on time due to the lack of strong professional services 4. Lack of alignment between the different business units internally due to the recent business combination with Wincor Nixdorf
<p style="text-align: center;"><i>Opportunities:</i></p> <ol style="list-style-type: none"> 1. Growing demand for e-commerce, including m-commerce in the financial & retail industries 2. Growing demand for cash recycling management in the financial & retail industries 3. Expansion to the new markets (i.e., U.S. retail market) 4. Winning more market share by restructuring the organization to be more responsive to the customer to increase customer satisfaction 	<p style="text-align: center;"><i>Threats:</i></p> <ol style="list-style-type: none"> 1. Increasing number of the companies developing similar software products 2. Loss of potential customers due to increasing competition in EMEA 3. Customer uncertainty about using the New Line of the Retail Software Product, which does not have previous customer references

Table 11: Represents the SWOT for Diebold Nixdorf for 2017⁵⁹, which helps to see better the internal weak and strong sides of the company and analyze the external opportunities and threats.

⁵⁹ “Diebold Nixdorf? SWOT for 2017”, created by Valeriya Fateeva. Apr. 2017.

18.1 Strengths

Global presence: EMEA, the Americas, Asia Pacific (See section 1. *Introduction*, p. 8 and 2.4 *Markets*, p. 13). Following the last acquisition, Diebold Nixdorf has strong presence in the North America financial market and Europe adding operations in Asia Pacific and Latin America. Supporting its growing strategy, the company continues developing and emerging to the new markets with new products, such as the new retail software and the innovative ATMs, that meet local market demands.

Having the wide customer base across the globe is a strength for Diebold Nixdorf as for a technology partner within financial and retail industries because it can reach customers everywhere adapting its products to the local markets and have steady revenue streams.

Strategic Alliances with the IT & Technology companies and Partnerships with the banks and retailers (See section 1. *Introduction*, p. 8 and section 6.7 *Key Partnerships*, p. 22). Diebold Nixdorf is creating strategic alliances with the technology companies (Phoenix, Wincor Nixdorf), making partnerships with the major financial institutions and cooperating with the suppliers and distributors.

It is a strength because it helps the company to be always aware of the changes in the customer demands, needs and consumer behavior within the financial and retail industries and share the knowledge and resources to accelerate innovation. Distributors help the company to reach its customers around the globe in a faster and cheaper manner. Suppliers provide Diebold Nixdorf with a high quality raw materials, parts for manufacturing ATMs and office supplies for a smooth working process.

Focus on the R&D activities (See section 7.4 *Research and Development*, p. 28). Diebold Nixdorf heavily invests in the research and development activities because the customer demands for the IT and technology within the financial and retail industries are changing rapidly.

The R&D focus is a strength because it helps the company to keep the leading position on the market by investigating industry trends, introducing unique next generation products, such as software and ATMs, training the employees on the new product and services portfolio and how better to sell it and developing strategies for optimizing manufacturing processes and reducing operational costs.

Wide range of software-based products and services (See section 2.5 *Products and Services*, p. 15). The company manufactures and sells ATMs, cash dispensers, cash recyclers, security solutions, develops hardware and software and offers professional and software-related services, such as outsourcing, support and maintenance, for banks and retailers.

Diebold Nixdorf benefits from its ability to offer a wide set of solutions because it helps to meet the local customers' demands in many regions around the globe, which leads to the increase of the customer base.

18.2 Weaknesses

Difficulty with winning new customers in USA and Australia because of late go to those markets (See section 2.4 *Markets*, p. 13). Diebold Nixdorf operates in the three main regions including the Americas, EMEA and Asia Pacific, however the revenue mix by region is not balanced among those geographical segments. The main reason Diebold Nixdorf has difficulties with winning new customers in USA and Australia is because it entered those markets later than other competitors, for instance NCR, which explains why Diebold Nixdorf has less market share. It is a weakness because without increasing the customer base worldwide the company will not be able to gain more market share.

Poor sales of the New Line of the Retail Software Product because of the lack of customer references about it (See section 7.2 *Developing Connected Commerce Platforms*, p. 26). Diebold Nixdorf introduced to the customers the new line of the retail software product, which is unique in its nature, however due to the lack of customer references about it, the company still does not have big revenue stream from it⁶⁰. This makes it a weakness because if the company does not manage to increase the sales of it, it just loses the investments allocated to it.

Failure to deliver complex projects on time due to the lack of strong professional services (See section 7.5 *Providing Professional Services*, p. 29). Currently Diebold Nixdorf has difficulties with delivering complex projects on time due to the lack of talents and the professional knowledge of the employees, which negatively affects the customer satisfaction. It is a weakness because it might lead to the loss of customers, especially when there are other competitors who can provide professional services better.

Lack of alignment between the different business units internally due to the recent business combination with Wincor Nixdorf (See section 1. *Introduction*, p. 8). Diebold Nixdorf is a newly combined company and now it is in the stage of integration and internal alignment of the products and services, production outputs, customer contracts, back-up offices, etc. Even though the company has a clear integration plan, cost reduction synergies and the time bounds when it is going to be achieved, the alignment process takes time and currently affects

⁶⁰ “Diebold Nixdorf Investors Day”, p. 18, Feb. 2017. Apr. 2017.
<<http://investors.diebold.com/phoenix.zhtml?c=106584&p=irol-calendar>>

the overall performance of Diebold Nixdorf negatively.

If the company does not improve the situation as fast as possible, it might lose the customers because when the company is not well-aligned internally, it is not able to provide the outstanding service.

18.3 Opportunities

Growing demand for e-commerce, including m-commerce in the financial & retail industries (See section 12. *Industry Trends*, p. 47). The technology industry within financial and retail markets is changing fast and a lot of companies are switching to e-commerce platforms or trying to integrate them into their businesses. Diebold Nixdorf's one of the main activities is developing connected commerce platforms for the banking and retail industries. For Diebold Nixdorf the growing demand for e-commerce is an opportunity because the company can broaden the customer base and get more profits from the software line of the business.

Growing demand for the cash recycling management in the financial & retail industries (See section 12. *Industry Trends*, p. 47). The growing demand for the cash recycling management means that there is a demand for machines that can perform it. Using this demand as an opportunity, Diebold Nixdorf can grow its sales for cash recyclers and related services, such as support and maintenance, win new customers through offering them innovative products, which can help the company to increase its market share.

Expansion to new markets (i.e., U.S. retail market) (See section 2.4 *Markets*, p. 13). Diebold Nixdorf operates in the Americas, EMEA and Asia Pacific regions, however, it lacks the retail customers in the U.S. due to the late go to the market there. It is an opportunity because the expansion will be beneficial to Diebold Nixdorf in terms of increasing the retail customer base and sales for the retail software products and services. The expansion can be done through partnering with the local retail stores, which will create the long-term relationships and make the company presence on the U.S. retail market stronger.

Winning more market share by restructuring the organization to be more responsive to the customer to increase customer satisfaction (See section 1. *Introduction*, p. 8). After the combination with German rival Wincor Nixdorf, the new company needs to be restructured internally in order to reduce operational costs and the redundancy in the production, which will help the company to serve the customers better leading to the customer satisfaction and retention. This will help the company to increase the customer base and have an opportunity to win more market share.

18.4 Threats

Increasing number of companies developing similar software products (See section 13. *Competitive Environment*, p. 49). There are many global and local companies that develop similar software products for the financial and retail markets, thus, it creates the threat for Diebold Nixdorf of being outperformed by other competitors, if it fails to introduce its unique software products and to protect its customer base from being attracted to the competitor's side.

Loss of potential customers due to increasing competition in EMEA (See section 13. *Competitive Environment*, p. 49). The technology companies within the financial and retail industries find the EMEA region very profitable because of the increasing number of financial institutions and retailers there that are looking for a provider of innovative IT products and services. While Diebold Nixdorf is trying to get more market share through expanding to other markets, such as U.S. retail market and Australia⁶¹, the competitors are trying to take advantage of the competition and get the customers in EMEA, which can lead to the loss of market share for Diebold Nixdorf.

Customer uncertainty about using the New Line of the Retail Software Product, which does not have previous customer references (See section 7.2 *Developing Connected Commerce Platforms*, p. 26). Diebold Nixdorf has recently introduced the new line of the retail software product, which is unique on the market. However, the company has not managed yet to get customers references about its performance because retailers are a bit afraid of the changes and implementation into their businesses something of the next generation because it is unknown and can be risky if it fails. In case Diebold Nixdorf will not manage to advertise and sell this new software products well, it will lose its investments into it, which makes it a threat for the company profitability

18.5 Conclusion

The most important things that Diebold Nixdorf should focus on are its strengths, especially the global presence and wide range of products and services because they can help to catch the opportunities. Using the ability to reach the customers everywhere and meet the growing demand, the company can increase its customer base and sales.

In addition, the focus on utilizing the strengths in their full potential to catch the opportunities can help to decrease the external threats of Diebold Nixdorf, such as the increasing competition, and sustain a competitive advantage. Together with it, most of the internal

⁶¹ “Diebold Nixdorf Investors Day”, p. 58, Feb. 2017. Apr. 2017.
<<http://investors.dieboldnixdorf.com/phoenix.zhtml?c=106584&p=irol-calendar>>

weaknesses of the company seem to be eliminated themselves when the company expands, improves sales and becomes stronger.

19. TOWS Matrix

	External Opportunities (O)	External Threats (T)
<p>Diebold Nixdorf</p>	<ol style="list-style-type: none"> 1. Growing demand for e-commerce, including m-commerce in the financial & retail industries 2. Growing demand for the cash recycling management in the financial & retail industries 3. Expansion to new markets (i.e., U.S. retail market) 4. Winning more market share by restructuring the organization to be more responsive to the customer to increase customer satisfaction 	<ol style="list-style-type: none"> 1. Increasing number of companies developing similar software products 2. Loss of potential customers due to the increasing competition in EMEA 3. Customer uncertainty about using the New Line of the Retail Software Product, which does not have previous customer references
<p>Internal Strengths (S)</p> <ol style="list-style-type: none"> 1. Global presence: EMEA, the Americas, Asia Pacific 2. Strategic Alliances with the IT & Technology companies and Partnerships with the banks and retailers 3. Focus on the R&D activities 4. Wide range of software-based products and services 	<p>1(S), 4(S) – 1(O), 2(O) Diebold Nixdorf can increase revenues and expand customer base by meeting the growing demands for e-commerce and cash recycling management through offering and selling more of the connected commerce platforms and different types of cash recyclers, including ATMs, to the retailers and financial institutions worldwide.</p> <p>2(S), 3(S) – 3(O) Diebold Nixdorf can expand to new markets, i.e., U.S. retail market, by offering innovative products (software, hardware, etc.) and services, making the acquisitions and increasing the reach to customers through the partner channels.</p>	<p>3(S) – 2(T) Diebold Nixdorf can increase market share in EMEA by taking advantage of the ability to offer next generation, unique and high-quality software and hardware products for both the retail and financial industries.</p> <p>3(S), 4(S) – 2(T) Diebold Nixdorf can increase the customer base by winning customers in EMEA and other regions through offering them a wider range of innovative products and services (i.e., software, ATMs, cash recyclers, POS systems, etc.) that are better than of competitors.</p>

<p>Internal Weaknesses (W)</p> <ol style="list-style-type: none"> 1. Difficulty with winning new customers in USA and Australia because of the late go to those markets 2. Poor sales of the New Line of the Retail Software Product because of the lack of customer references about it 3. Failure to deliver complex projects on time due to the lack of strong professional services 4. Lack of the alignment between different business units internally due to the recent business combination with Wincor Nixdorf 	<p>1(W) – 3(O) Diebold Nixdorf can win more market share by expanding to the U.S. retail and Australia markets and creating strong relationships with the customers through making partnerships with them or long-term contracts in order to increase the customer base.</p> <p>2(W) – 1(O), 2(O) Diebold Nixdorf can grow new revenue stream from the new line of the retail software product by taking advantage of the growing demand for connected commerce and cash recycling management in the financial and retail industries.</p> <p>3(W) – 3(O) Diebold Nixdorf can expand customer base by improving the project delivery capabilities, which will lead to the increased customer satisfaction and retention.</p> <p>4(W) – 4(O) Diebold Nixdorf can win more market share and be more responsive to the customer by aligning the company’s business units internally as soon as possible to be able to deliver better quality products and services and increase customer satisfaction.</p>	<p>1(W) – 2(T) Diebold Nixdorf can acquire competitors in EMEA, USA and Australia and create partnerships with the banks and retail stores in order to decrease the competition and attract more customers taking advantage of its ability to offer the wide variety of innovative products and services.</p> <p>2(W) – 1(T), 3(T) Diebold Nixdorf can increase the market share by proving the new concept of innovative retail software in order to win more customers and differentiate itself from other companies that develop software in the retail industry.</p> <p>3(W) – 2(T) Diebold Nixdorf can improve the capabilities and quality of professional services by providing trainings for the staff in order to better satisfy customers and win new ones in EMEA.</p>
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Table 12. Represents the TOWS Matrix for Diebold Nixdorf for 2017 in order to define the strategic alternatives for the company and suggest a new strategy⁶².

⁶² “TOWS Matrix for Diebold Nixdorf”, created by Valeriya Fateeva. Apr. 2017.

20. Strategic Alternatives

1. 2(S) – 3(S) – 3(O)

To expand to new markets (i.e., U.S. and Australia retail markets) in order to achieve stronger presence there and win more market share through creating strategic alliances and reaching customers using partner channels taking advantage of the innovative products and services.

Diebold Nixdorf is present worldwide, however, there is still a lack of relationships with customers in USA and Australia retail markets. Expansion there will bring the company stronger global presence for the retail line of the business, more market share and increased sales. Diebold Nixdorf has a new line of the retail software product and wide range of services that can attract retail customers in new markets.

There are different ways that the company can use for successful expansion:

1) Creating Strategic Alliances with the local companies in new markets

Diebold Nixdorf can create strategic alliances with the companies that operate in the U.S. and Australia, which will allow to use their resources, such as workforce and knowledge of the local market,

2) Creating partnerships with retailers

Diebold Nixdorf can reach the customers in new markets through creating partnerships with retailers and using partner channels, their salesforce and knowledge of the local market demand to adapt the products and increase sales, or

3) Mix of creating the Strategic Alliances and Partnerships with retailers

Diebold Nixdorf can create both the strategic alliances and partnerships to better target the local market and create stronger relationships with the customers.

2. 1(S) – 4(S) – 1(O) – 2(O)

To increase sales by meeting the growing demand for connected commerce platforms and the cash recycling management in the financial and retail industries taking advantage of Diebold Nixdorf's global presence and its wide range of innovative products and services.

There is a growing demand for connected commerce platforms and cash recycling management in financial and retail industries worldwide meaning that the customers of Diebold Nixdorf want it to offer and sell them more products and services. Diebold Nixdorf's global presence including its distribution channels can help the company to reach the customers everywhere and the wide range of software-based products and services can help to satisfy the most demanding customers.

3. 2(W) –1(T), 3(T)

To manage customer uncertainty about the new concept of the retail software product for the retail industry developed by Diebold Nixdorf in order to win more customers, increase the competitive advantage and enhance the differentiation of the company.

Diebold Nixdorf has developed a new line of the retail software product, but the product does not have previous references and the customers hesitate to upgrade to unknown IT solutions because they assume there is a risk that it will not work well enough, even though it can improve their operational efficiency. However, retailers, finally, will come to the point where they will need to upgrade their software to be more efficient and satisfy customers better than their competitors, which will push them to take a risk and buy the innovative software products developed by Diebold Nixdorf.

The sooner the company will manage to prove to the customers that the new concept of retail software product is worth buying, the more customers it will be able to get outperforming other software providers on the market, which will be beneficial for the differentiation of the company because of the increasing competition.

Diebold Nixdorf can enhance the marketing activities of its new line of the retail software product and use partners and distributors channels to promote and sell it more to retailers, which in turn will help to get quicker positive references and feedbacks about it.

4. 1(W) – 3(W) – 3(O)

To win more market share by creating stronger relationships with the customers in some regions (i.e., U.S. retail market) and offering a better quality of professional services.

Diebold Nixdorf is still not the leader on the market because the NCR has more market share because it was founded earlier, which helped it to get more customers and create strong relationships with them much earlier than Diebold Nixdorf did. So, in order to win more market share and outperform NCR, Diebold Nixdorf can expand to new markets, such as US retail market and Australia, because the demand for the software products there is growing. This will help to create stronger relationships with the customers to increase their loyalty.

The expansion will also help the company to get additional employees to make their professional services to be of a better quality to be able to reduce the project delivery time to increase the satisfaction and retention of the customers.

Together with having stronger professional services and creating long-term relationships with customers in new markets will give the opportunity to Diebold Nixdorf to

win more market share and become a leader on the market globally.

21. Current Strategy

Diebold Nixdorf is pursuing the strategy of growth taking advantage of acquisitions of the IT and Technology companies, add of key employees and upgrade and integration of the software products and services in order to be more responsive to the customers and increase customer satisfaction.

22. Strategic Question

“In comparison to prior periods, the total gross margin for the fourth quarter of 2016 for Diebold decreased by 9.6 percentage points from the fourth quarter of 2015, which was primarily driven by the acquisition and integration costs. What strategy should Diebold Nixdorf develop and implement in order to reduce costs, grow revenue and sustain a competitive advantage?”

23. Recommended Strategy

The recommended strategy for Diebold Nixdorf is *the strategy of growth in order to win more market share through the expansion to new markets (i.e., U.S. retail market), creating stronger relationships with customers in some regions (i.e., U.S. and Australia), increasing the quality of professional services and promoting its innovative and unique software products globally.*

Diebold Nixdorf has strong presence in the U.S. financial market, but weak in the retail, so by expanding customer base in the U.S. retail market, the company can get more market share there. Expansion can take place also to the markets where there is a growing demand for the ATMs or EPOS (Electronic Point of Sale), such as UK, France, Germany and Japan⁶³.

The company developed the new line of the retail software product, but has not managed yet to sell it to the customers for trial to get the positive references and feedback. If the company is able to prove to the customers that the new and unique retail software products are worth buying, it will be able to win more customers, which will help to increase its market share.

Thus, each activity in the recommended strategy helps and adds value to getting more market share to achieve the main goal of Diebold Nixdorf to outperform NCR and become the

⁶³ “Diebold Nixdorf Investors Day”, p. 58, Feb. 2017. Apr. 2017.

<<http://investors.dieboldnixdorf.com/phoenix.zhtml?c=106584&p=irol-calendar>>

leader.

23.1 Implementation Steps

1. Optimizing the global presence

Diebold Nixdorf can optimize its global presence by expanding to new markets, especially by introducing its new retail software products. For expansion, it can target the U.S. and Australia retail market through opening new offices there, creating partnerships or strategic alliances with local IT and technology companies within financial and retail industries and promoting its software products through the distribution channels of retail partners.

2. Increasing sales

Diebold Nixdorf should focus more on the sales and go-to-market strategy by utilizing better its sales force and distributors channels, organizing more trainings for the staff regarding the new product portfolio and how the best to sell it taking into account the cultural differences of customers (i.e., different local market approach), which will help to boost sales.

3. Improving professional services

In order to improve the professional services, Diebold Nixdorf can either cooperate with the companies that are focused and good at it to share the knowledge and resources, or to outsource the professional services in order to not to spend money on the trainings for the staff and decrease the project delivery time to better satisfy the customers.

Additional Steps for Improving the Operational Effectiveness:

4. Reducing the operational costs

Diebold Nixdorf can reduce the operational costs by outsourcing of the factories for manufacturing rather than building its own or moving some of the manufacturing facilities from Europe to Asian countries, i.e., China, because of the lower costs compared to other regions.

5. Reducing the storage costs

Diebold Nixdorf can reduce the storage costs by optimising the production processes through the manufacturing retail and financial self-service products in the outputs that are needed to meet the demand, not more.

The reduced costs will help the company to better implement the strategy of growth because it will have more funds to invest further into expansion, developing new products and the promotion, selling and marketing activities.

23.2 Suggested Activity Systems Map

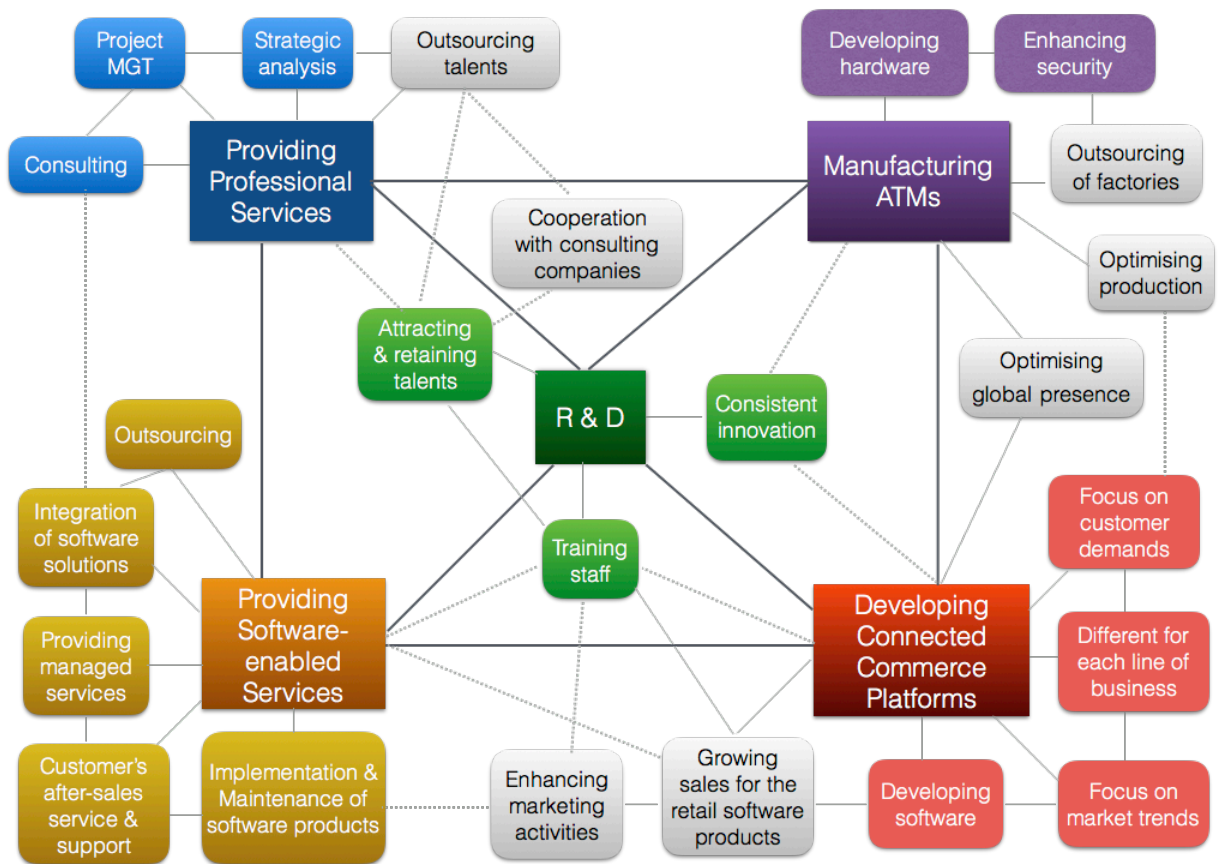


Figure 11. Represents the Suggested Activity Systems Map for Diebold Nixdorf with the new activities added to it marked grey color⁶⁴. The new activities create a better strategic fit and help in the implementation of the recommended strategy.

⁶⁴ "Suggested Activity Systems Map for Diebold Nixdorf", created by Valeriya Fateeva. May 2017.

23.3 New Strategic Fit

The new activity map creates a better strategic fit because there are more activities that have a shared value.

1) The "R&D" activity is now in the center because it brings the value to each section including the activity "Providing Professional Services".

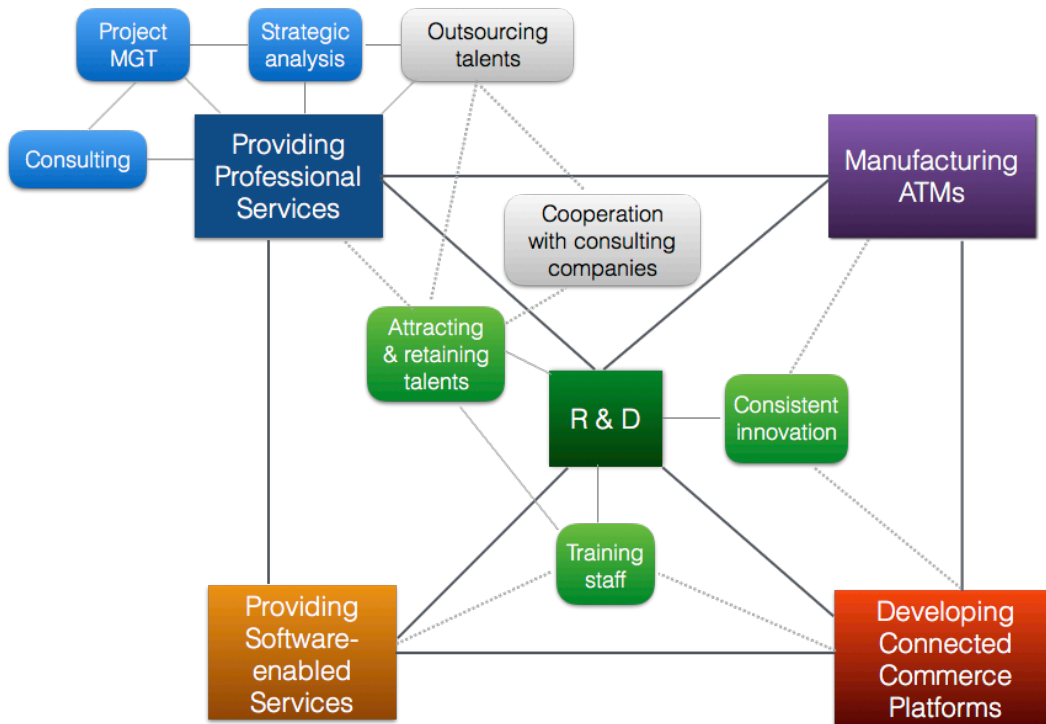


Figure 12. Represents the core activity "R&D" in the center with its sub-activities in order to see how it creates the new fit and brings the value to other core activities. Created by Valeriya Fateeva.

The "R&D" activity helps to develop the most innovative hardware, software, and the design of the ATMs within a short period of time. The sub-activity "Attracting and Retaining Talents" now is closely connected to the ability of Diebold Nixdorf to provide high-quality professional services and to the new activities "Outsourcing talents" and "Cooperation with consulting companies".

Diebold Nixdorf can provide trainings for the staff to improve their professional knowledge and add new talents through the outsourcing of the professional workforce from the companies that are focused on the area of consulting, strategic analysis, and project management or cooperating with them in order to use their knowledge.

2) The new sub-activity "Optimising Global Presence" connects to the both core activities "Manufacturing ATMs" and "Developing Connected Commerce Platforms".

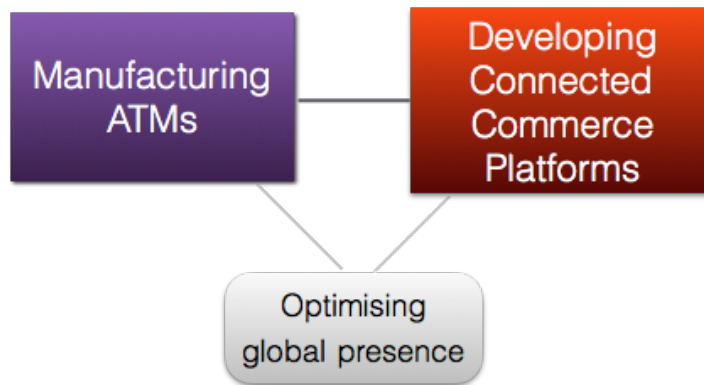


Figure 13. Represents the new sub-activity "Optimising global presence" in order to see the new fit it creates and the value it brings to the core activities. Created by Valeriya Fateeva.

This new sub-activity means to balance the global presence of Diebold Nixdorf across the main regions of operations, The Americas, EMEA and Asia Pacific, and balance the presence across financial (ATMs, products and services for banks) and retail sectors (software platforms and services). This activity means expansion to those areas where its presence is weak and with those products and services that are demanding the most there, either it to be for the retail customers or for the financial.

3) The new sub-activity "Optimising production" brings the value to the core activities "Manufacturing ATMs" and "Developing Connected Commerce Platforms" and has a shared value with the sub-activity "Focus on customer demands".

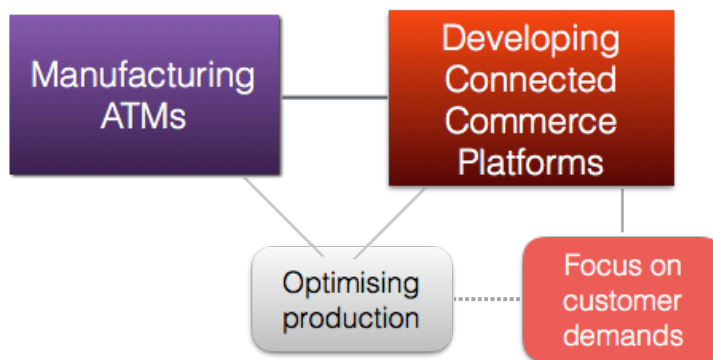


Figure 14. Represents the connection between the new sub-activity "Optimizing production" and two core activities and the shared value with the sub-activity "Focus on customer demands". Created by Valeriya Fateeva.

The new sub-activity "Optimising production" belongs to the both manufacturing ATMs and developing software products in the amounts needed to meet the growing demand (see section 12. *Industry Trends*, p. 47), not more and not less, which will help the company to

increase sales and reduce the storage costs.

4) The sub-activity "Outsourcing of Factories" connects to the core activity "Manufacturing ATMs".

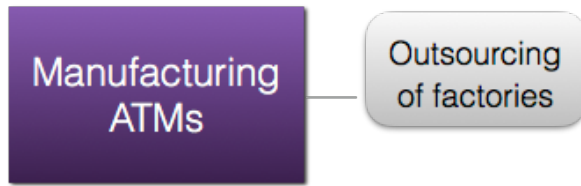


Figure 15. Represents the new sub-activity "Outsourcing of factories" and the connection with the core activity "Manufacturing ATMs". Created by Valeriya Fateeva.

Diebold Nixdorf can reduce the costs by outsourcing the factories to manufacture its products instead of building or having its own. It might give the company the opportunity to close the factories, which are costly to maintain, and decrease its expenses, which will have a positive effect on the financials.

5) The last new sub-activities are "Growing Sales for the Retail Software Products" and "Enhancing Marketing Activities" that also have a shared value.

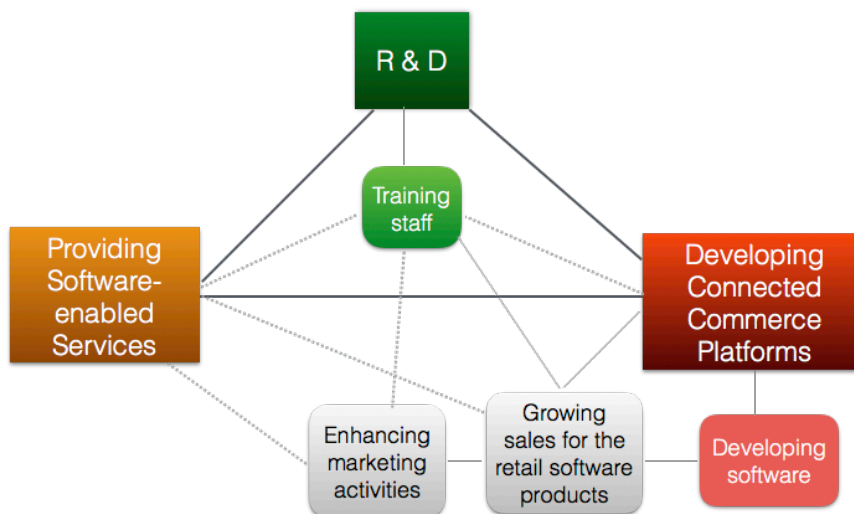


Figure 16. Represents the new sub-activities "Enhancing marketing activities" and "Growing sales for the retail software products" in order to show how they are connected to other core and sub-activities and their shared value. Created by Valeriya Fateeva.

Diebold Nixdorf developed the new line of the retail software product, which did not exist before. The company still needs to grow the sales of it in order to better differentiate itself from other software providers and win more retail customers, which in turn can grow the company's market share.

In order to grow sales, the company should train its salesforce about how to better sell it and enhance its marketing activities in order to attract more customers. Sales of the new software

products also mean that the customers will need to be provided with the software-enabled services, such as the maintenance, support and integration of software products.

Thus, the new activities tighten the strategic fit of Diebold Nixdorf and help the company to implement the recommended strategy of growth better in order to win more market share.

23.4 Porter's 5 Tests Comparison

The recommended strategy passes all Porter's five tests of a good strategy.

1. Distinctive Value Proposition

Even though the strategy is still of growth, it is going to be achieved through performing new activities. The Value Proposition became more distinctive because the company is going to offer the more innovative types of products and services, such as the newly developed software, and improve the quality of its professional services.

2. Tailoring activities to the Value Proposition

By improving the quality of professional services and promoting the Diebold Nixdorf's new line of the retail software product, the company creates a higher competitive advantage and increases its differentiation from other competitors.

3. Making trade-offs

The new trade-offs include the outsourcing of factories to manufacture products instead of building new ones. Another trade off is to expand to the particular markets where there is a growing demand for the products and services that can bring high sales instead of expanding to all the countries regardless of the market trends and demands. These trade-offs will help the company to increase its profitability by taking advantage of optimized manufacturing activities, reduced costs and increased sales.

4. The Fit Test

The new strategy is going to be achieved by performing new activities that add the value to the old ones making the overall strategic fit stronger.

5. The Continuity Test

The recommended strategy still passes the continuity test of a good strategy because it is still the strategy of growth, but includes different and new activities, through which it is going to be achieved, that enhance the strategic fit. This in turn will help Diebold Nixdorf to achieve its goal of winning more market share and getting the first place on the market globally faster.

24. Thesis Conclusion: Strategic Implementation Factors

Strategic Question:

“In comparison to prior periods, the total gross margin for the fourth quarter of 2016 for Diebold decreased by 9.6 percentage points from the fourth quarter of 2015, which was primarily driven by the acquisition and integration costs. What strategy should Diebold Nixdorf develop and implement in order to reduce costs, grow revenue and sustain a competitive advantage?”

The recommended strategy for Diebold Nixdorf is the strategy of growth through the expansion to new markets, especially for the retail products and services, winning new customers, and boosting sales for its new line of the retail software product by enhancing marketing activities. This will help Diebold Nixdorf to grow revenue and sustain the competitive advantage.

The risk level for the strategy

The risk level for the new strategy is low because it is aimed at improving the current position of the company by doing different and new activities, not at completely changing it.

In case of the failure to implement it, the company will lose new opportunities and potential customers, but will keep the same position on the market as before.

The Practicality of the Recommended Strategy

In order to realistically implement the recommended strategy Diebold Nixdorf, firstly, should reduce the costs by improving the operational effectiveness. It will help to raise the funds for further investments into expansion and marketing activities, especially for the promotion of the retail software products.

Secondly, the company should focus on improving the quality of its professional services in order to retain customers.

The obstacle can be that Diebold Nixdorf is already a big organization and after expansion, which is supposed to be done through creating strategic alliances, the company might become so complex that it would be difficult to align and manage it internally. This can lead to the decrease of the quality of products and services provided and customer dissatisfaction.

However, this obstacle can be overcome if Diebold Nixdorf considers all the risks of the expansion in advance and develops a detailed plan for the successful internal alignment of the company.

Finance

Even though Diebold Nixdorf has recently spent lots of financial resources on the acquisition of Wincor Nixdorf, it is growing its profits and recovering fast.

Additionally, one of the implementation steps of the recommended strategy includes the reduction of costs through optimization of operational and production processes, which will help the company to increase the funds for further investments into the expansion or marketing activities.

The overall impact of the strategy on stakeholders

The stakeholders will only benefit if the new strategy is implemented successfully because having more market share will boost the share price of Diebold Nixdorf as well as paid dividends.

The employees will be provided with more trainings for the selling, marketing and professional services, which will upgrade their knowledge and lead to the professional growth within the company.

The customers will get a higher quality of products and services and the suppliers and distributors will benefit from the company's expansion to the new markets because their services will be in a greater demand.

Conclusion

The recommended strategy will improve the market position of Diebold Nixdorf on the market by bringing it more customers and market share, which will lead to the main goal of the company to become the leader on the market for providing financial self-services to the banks and retailers and outperform its main competitor NCR Corporation.

25. Appendix

25.1 Annual Financials for Diebold Nixdorf, Inc. – Balance Sheet

Fiscal year January-December. All values in USD millions

	2013	2014	2015	2016
Assets				
Cash & Short Term Investments	473.7M	458.67M	353.5M	716.8M
Cash Only	230.71M	322.02M	313.6M	652.7M
Short-Term Investments	242.99M	136.65M	39.9M	64.1M
<i>Cash & Short Term Investments Growth</i>	<i>(24.89%)</i>	<i>(3.17%)</i>	<i>(22.93%)</i>	102.77%
<i>Cash & ST Investments/Total Assets</i>	21.69%	19.58%	15.72%	13.60%
Total Accounts Receivable	468.48M	477.94M	431.9M	921.1M
Accounts receivables, Net	447.24M	477.94M	413.9M	835.9M
Accounts Receivables, Gross	472.11M	500.95M	445.6M	886.3M
Bad Debt/Doubtful Accounts	<i>(24.87M)</i>	<i>(23.01M)</i>	<i>(31.7M)</i>	<i>(50.4M)</i>
Other Receivables	21.25M		18M	85.2M
<i>Accounts Receivables Growth</i>	<i>(7.18%)</i>	2.02%	<i>(9.63%)</i>	113.27%
<i>Accounts Receivables Turnover</i>	6,10	6,38	5,60	3,60
Inventories	376.46M	405.17M	369.3M	737.7M
Finished Goods	167.58M	197.43M	145.8M	330.5M
Raw Materials	208.89M	207.74M	223.5M	407.2M
Other Current Assets	236.71M	313.75M	488.9M	244M
Miscellaneous Current Assets	214.68M	280.04M	465.3M	183.3M
Total Current Assets	1.56B	1.66B	1.64B	2.62B
Net Property, Plant & Equipment	160.9M	169.51M	175.3M	387M
Property, Plant & Equipment - Gross	599.09M	612.89M	609M	864M
Buildings	63.23M	59.75M	57.7M	129.8M
Land & Improvements	7.01M	7.04M	6.1M	16.9M
Computer Software and Equipment	234.34M	220.55M	246.8M	358.5M
Other Property, Plant & Equipment	98.35M	90.28M	84.1M	227.5M
Accumulated Depreciation	438.2M	443.39M	433.7M	477M
Total Investments and Advances	82.59M	83.63M	85.2M	94.7M
Other Long-Term Investments	82.59M	83.63M	85.2M	94.7M
Long-Term Note Receivables		90.39M	36.5M	25.2M
Intangible Assets	220.06M	208.23M	225.8M	1.77B
Net				
Goodwill	179.83M	171.97M	161.5M	998.3M
Net Other Intangibles	40.24M	36.26M	64.3M	772.9M
Other				
Assets	125.13M	48.31M	17.6M	63.1M
Tangible Other Assets	125.13M	48.31M	17.6M	63.1M
Total				
Assets	2.18B	2.34B	2.25B	5.27B
<i>Assets - Total - Growth</i>	<i>(15.79%)</i>	7.27%	<i>(3.96%)</i>	134.31%
ST Debt & Current Portion LT Debt	43.79M	25.58M	32M	106.9M

Short Term Debt	43.79M	25.58M	32M	106.9M
Accounts Payable	210.4M	261.71M	281.7M	560.5M
<i>Accounts Payable Growth</i>	(6.48%)	24.39%	7.64%	98.97%
Income Tax Payable			6M	
Other Current Liabilities	639.55M	740.44M	636.1M	1.16B
Accrued Payroll	92.36M	116.77M	76.5M	172.5M
Miscellaneous Current Liabilities	547.18M	623.67M	559.6M	984.6M
Total Current Liabilities	893.74M	1.03B	955.8M	1.82B
Long-Term Debt	480.24M	479.79M	613.1M	1.69B
Long-Term Debt excl. Capitalized Leases	480.24M	479.79M	613.1M	1.69B
Non-Convertible Debt	480.24M	479.79M	613.1M	1.69B
Provision for Risks & Charges	137.96M	231.8M	214.3M	297.2M
Deferred Taxes	(30.31M)	(80.02M)	(63.4M)	(8.9M)
Deferred Taxes - Credit	9.15M	6.53M	1.9M	300.6M
Deferred Taxes - Debit	39.46M	86.54M	65.3M	309.5M
Other Liabilities	41.59M	41.4M	28.7M	87.7M
Other Liabilities (excl. Deferred Income)	41.59M	41.4M	28.7M	87.7M
Total Liabilities	1.56B	1.79B	1.81B	4.2B
<i>Total Liabilities/Total Assets</i>	71.57%	76.31%	80.64%	79.72%
Common Equity (Total)	596.76M	531.6M	412.4M	591.4M
Common Stock Par/Carry Value	98.27M	99.05M	99.6M	112.4M
Retained Earnings	722.74M	762.21M	760.3M	662.7M
Cumulative Transaction Adjustment	(2.41M)	(74.88M)	(215.6M)	(251.2M)
Unrealized Gain/Loss Marketable Securities	2.68M			
Treasury Stock	(555.25M)	557.17M)	(560.2M)	(562.4M)
<i>Common Equity/ Total Assets</i>	27.33%	22.70%	18.33%	11.22%
Total Shareholders' Equity	596.76M	531.6M	412.4M	591.4M
<i>Total Shareholders' Equity/ Total Assets</i>	27.33%	22.70%	18.33%	11.22%
Accumulated Minority Interest	24.05M	23.29M	23.1M	477.5M
Total Equity	620.82M	554.89M	435.5M	1.07B
Liabilities & Shareholders' Equity	2.18B	2.34B	2.25B	5.27B

Table 13. Represents the Balance Sheet of Diebold Nixdorf for the fiscal years 2013-2016 with the all values in USD millions, which helps to see in more detail the assets, liabilities and shareholders' equity of the company and their changes throughout 4-year period⁶⁵.

⁶⁵ “Annual financials Diebold Nixdorf – Balance Sheet”, MarketWatch, May 2017.
<http://www.marketwatch.com/investing/stock/dbd/financials/balance-sheet>

24.2 Annual Financials for Diebold Nixdorf, Inc. – Income Statement

Fiscal year January-December. All values in USD millions

	2013	2014	2015	2016
Sales/Revenue	2.86B	3.05B	2.42B	3.32B
Sales				
Growth	(4.49%)	6.77%	(20.71%)	37.08%
COGS incl. D&A	2.19B	2.27B	1.76B	2.57B
COGS excluding D&A	2.11B	2.2B	1.7B	2.43B
Depreciation & Amortization Expense	82.59M	74.07M	64M	134.8M
Depreciation	50.15M	48.2M	40.7M	61.8M
Amortization of Intangibles	32.44M	25.87M	23.3M	73M
COGS Growth	(2.77%)	3.70%	(22.33%)	45.74%
Gross Income	668.72M	781.35M	656.5M	747.2M
Gross Income Growth	(9.70%)	16.84%	(15.98%)	13.82%
Gross Profit Margin				22.53%
SG&A Expense	519.01M	599.3M	558.4M	686.7M
Research & Development	86.22M	83.76M	86.3M	105.1M
Other SG&A	432.78M	515.54M	472.1M	581.6M
SGA Growth	(7.52%)	15.47%	(6.82%)	22.98%
Unusual Expense	265.89M	(814.000)	25.5M	211.5M
EBIT after Unusual Expense	(116.18M)	182.87M	72.6M	(151M)
Non Operating Income/Expense	(3.24M)	(20.02M)	(23M)	(12.3M)
Non-Operating Interest Income	23.62M	33.96M	26M	21.5M
Interest Expense	24.01M	26.22M	29.8M	96.5M
Interest Expense Growth	(5.46%)	9.22%	13.65%	223.83%
Gross Interest Expense	24.01M	26.22M	29.8M	96.5M
Pretax Income	(119.81M)	170.59M	45.8M	(238.3M)
Pretax Income Growth	(202.03%)	242.39%	(73.15%)	(620.31%)
Pretax Margin				(7.19%)
Income Tax	56.72M	53.57M	(13.7M)	(67.6M)
Income Tax - Current Domestic	13.68M	6.58M	(2.6M)	(77.8M)
Income Tax - Current Foreign	59.48M	61.41M	38.2M	54M
Income Tax - Deferred Domestic	(26.13M)	(5.04M)	(38.2M)	6.4M
Income Tax - Deferred Foreign	9.68M	(9.39M)	(11.1M)	(50.2M)
Consolidated Net Income	(176.52M)	117.02M	59.5M	(170.7M)
Minority Interest Expense	5.08M	2.6M	1.7M	6M
Net Income	(181.61M)	114.42M	57.8M	(176.7M)
Net Income Growth	(322.61%)	163.00%	(49.48%)	(405.7%)
Net Margin Growth				(5.33%)
Extraordinary & Discontinued Operations			15.9M	143.7M
Extra Items & Gain/Loss Sales of Assets				145M
Discontinued Operations			15.9M	(1.3M)
Net Income After Extraordinary	(181.61M)	114.42M	73.7M	(33M)
Net Income Available to Common	(181.61M)	114.42M	73.7M	(178M)

EPS (Basic)	(2.85)	1,77	1,14	(2.58)
EPS (Basic) Growth	(329.71%)	162.11%	(35.84%)	(326.84%)
Basic Shares Outstanding	63.66M	64.53M	64.9M	69.1M
EPS (Diluted)	(2.85)	1,76	1,12	(2.58)
EPS (Diluted) Growth	(331.71%)	161.75%	(36.36%)	(330.00%)
Diluted Shares Outstanding	63.66M	65.15M	65.6M	69.1M
EBITDA	232.31M	256.13M	162.1M	195.3M
EBITDA Growth	(9.95%)	10.25%	(36.71%)	20.48%
EBITDA Margin				5.89%

Table 14. Represents the Income Statement of Diebold Nixdorf for the fiscal years 2013-2016 with the all values in USD millions, which helps to see in more detail the revenue, expenses and the changes in the net income of the company throughout 4-year period⁶⁶.

⁶⁶ “Annual financials Diebold Nixdorf – Income Statement”, MarketWatch, May 2017.
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