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## BIG BLUE MAKES A BIG MOVE

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Team IBM: From left, Norma Wolcott,  
Juhi Jotwani and Cortlandt Johnson.

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**Standing by their product:** Juhi Jotwani, Norma Wolcott and Cortlandt Johnson with an IBM self-checkout unit, taken at a mock store in the company's North Carolina facilities.  
Photo by Sara D. Davis



# TEAM SELF-SERVICE

**IBM, once known for going it alone, is taking a new approach to the new world of self-service.**

**RICHARD SLAWSKY**

**ALTHOUGH THE KIOSK WORLD** is still a small piece of Big Blue's business, it could get quite a bit bigger over the next few years.

By the company's own estimates, kiosk and self-service technology is about a \$2 billion per year market, and Armonk, N.Y.-based International Business Machines Corp. is just one of a host of players in that market. By all indications, however, IBM is betting that the industry is about to explode, and the company is positioning itself to be at the forefront of the emerging technology.

"We are investing in it in many ways," said Juhi Jotwani, director of marketing and strategy for retail store solutions, with IBM's Systems & Technology Group. "IBM Research is involved, Global Services is involved, our software group is involved, and obviously we are involved from the hardware standpoint. I can't put a number to it but I would say it is among our top emerging technologies that IBM is focused on."

IBM is banking on its flagship product, the Anyplace Kiosk, a sleek, customizable touchscreen which the company envisions as the core for countless kiosk and self-service applications. Presently, Anyplace Kiosks are available in screen sizes

ranging from 12 inches to 17 inches, with Intel Celeron processors and 40 GB hard drives.

Anyplace Kiosks can be outfitted with a variety of peripherals including trackballs, keyboards, card readers, printers and wireless Internet connections to support an unlimited array of custom applications.

What's inside the box, however, isn't what's important, IBM stresses. What is important, the company says, is how it can benefit their clients.

"It isn't about the technology at the component level," said Norma Wolcott, business line executive with IBM's Retail Store Solutions group. "It is really about having the right plan for what you are trying to achieve with your self-service solution."

## DROP IN THE BUCKET

The size of today's kiosk and self-service market is tiny compared with the \$91.4 billion in revenue IBM recorded in 2006, and the company believes it has barely been tapped. Jotwani estimates self-service technology has penetrated less than 3 percent of its potential market.

Even that figure is a guess, she said.

"This is going to be a fragmented

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market because it is still emerging," Jotwani said. "We are coming at self-service from a retail perspective, but we are very quickly embracing it in a lot of other industries."

According to the Kiosk Industry Sector Report – Retail, compiled by Summit Research Associates Inc., the number of kiosks in use in the United States is projected to grow by 97 percent by 2009. Slightly more than half of those, or about 1 million kiosks, will be in the retail sector, according to the report.

Because the market is so fragmented, Jotwani said, IBM doesn't plan to go it alone. Trying to be everything to everybody just isn't a realistic strategy, she said.

"There are so many industries where self-service is a relevant technology," Jotwani said. "We've been very proactively working with and recruiting business partners and independent software vendors, who then can optimize that solution or technology or whatever that value addition is."

The company, which once prided itself on developing in house, already has more than 2,000 retail industry business partners and is working with several thousand independent software vendors to develop kiosk and self-service technology, Jotwani said.

"We are investing in technology that allows for open APIs (application programming interfaces) and tool kits that allow for application vendors to plug in more easily, using open interfaces and well-defined toolkits that make the whole integration more seamless," Jotwani said. "So, the end result doesn't look like a loosely-cobbled solution to our clients."

IBM's approach makes sense and plays off the company's strengths, industry analysts say.

"There are many retailers who are using IBM hardware and are familiar with IBM in

the retail store context," said Tamara Mendelsohn, senior analyst with Boston-based technology research firm Forrester Research Inc. "If they are able to leverage and capitalize on those relationships, they are in a good position to be a well-known name and a comfortable vendor in a space that is being formed right now along with startups and relatively small companies."

Although IBM isn't ruling out acquisitions as a way to grow their presence in the kiosk and self-service space, it's not likely to be the dominant focus, Jotwani said.

"Because of the fragmented nature of the market, going the ecosystem route and giving people the tools to integrate is a much better strategy than acquisitions," Jotwani said. "We are really all about the client telling us what business problem they are trying to solve and a few of us collaborating to solve it."

## UNTAPPED MARKETS ABOUND

Big Blue is approaching the kiosk and self-service market via retail, but the company is quickly adapting it for use in other industries as well.

The marketplace is changing rapidly, and by building on the partnership ecosystem model, IBM hopes to be on the forefront as new applications surface.

"The example that resonates with many of us who have to travel is how fast self check-in at airports took off," Wolcott said. "Two years ago it was rare to see a

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# BIG BLUE: FROM BIRTH TO BOOM AND BEYOND



Photo courtesy IBM.

IBM's world headquarters at 590 Madison Ave. in New York City, 1948. The 20-story building, dedicated in 1938, was demolished in 1977 to make room for a new regional headquarters.

The company which eventually became International Business Machines Corp. was founded in 1911 as the Computing-Tabulating-Recording Co., although its origins can be traced back as early as 1888. The company's main products were employee timekeeping systems, weighing scales and equipment to tabulate information from punch cards.

Thomas J. Watson, who became general manager of CTR in 1914, stressed sincerity, integrity and loyalty to his sales force, telling them that they should do nothing that could be construed as unfair competition and that they should conduct themselves in an honest, fair and square manner — a philosophy that could be called radical even today. The company's motto was "We sell and deliver service."

In 1924, the company changed its name to International Business Machines.

After the Social Security Act of 1935, IBM secured a major government contract to maintain employment data for 26 million people. At the time, the contract was known as "the biggest accounting operation of all time," and opened the door to a variety of other government contracts.

When World War II began, IBM placed all its facilities at the disposal of the U.S. government. According to IBM archives, the company's product line expanded to include bombsights, rifles and engine parts — in all, more than three dozen major ordnance items. Watson set a nominal one percent profit on those products and used the money to establish a fund for widows and orphans of IBM employees who became war casualties.

In the 1950s, IBM became a chief contractor for developing computers for the United States Air Force's automated defense systems. For the next 30 years, mainframe computers constituted the bulk of IBM's business.

IBM stumbled in the late 1980s and early 1990s as desktop computing put increasing pressure on the company's mainframe business. IBM lost nearly \$5 billion in 1992, which at the time was the largest single-year corporate loss in U.S. history.

Louis Gerstner, Former RJR Nabisco CEO, took over as IBM's chairman and CEO in 1993, the first leader from outside the company's ranks. Gerstner shifted the company's focus away from building hardware and more toward delivering integrated business solutions to its clients.

Gerstner handed the CEO reins to Samuel J. Palmisano in 2002.

IBM saw a glimmer of the kiosk industry's potential in 1992, when the multimedia informational kiosk system the company developed for the Universal Exposition in Seville, Spain, became widely recognized as the world's most-used kiosk system at that time.

kiosk at an airport. Today, you walk in and if there's not a kiosk available you are ticked off."

Consumers are becoming extremely comfortable with the technology, and that phenomena will hit multiple industries with multiple different solutions at a rapid pace, Wolcott said.

Along with the retail and travel sectors, the company is envisioning growth in markets including healthcare, media and entertainment, finance, advertising and government applications.

"Photos, gift registry and airlines have been big drivers of self-service solutions in the past five years," said Cortlandt Johnson, manager of kiosk national practice for IBM Global Services.

"There are other applications that are moving through the adoption curve as we speak and are going to be driving additional growth in the future," he said. "There are some really big opportunities in areas such as restaurant ordering, bill payment, hotel check-in, health and fitness, digital media and more and more convergence of photo with music and

movies as well as a lot of other areas."

## TAKING A TIP FROM THE TRAVEL INDUSTRY

How big is that growth has yet to be seen, Johnson said, but the healthcare industry promises to be a major factor. Healthcare companies are looking at how kiosk technology has been deployed in other industries, especially travel, and are adapting those principles to their own industry, Jotwani said.

"The healthcare industry is trying to follow the same sort of a client-services model," Jotwani said. "Client services and healthcare are not the first two things that come together in your mind. However, we are seeing healthcare clients who are looking to learn from the hotel industry."

In March, Calgary, Canada-based healthcare system Calgary Health Regions began deploying IBM Anyplace kiosks throughout the system's 100 locations.

Using the kiosks, Calgary Health Regions employees can access human resources information, e-mail, company intranet and other related Web sites to

submit health benefits claims, confirm or make changes to benefits coverage along with a variety of other applications. The IBM Anyplace Kiosks have been configured with an LCD touchscreen display, keyboard and trackball, a built-in printer and a telephone preset to automatically dial a help desk when the handset is lifted.

The kiosks are placed in cafeterias, clinics and high-traffic common areas across the Region's 100 locations. Users identify themselves by logging onto the kiosk with a secure, personal ID.

"We wanted to provide our employees with easy access to their human resources information, regardless of whether they work at a desk with a PC or not," said Margaret Munsch, senior vice president of People & Learning for Calgary Health Region. "By providing self-service kiosks, our regional clinical and corporate employees including clinical staff, porters, housekeeping and other support staff can quickly access their personal information any time, regardless of which of our sites they may be working at on a given day."

Government services show a great deal of potential for kiosk-based applications, Jotwani said. The structured makeup of government readily lends itself to kiosk and self-service technology, she said.

For example, following Hurricane Katrina, New Orleans officials deployed kiosks in populated areas to provide information to returning residents, and kiosks deployed in the city's Office of Safety and Permits were vital to handling the crush of residents seeking permits to begin rebuilding damaged properties.

"In every industry, we can think of a zillion examples where this technology can be applied," Jotwani said. "You see industries that are quite different, but because of the commonality of client service, new ways of doing business and new business models are emerging."

One area promising major potential for kiosk and self-service technology is the restaurant industry, Johnson said. Along with increased order speed and accuracy and labor savings, restaurant operators will see cash shortage problems dwindle as restaurant workers are removed from the order-and-pay process, he said.

However, adoption of kiosk and self-service technology in the restaurant sector is likely to be slow, industry analysts say. Restaurant operators generally don't have a lot of free capital to invest in a technology that hasn't already been proven in their industry.

"There are still questions about the ROI of kiosk deployment, so there is some hesitancy," Forrester Research's Mendelsohn said. "A lot of operators were burned with unsuccessful self-service deployments in the late 1990s, and so are a little skeptical of the impact of a deployment today."

## BUILDING A BETTER WORLD

Although other companies in the kiosk and self-service arena have sworn to be the No.1 market player, IBM isn't making such bold predictions. While IBM intends to be a market leader, being recognized as No. 1 isn't necessarily the company's goal, Jotwani said.

Instead, she said, the company prefers to hand that title to their clients.

"IBM wants to have leadership in the self-service and client-service business,

but as far as being No. 1, it's more important for our clients to be No. 1," she said. "If your clients have a successful deployment of our solution, our business partners can sell their solutions and make money, and IBM can collaborate with a client to complete an end-to-end rollout, that is leadership in the marketplace."

Just as important to the company, Jotwani said, is the socioeconomic transformation the self-service concept can bring to the world.

"I'm not that old, but in my time as a child growing up in India I remember that farmers would pray to the rain gods to ensure their crops would grow," Jotwani said.

"But now, in a lot of villages there are kiosks set up in the village center and the home page is set to Weather.com, and the farmers go to the kiosk and check the weather prediction," she said. "There are a lot of different things one can do with this technology whether it be improving health or be it improving the life of a farmer in India, and hence it is a priority for us." ■

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