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STRATEGIES

Panini checks into success

Revenue increases for local technology firm

■ BY JACOB DIRR | DBJ STAFF REPORTER

Prior to 2005, the nation's paper-based checking system required the physical transport of checks, often in airplanes, from one bank to another for processing. The terror attacks on Sept. 11, 2001, changed that though, as oodles of bags of checks sat while planes nationwide were grounded.

The United States Congress knew it had to take measures to update the use of checks and passed a law, called "Check 21," in 2004 to make photo-scanned checks legal tender.

But Centerville-based Panini North America Inc. was way ahead of them.

The company, which specializes in providing the banking industry with check-image-capture machines, undertook strategic pilots with the country's top banks, initiated partnerships with banking software companies and was first to market a check scanning product designed specifically for Check 21.

The "Panini My Vision X," its first-to-market scanner, was launched in the Spring of 2002, more than two years prior to the official Check 21 legislation. In 2003 Panini had already lined up deals with West Coast banks to implement check-capture devices that could "turn on" when Check 21 passed.

The result is a company that has tripled its facility space and doubled its employees. Pratt said Panini North America has a revenue above \$50 million. Panini revenue grew 173 percent in 2005 and was up about 130 percent last year and this year.

Meanwhile, the company is projecting a 125 percent revenue spike in 2008.

"It's an area that a lot of people assumed would develop and whoever had the best product would win," said Chief Marketing Officer Michael Pratt. "We had a good feeling "Check 21" would happen. We



JAMES E. MAHAN ■ DBJ

Michael Pratt, chief marketing officer of Panini North America, said the company expects to see a 125 percent spike in revenue for 2008.

fundamentally changed the entire company strategy."

Panini North America is a wholly owned subsidiary of Turin, Italy-based Panini, which has long serviced the global market for check capturing.

Even still, Pratt said that once Check 21 became law, the competition became immediately break-neck fast and competitive.

"It was a pretty wide open the race in the beginning, think of it like the Kentucky Derby," Pratt said. "There are hundreds of millions of contracts in flux; we are playing for everything."

The market for check-image capturing is exploding right now, said Bob Meara, a senior analyst for Celent Inc., an industry analyst firm.

Celent estimates the U.S. desktop check scanner market to be enjoying more than 50 percent annual growth rates through 2009

PANINA NORTH AMERICA

Contact: Michael Pratt
Address: 577 Congress Park Drive, Dayton 45459
Phone: 291-2195
Web: panini.com
Business: Check processing

after which the market will begin a decline. The total U.S. market may peak at nearly \$750 million in annual revenue, Meara said.

There are about 536,000 bank branch locations in the United States that can utilize check capture machines, with about 172 checks per capita in the United States, as an example of how wide open the market is.

Moreover, banks and their commercial customers can save time and money by digitizing paper checks, instead of transporting them and depositing them manually.

Though the technology was, and still is, developed in Italy, Pratt said North American executives established their own strategy,

PANINI: Early partnering with software companies helped facilitate product success

which eventually enabled them to capture 68 percent market share among the top 100 banks in America.

“With that very top tier (of the top four banks), we are providing products for three of them and are competing on the fourth,” Pratt said.

Though Panini has just 40 employees, Meara said leaders and the discipline and strategic vision of a Fortune 500 company.

“They were probably believers in the market opportunities early on and invested effort in culminating relations with the large banks,” Meara said. “They invested years before other vendors were spending near the effort, I think that is paying out.”

As part of culminating relationships, Panini began early partnering with software companies to co-market themselves to banks.

Typically, banks buy customized software

from vendors to provide internal and external banking functions. That means that if a check scanner is not certified compatible with a bank’s inhouse software, the bank will reject the product.

Panini took this concept one step further and offered their machines directly to the software companies at a discount, which the software company could, in turn, sell to banks along with their programming.

“We were very aggressive to make sure our product was integrable, enabling these tech companies to be successful on our product,” Pratt said.

Meara said that, while the job market is still open among Panini’s small niche of competitors, the time will come when checks become obsolete as personal buyers pay with debit cards and business transfer money through digitalized networks.

“The market has more than doubled



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A check-imaging scanner by Panini.

annually over the last three years, and is set to continue until the end of the decade,” he said. “Once that occurs, the market is not going to have much longevity.”

Panini, no doubt, will have that covered.

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