

Outerwall and Beyond



- Incubator of Innovation
- Partner in our Communities
- Steward of the Environment
- Exceptional Place to Work

Source: [Outerwall Responsibility](#)

Other Resources

- [Background Information](#)
- [Media Coverage Report](#)
- [ecoATM Reputation Strategy](#)

Outerwall Brands



When he was in college, Jens Molbak looked at his overflowing coin jar and thought there had to be a way to turn those coins into cash without having to count them, roll them, and take them to the bank. In 1991 he founded Coinstar with one goal—make it easy and convenient for people to turn their coins into cash. Along with two classmates, Jens created a kiosk that could sort and count the coins.

The company, now organized as Outerwall, is no longer just about coins: “As the company behind exciting brands like Redbox®, Coinstar®, and new ecoATM® kiosks we’re on a mission to make life easier for consumers and more profitable for retailers.”

Outerwall was recently recognized as one of Deloitte's Fast 500 in 2013 and one of Fortune's 100 fastest-growing companies from 2010 to 2012. “So, we have seen a lot of growth over the last few years, and we are at a point now where it's really about how do we maximize profitability and cash flow to drive shareholder returns,” stated Galen Smith, Outerwall CFO.

In 2013 there was a shift in strategy from organic innovation to acquisitions of developed innovations. This will allow Outerwall to leverage its scale and the power of their core Coinstar and Redbox brands. The most recent example of this is the acquisition of ecoATM.

ecoATM describes the kiosks as, “the world's first automated eWaste recycling station. That's a fancy way of saying that we're a friendly green machine looking to pay cash for the responsible recycling of your old cell phones, MP3 players and tablets.”

Currently there are approximately 900 ecoATM kiosks at malls and retail outlets across the US, but management believes that there is potential for 5,000-10,000 units in the US alone. ecoATM kiosks ramp to an average of \$100-120k annual revenue in 6-8 months and reach payback in 18-22 months. Growth estimates are based on the fact that the average American cell phone is replaced every 22 months, there are 175 million new cell phones sold annually in the US alone and currently only about 20% of those are recycled.

ecoATM has the potential to make a significant impact on a growing issue of eWaste through either reuse of phones or recycling and reclaiming the



precious metals and/or potentially toxic substances from these devices in an ecologically sustainable way.

Recently, ecoATM has been under fire from news organizations and some law enforcement organizations for being, “a motivator for the criminal element.” News stories have run across the nation, including in [Columbus, OH](#), [Baltimore, MD](#), [Atlanta, GA](#), and even on [NBC’s Today Show](#) that make accusations that ecoATM gives criminals the motivation to steal cell phones to turn them to cash quickly.

On their [Law Enforcement page](#), ecoATM demonstrates that their kiosks are a safer and more traceable mechanism due to features such as:

- Dual high-resolution cameras that are monitored by a real person and compared to a driver’s license that must be provided.
- A thumbprint scanner that creates a record of the person redeeming the device.
- Electronically extracting the serial number from each device, creating a permanent record, and holding devices for a minimum of 30 days before providing them to buyers.
- Throughout the [website](#), [annual report](#) and [social report](#) of Outerwall, there is a consistent message of caring about Outerwall’s people, communities and customers. The acquisition of ecoATM and the alignment with Outerwall’s values and core competencies makes this latest issue one of great concern to the management team.

Nicole Trimble, Outerwall’s Director of Corporate Social Responsibility, has been asked to help ecoATM address their reputational issues by highlighting the many environmental, social and economic benefits of the ecoATM kiosks. With so many positive contributions, how should she deal with the potential negative of stolen cell phones in a way that is consistent with their values, strategies and goals?

Nicole called your team and asked you to explore options and make a recommendation to the Outerwall leadership team. She has asked you to consider the impacts of your recommendations on the company’s reputation, employees, and finances, as well as their relationships with customers, communities, and stakeholders throughout the country.

You have the next 72 hours to develop your presentation to the panel of judges who will represent the management of Outerwall. You will have 15 minutes to make your presentation and to convince the panel that your team’s recommendations represent the best course of action at this time. The judges will then have 10 minutes to ask you questions about your recommendations. Be prepared to defend your position in a professional manner.

You may use any [publicly available](#) information about Outerwall, the retail industry and trends in sustainability issues. You may not contact the company, or any other organizations for additional information.

This case description and the attached links are presented solely for the purpose of case study discussion. It is not intended to serve as an illustration of effective or ineffective management.