

Document Imaging Report

Business Trends on Converting Paper Processes to Electronic Format

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January 10, 2014

Maturing Market Calls for More Conservative Outlook

Once again, it's time for the *Document Imaging Report's* fearless predictions. Alright, as we noted at **Harvey Spencer Associates Capture** Conference in September—where we also make predictions—maybe we are not so fearless anymore. After all, if you look at our success rates for the past couple years—after hitting at 60% for our 2011 predictions [see *DIR* 1/6/12], we dropped to just 20% for 2012. Our 2013 results were a little better if you count for partial answers, but in a black-and-white scoring system, we really only hit on one out of six, for woeful 17%.

What has gone wrong? It seems we didn't adjust fast enough to a maturing market. There is no question that the document imaging market is bigger than it has ever been. According to **Harvey Spencer Associates'** (HSA) projections, the capture segment alone should have approached \$3 billion in 2013 (three times the size it was less than 10 years ago). That's not even including back-end document imaging-centric applications in areas like RM, collaboration, and workflow.

The story I like to tell is that when I started as editor of *DIR* in 1998, when I mentioned “document imaging” to people outside the industry, their eyes would typically gloss over and the subject would quickly be changed. Now, when I say what I do, everyone seems to have their own document imaging stories, typically involving MFPs and PDFs. The bottom line is that our technology—after many years of

trying—has finally gone mainstream and this has affected the way the market behaves.

For one thing, document imaging is now more of a “star” or a “cash cow,” firmly positioned on the left side of the growth share matrix, rather than on the right side, where question marks and dogs sit, and where document imaging arguably resided for more than a decade. Evidence of this evolution can probably be found in the way that **Kodak** positioned its Document Imaging business during its bankruptcy restructuring in 2012.

If you remember, when Kodak first announced its reorganization [see *DIR* 3/2/12], Document Imaging was going to be retained as one of Kodak's three “core business”—which would be used to fund its growth businesses. Not that Kodak wasn't projecting growth for Document Imaging, but, as the eventual sale re-enforced, DI just wasn't key to Kodak's vision of its future. In other words, document imaging was somewhat passé. I'm not saying this was the correct view (as many of you know I'm not necessarily the biggest fan of the print market where Kodak has placed its bets), but just that it was Kodak's view.

Kodak's positioning of DI may have to do with the shrinking growth rates we've been seeing in our market recently. Remember, despite its increasing focus on software in recent years, Kodak's primary source of DI revenue was still hardware, and the last time we checked with **Moyse**

Technology Consulting, revenue from scanner sales was fairly flat year-over-year [see *DIR* 10/12/12]. And even document capture software sales slowed to just 8% growth in 2012, according to HSA.

Yes, it's true that as markets get larger (and document imaging certainly has), growth rates get harder to sustain—just from a mathematical standpoint. But, it's also true that as markets get larger, they tend to become more conservative. The methods for success have been proven, and the market tends to end up with more imitation and less innovation. This leads to more competition based on price rather than technology.

Take a look at invoice capture for example. Once **ReadSoft** discovered its key to success was integration with back-end ERP systems, a host of others followed suit. There are now at least 20 ISVs addressing invoice capture, including several attempting to take the technology downstream by integrating with mid-market accounting systems.

So, basically, we've reached a conservative stage in the development of the document imaging market, which means there are going to be less radical strategies and seismic decisions, and we have to adjust our predictions to fit that new paradigm. No longer can I say something like “Capture is assimilated into ECM,” like I did in 2008 and watch two major acquisitions follow.

That said, there is still plenty of

opportunity for change, development, growth, and assorted action.

A look back at 2013

Okay, let's get down to business. As always, we will commence by grading our 2013 predictions. There were six of them:

1. Explosion in adoption of cloud-based document imaging technology: "Explosion" was not the right word. Like many technology adoption curves, it seems adoption of cloud-based ECM technologies is moving a lot slower than many vendors and analysts predicted. According to *The Forrester Wave: ECM, Q3 2013*, "ECM clients are still in early stages of cloud adoption, with only 12% of decision-makers reporting use of hybrid, public, or private ECM cloud applications — unchanged from 2011."

There is no question that cloud ECM offers a lot of advantages for users over traditional on-premise implementations. These include reduced installation time and maintenance, as well pay-as-you go, subscription pricing vs. larger capital expenditures. Of course, there are also perceived disadvantages related to security, application integration, and long-term costs. There are also legal concerns about moving digital images across borders for storage. And scanning can still be a bit complex for a SaaS-interface, especially in higher volume environments.

So far, in the document imaging market, it seems traditional software implementations are still favored by the vast majority of users. But, that's not to say we haven't seen some turning of the tide. Both ReadSoft and **TIS**, for example, cited transition to subscription sales models as having some effect on recent quarterly sales numbers [see *DIR* 8/3/13]. **Ephesoft** continues to gain momentum with its cloud-based capture application [see *DIR* 6/7/13], and **EMC's** Captiva Cloud Capture SDK has also gained traction [9/20/13]. In addition, image-centric ECM vendors like **Hyland**, **Digitech**, and **FileBound** continue to grow their SaaS businesses, while ISVs **Kofax** [10/18/13], **Perceptive/ Brainware** [9/20/13], and start-up **OfficeScope** [6/21/13] all launched exciting cloud initiatives in 2013, as did MFP vendor **Ricoh** [9/23/13].

Score: 10 out of possible 90 points.

2. Document imaging becomes key component in second generation MPS: In a presentation at a recent analyst day we attended [see *DIR* 12/20/13], Ed White, product management at **Nuance** Document Imaging, positioned "process improvement," including capture and workflow, as part of the third-generation of MPS. Based on our observations, users are still primarily in their second-generation, which, according to White, involves a lot of print optimization. They haven't quite reached that third-generation where our version of document imaging fits in.

That said, in 2013 we saw MFP vendors like Ricoh, **Konica**

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DIR is the leading executive report on managing documents for e-business.

Areas we cover include:

1. Document Capture
2. Image Processing
3. Forms Processing/OCR/ICR
4. Enterprise Content Management
5. Records Management
6. Document Output
7. Storage

DIR brings you the inside story behind the deals and decisions that affect your business.

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Pull-Out Section:

Document Imaging Report

Annual Article Index For 2013

The next four pages contain an index of the articles that *DIR* published in 2013. If there are any articles in this list that you are interested in reading, please contact Editor Ralph Gammon. He can be reached at ralphg@documentimagingreport.com or (814) 866-2247.

Key to index abbreviations (listed in alphabetical order): A/P - accounts payable; APM - Application Performance Management BI - business intelligence; BPM - business process management; BPO - Business Process Outsourcing; BPS - Be Productive Systems, DIT - Diversified Information Technologies; ECM - enterprise content management; EHR - electronic healthcare records; EPM - Eastman Park Micrographics; FCPA - Fujitsu Computer Products of America; HIMSS - Health Information Management Systems Society; HSA - Harvey Spencer Associates; IDR - intelligent document recognition; IOFM - Institute of Finance and Management; IP - intellectual property; KBMS - Konica Minolta Business Solutions; KLake - KnowledgeLake; KPP - U.K. Kodak Pension Plan; M&A - mergers and acquisitions; MFPs - multi-functional peripherals; MPS - managed print services; MTC - Moyses Technology Consulting; NLP - Natural Language Processing; NSi - Notable Solutions, Inc; OBS - Ocè Business Services; OMB - U.S. Office of Management and Budget; RM - records management; QAI - Quality Associates, Inc; SaaS - software as a service; SDK - software development kit; SI - Systems Integration, SPA - Smart Process Applications; TABS - Toshiba America Business Solutions; TIS - Top Image Systems; VAD - Value-Added Distribution

| Issue Date | Pg. | Title | Market Segments | Companies Featured |
|-------------------|------------|--|--|--|
| Jan 4, 13 | 1 | 2012: A Holiday Pattern; Expect More Aggressive 2013 | Capture, ECM, Cloud, M&A, Mobile | HSA, MTC, Kodak, Kofax, Forrester |
| Jan 4, 13 | 3 | DIR Annual Article Index for 2012 | | |
| Jan 18, 13 | 1 | NSi Expands into Output Management with Acquisition | M&A, MFPs, Capture, Output, Channel, | NSi, Barr Systems, Nuance, Ricoh |
| Jan 18, 13 | 1 | Latest on Canadian Check Images | Check 21, Capture | All My Papers, Kofax |
| Jan 18, 13 | 4 | Perceptive Goes After Next Level of EMR | M&A, ECM, EMR | Lexmark, Acuo |
| Jan 18, 13 | 5 | Canon Appliance Enables Wireless Scanning | Scanners, Mobile | Canon, CES, EMC |
| Jan 18, 13 | 7 | Imaging Vet Leads Latin American Channel Sales | Channel, ECM, Collaboration | Mindjet, CompuCenter De Mexico, Lifeboat |
| Feb 1, 13 | 1 | Cranel to Distribute CVision's PdfCompressor | PDF, OCR, Channel | CVision, Cranel |
| Feb 1, 13 | 1 | Kofax Leverages BPM to Upgrade Digital Mailroom | Capture, BPM | Kofax, Swiss Post |
| Feb 1, 13 | 3 | ABBYY Ramps up Channel Program | Channel, Capture | ABBYY USA |
| Feb 1, 13 | 4 | New Kodak Scanners Show Improvement and Innovation | Scanners, Book | Kodak |
| Feb 1, 13 | 5 | Panasonic Enters Personal Desktop Scanner Segment | Scanning, Processing Scanners, Channel | Panasonic, NewSoft |
| Feb 1, 13 | 6 | Nuance Aims to Lower ShareScan TCO | Capture, MFPs | Nuance |
| Feb 22, 13 | 1 | SharePoint Capture Vendors Upgrade Their Wares | Capture, ECM | KnowledgeLake, Kodak |
| Feb 22, 13 | 1 | Systems Go for Another Strong AIIM Conference | Events, ECM | AIIM, Forrester |
| Feb 22, 13 | 4 | New VP Pumps up Volume on Westbrook's Marketing | ECM, Channel, Cloud | Westbrook, DIT, Ricoh |
| Feb 22, 13 | 6 | High-Quality Document Images from Smartphones | Scanners, Mobile | Atiz Innovation |
| Feb 22, 13 | 7 | Contrasting Quarters for Capture ISVs | Capture, Financials | Kofax, ReadSoft, SAP |

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|------------|-----|---|-------------------------------------|---|
| Mar 8, 13 | 1 | Hyland Acquires AnyDoc for Advanced Capture | Capture, M&A, Channel | Hyland, AnyDoc, KeyMark |
| Mar 8, 13 | 1 | KLake Introduces Mobile Capture App | Capture, Mobile | KnowledgeLake, Apple |
| Mar 8, 13 | 3 | Analytics/BI In-Line With Kofax's New Focus | M&A, Capture, BI | Kofax, Altosoft |
| Mar 8, 13 | 5 | NSi Expands Partnerships with Xerox, SAP | Capture, MFPs | NSi, Xerox, SAP |
| Mar 8, 13 | 7 | PaperPort Anywhere Goes Dark | Cloud, Capture | Nuance, OfficeDrop |
| Mar 29, 13 | 1 | Kofax Embraces First Mile Strategy | Events, SPA | Kofax, Altosoft, AIIM |
| Mar 29, 13 | 1 | Automating Indexing Through Crowd Learning | Capture, ECM, IDR | DocuWare |
| Mar 29, 13 | 6 | Noted Author to Keynote Kodak Event | Events, Capture, IDR | Kodak, Google |
| Mar 29, 13 | 6 | Nuance Discusses Advanced Capture at HIMSS | Capture, NLP, OCR | Nuance, CMS |
| Mar 29, 13 | 7 | A2iA Mobile SDK Runs Recognition on Device | Capture, Mobile | A2iA |
| Apr 12, 13 | 1 | Spencer Remains Bullish on Capture Market Growth | Capture, Financials | HSA, Forrester |
| Apr 12, 13 | 1 | Parascript Upgrades Capture Application | IDR, OCR/ICR | Parascript |
| Apr 12, 13 | 4 | AIIM Pulls Off Another Strong Conference | Events, Cloud, Mobile, M&A | AIIM, EMC, Lexmark, Perceptive, I.R.I.S. |
| Apr 12, 13 | 7 | ReadSoft Azure-Hosted A/P Solution Highlights Convergence | Capture, IDR, Channel, A/P | ReadSoft, Microsoft, Altec, ACOM, CSSI |
| Apr 12, 13 | 7 | DynamSoft Introduces Sandbox Support in SDK | Capture, SDKs | DynamSoft |
| Apr 12, 13 | 8 | DoucLex offering data center services to ISVs | Cloud, ECM | Inland Fiber & Data |
| Apr 26, 13 | 1 | Brother Lays Down Initial Bid for Kodak DI | M&A, Scanners | Kodak, Brother |
| Apr 26, 13 | 1 | DocPoint Recognized as Top Nintex Federal Partner | Channel, Workflow | DocPoint, Nintex, QAI |
| Apr 26, 13 | 4 | SDK Connects USB Scanners to Android Devices | SDKs, Scanners | AccuSoft, Apple |
| Apr 26, 13 | 5 | Experienced Industry Exec Takes Sales Reins at Novo | Capture, Channel | NovoDynamics, Nuance, CIA, Sakhr Software |
| Apr 26, 13 | 7 | Snowbound CEO Discusses Challenges of HTML5 Viewing | Viewing, SDKs | Snowbound Software, AccuSoft |
| May 17, 13 | 1 | Kodak U.K. Pension Plan's Bid Trumps Brother | Scanners, M&A | Kodak, KPP, Brother |
| May 17, 13 | 1 | Some News Briefs | OCR/ICR, SaaS | Nuance, etfile, Docville |
| May 17, 13 | 3 | Brother Will Be Back | MFPs, M&A | Brother, Kodak |
| May 17, 13 | 4 | Vendors Unleash New Enterprise Capture Software | Capture, IDR, M&A, Scanners, Events | ibml, ReadSoft, Ephesoft, Forrester |
| May 17, 13 | 6 | ibml Building on Strong Fiscal Year | Scanners, Capture | ibml |
| May 17, 13 | 7 | ReadSoft Looks to Expand Role in Financial Processes | Capture, M&A, A/P, A/R, Workflow | ReadSoft |
| Jun 7, 13 | 1 | New Chairman Leads DICOM Deeper into Software & Service | VAD, ECM, Scanners, Channel | DICOM, Kofax, KLake, SAPERION, IBM, K2 |
| Jun 7, 13 | 1 | Captricity Secures Series A Financing | Capture, Cloud | The Social+Capital Partnership, Captricity |
| Jun 7, 13 | 3 | Cranel also Expanding Focus | VAD, Channel, Scanners, Capture | Cranel, CVision, Kodak, Burroughs, Digitech |
| Jun 7, 13 | 6 | FileBound Part of Upland's PPM Strategy | M&A, ECM, Cloud, Channel | FileBound, Marex Group, Upland Software |
| Jun 7, 13 | 6 | OEM Deal Latest Success Story for Ephesoft | Capture, Channel | Ephesoft, ibml |
| Jun 7, 13 | 7 | TIS Introduces its Next-Generation Capture | Capture, IDR, Mobile | TIS, Google |
| Jun 7, 13 | 7 | OPEX Upgrades Software to Improve Document Capture | Scanners, Capture, Image Processing | OPEX, Institute of Financial Operations |

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| Jun 21, 13 | 1 | ISV Targeting SMB with New DM App | ECM, Cloud | etfile, OfficeScope |
| Jun 21, 13 | 1 | Couple of Recent Large Capture Wins | Capture, BPO | BancTec, ReadSoft |
| Jun 21, 13 | 3 | Capture Start-Up Receives Series A Funding | Cloud, Crowdsourcing | Captricity, Facebook |
| Jun 21, 13 | 5 | Market Definitions Changing | Managed Services, BPO, Capture, SaaS | Xerox, PBMS, Digitech, DocuLex, Captricity |
| Jun 21, 13 | 5 | CVISION Launches Auto-Classifer for SharePoint | Capture, IDR | CVISION, Microsoft |
| Jun 21, 13 | 6 | DocuLex, Others Combine in Managed Services Play | M&A, ECM, Cloud, SaaS, Channel, MPS | Protected Trust, Inland Fiber & Data |
| Jun 21, 13 | 7 | Cloud ISV Thrives on Outsourcing Approach | Cloud, SaaS, BPO | Digitech, OPEX |
| Jul 19, 13 | 1 | Global Directions Tackles Leading Edge Issues | Events, ECM | Kodak, Google, IBM |
| Jul 19, 13 | 1 | Award Winning Integrator's Vision Goes Beyond Capture | Capture, Channel, BPM, Cloud, A/P | Efficiency Leaders, Kofax |
| Jul 19, 13 | 3 | Imaging 411 Pumps Life into Hardware Services Market | Scanners, Service, Channel, Personnel | Imaging 411, Kodak, Databank, Cranel |
| Jul 19, 13 | 5 | HP Promoting Cloud Collaboration for Business | Collaboration, ECM | HP, Box, Dropbox |
| Jul 19, 13 | 5 | Nuance Promoting Capture | Capture, Channel | Nuance |
| Aug 3, 13 | 1 | Increased Subscription Sales Factor into Q2 Shortfalls | Capture, Financials, SaaS, Cloud | ReadSoft, TIS, SAP, Oracle |
| Aug 3, 13 | 1 | Plustek Moving Upstream | Scanners, Channel | Buyers Lab, NewWave |
| Aug 3, 13 | 4 | Kofax Indicates Strong Q4; Makes Major SPA Acquisition | Capture, Financials, SPA, M&A, Cloud | Kofax, Kapow, Efficiency Leaders |
| Aug 3, 13 | 6 | Panasonic Utility Expands Network Scanning Options | Scanners, MFPs, Image Processing | Panasonic, InfoTrends, HP, Fujitsu, Canon |
| Aug 3, 13 | 7 | Japanese Scanner Sale BancTec's Largest Ever | Scanners, BPO, Capture, SI | BancTec, Sagawa Express, J-SCube |
| Aug 23, 13 | 1 | HSA Looks at Where Capture is Headed | Capture, IDR | HSA, Nuance, TD Bank |
| Aug 23, 13 | 1 | Digitech Refreshes PaperFlow Capture | Capture, Channel | Digitech Systems |
| Aug 23, 13 | 3 | MFP Vendors Answer Demand for Cloud & Mobile Apps | MFPs, Cloud, Capture, Mobile | Ricoh, TABS, ABBYY |
| Aug 23, 13 | 5 | EPM to Focus on Film | Micrographics, M&A | EPM, Crowley, Agfa |
| Aug 23, 13 | 6 | Virtual Solutions Flourishing under Lionbridge Flag | Crowdsourcing, M&A | Lionbridge |
| Aug 23, 13 | 8 | Sandbox Functionality Differentiates TWIN SDK | SDKs, Scanners | DynamSoft |
| Sep 6, 13 | 1 | ABBYY, Lexmark Win "Clean Sweep" in OCR Patent Case | OCR/ICR, IP, MFPs | Nuance, ABBYY |
| Sep 6, 13 | 1 | Visioneer to Bundle Capture Software | Scanners, Capture | Office Gemini |
| Sep 6, 13 | 3 | New Ownership, New Vision for Kodak DI | Scanners, Capture, Financials, M&A | Kodak DI, Kodak Alaris, Eastman Kodak, KPP |
| Sep 6, 13 | 5 | DocuWare Expands Footprint with Westbrook Acquisition | M&A, ECM, Channel, MFPs, Financials | DocuWare, Westbrook, Ricoh, Xamcor |
| Sep 6, 13 | 6 | A Closer Look at Xerox's JBIG2 Headache | MFPs, Scanners, Image Processing | Xerox, CVision Technologies, Ricoh |
| Sep 6, 13 | 7 | IOFM Launches Payments Summit | Events, Capture | IOFM, IBML, BancTec |
| Sep 20, 13 | 1 | Capture: Not Just for Documents Anymore | Events, Capture, Voice, Big Data | HSA, LinguaSys, MetLife, TD Bank |
| Sep 20, 13 | 1 | Panasonic Upgrades Workgroup Models | Image Processing | Panasonic |
| Sep 20, 13 | 5 | EMC Cloud Capture SDK Gains Traction | Capture, Cloud, SDKs, Scanners | EMC, Perceptive, TIS, Brightree, Amazon |
| Sep 20, 13 | 7 | Brainware Technology Being Used on Transcripts | Higher Ed, IDR | Perceptive, Cal-Poly |

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| Oct 4, 13 | 1 | Kodak Alaris Sets Direction for Future Growth | Events, Scanners, Capture, Channel | Kodak Alaris, Google, Ityx, Salesforce.com |
| Oct 4, 13 | 1 | NSi Diversifies, Maintains Strong Growth | Caputre, Mobile, Print | NSi, SAP |
| Oct 4, 13 | 4 | Kodak Upgrades Info Activate, Capture Pro | Capture, OCR/ICR | Kodak Alaris, Alfresco |
| Oct 4, 13 | 5 | Payment Processors Embracing Document Capture | Events, Capture, Financial Services | IOFM, BancTec, TransCentra, Wausau |
| Oct 4, 13 | 7 | A2iA Announces Intitial Mobility Partnerships | Capture, OCR/ICR | A2iA, CFS Inc. |
| Oct 18, 13 | 1 | Kofax Introduces Web-Based SPA Platform | SPA, BPM, Capture | Kofax, Forrester |
| Oct 18, 13 | 1 | Business Imaging Expo to Feature Workflow/ECM Focus | Events, MFPs, MPS | 1105 Media, Kofax, Fujitsu, IDC, Canon |
| Oct 18, 13 | 3 | NSi Upgrades Print Management and Mobile Apps | MFPs, Print, Mobile | NSi |
| Oct 18, 13 | 5 | Innovative Technologies Promote Broader Adoption | Capture, RM, IDR, Micrographics | Beyond Recognition, nextScan, IDC |
| Oct 18, 13 | 7 | FlexiCapture iOS App Available | IDR, Capture, Mobile | ABBYY, Apple |
| Nov 1, 13 | 1 | Imaging Service Providers Launch Software Start-Ups | Service, Service Bureaus, Channel | Renew, BPS, Tallega, Recordsforce |
| Nov 1, 13 | 1 | Auto-Classification Featured in FineReader Engine Release | SDKs, OCR/ICR, IDR, Channel, Events | ABBYY |
| Nov 1, 13 | 4 | EDAC Strengthens IBM Partnership | Capture, ECM | EDAC Systems, IBM |
| Nov 1, 13 | 5 | Reveille to Offer ECM APM in the Cloud | Capture, ECM | Reveille Software, IBM |
| Nov 1, 13 | 7 | Semantic Understanding SDK Targeted at ECM ISVs | SDKs, IDR, NLP, Semantics, Channel | Content Analyst, Gartner, SAIC, ZyLAB |
| Nov 22, 13 | 1 | ABBYY Shows off New Tech at Developers Summit | Events, Capture, OCR/ICR, IDR | ABBYY, Intuit, Xing, Sofinnova Ventures |
| Nov 22, 13 | 1 | SAP Exec to Keynote Workflow Summit | Events, MFPs, ECM | SAP, 1105 Media |
| Nov 22, 13 | 3 | Some (ABBYY) Conference Notes | Events, Capture | ABBYY, Fujitsu, HSA |
| Nov 22, 13 | 4 | Middle Eastern VAD to Carry NovoVerus | OCR/ICR, Channel | Forefront, GTEX |
| Nov 22, 13 | 5 | Captricity Lands FDA Contract for Semi-Structured Forms | Capture, Cloud, Crowdsourcing, IDR | Captricity, FDA, OMB |
| Nov 22, 13 | 7 | PSI:Capture v5 Features New Forms Processing | Capture, Cloud, IDR | Psigen, Microsoft |
| Nov 22, 13 | 7 | Top Image Systems Management Changes | Capture, Financials | TIS |
| Dec 6, 13 | 1 | Pery Named First-Ever ReadSoft CMO | Capture, Personnel | ReadSoft, Kofax |
| Dec 6, 13 | 1 | New TWAIN Version Available | Scanners, Mobile | TWAIN Working Group |
| Dec 6, 13 | 3 | KMBS Builds on Vertical Focus | MFPs, Capture, Workflow, Healthcare | KMBS, NSi, Hyland, Worldox |
| Dec 6, 13 | 5 | New EIP Capture for DocuShare | Capture, MFPs | Xerox, NSi, Microsoft |
| Dec 6, 13 | 6 | Details Differentiate Latest Version of Nuance SDK | Capture, OCR/ICR | Nuance, Apple, Google |
| Dec 6, 13 | 8 | Square 9 Expands into First Regional Office | Channel, ECM, MFPs | Square 9 Softworks |
| Dec 20, 13 | 1 | Integrated Print & Scanning to Drive Nuance Imaging's Future | Capture, Financials, OCR/ICR, MFPs | Nuance, Cranel, Hyland, HIMSS, HSA |
| Dec 20, 13 | | Kofax Upgrades Address Obamacare-Related Changes | Capture, Healthcare | Kofax, CMS |
| Dec 20, 13 | 1 | New Kofax CMO Shares Vision | SPA, Personnel | Pegasystems, SDL |
| Dec 20, 13 | 3 | TWAIN Working Group Envisions Driverless Scanning | Scanners, Capture | InoTec, FCPA, Visioneer, Atalasoft |
| Dec 20, 13 | 5 | EPM Adds Service Component With Acquisition | M&A, Service, Micrographics | EPM, Imaging 411, Crowley, Agfa, Kodak |
| Dec 20, 13 | 6 | CloudPWR Software Certified by DocuSign | E-Forms, Cloud, SI | Oracle, Washington |

Minolta [12/6/13], **Xerox** [12/6/13], **Sharp**, and **Toshiba** make significant strides in the promotion of document capture and workflow technologies. Their inclusion as standard pieces of the MPS infrastructure is clearly not far off.

Score: 20 out of possible 70.

3. Kodak DI will be acquired by a major printer vendor: We went with a very specific prediction, and for a couple weeks, after **Brother's** initial bid for DI was announced [see *DIR* 4/26/13], it looked like we were on the money. Alas, it was not to be, as the **U.K. Kodak Pension Plan** eventually trumped Brother with what we described as “a Godfather offer” [see *DIR* 5/17/13] and DI became part of the new Kodak Alaris [9/6/13].

Score: 10 out of a possible 60. Hey, we were right for two weeks, that deserves something, doesn't it?

4. More opportunity for IDR in the healthcare market: This is a trend we continued to follow in 2013 [see *DIR* 3/29/13], but one that has yet to really emerge. We still think there is plenty of opportunity for utilizing IDR to help healthcare providers comply with the **CMS'** (the U.S. Center for Medicaid and Medicare Services) Stage 2 Meaningful Use 2 requirements for EMR. After all, two of the main goals of Stage 2 include “measures focused on more rigorous health information exchange” and “electronic transmission of patient care summaries across multiple settings,” both of which would seem to call for more extensive data extraction from paper healthcare records.

However, deadlines for compliance with Stage 2 don't kick in until this year. Similar to what we saw with Stage 1, we didn't see much compliance activity in advance. We expect that to change this year due to the reimbursements associated with meeting the Stage 2 deadlines.

Score: 0 out of 60

5. Major acquisition of an ECM vendor: Specifically we called for something over \$20 million (and reaching all the way to \$100 million). We clearly didn't see that. Instead, we saw a couple of more minor acquisitions of **Westbrook** by **DocuWare** [see *DIR* 9/6/13] and **FileBound** by **Upland** [see *DIR* 6/7/13].

Score: 10 out of 70.

6. Some major market developments driven by ongoing patent lawsuits: In August, **ABBYY** won a judgment in case against **Nuance** involving patent infringements in the development of OCR

technology [see *DIR* 9/6/13]. This helped lift a cloud of uncertainty surrounding the OCR market, and would seem to clear the way for unbridled healthy competition for years to come. We'd have to say this can be classified as a major market development.

That said, there is still some uncertainty regarding mobile document capture and the many patents **Mitek** has (including one issued this week). There are seemingly multiple companies that infringe on Mitek's patented technologies and techniques. Currently Mitek is involved in two infringement suits that we are aware of and, according to its 2013 annual financial report, is investing heavily in litigation related to intellectual property.

Score: 70 out of 70.

Total score of 2013 predictions: 120 out of possible 420, for a 35% correct rating.

What to look for in 2014

We will make one adjustment for our 2014 predictions. To account for slowing developments, for each prediction, we will give a timeframe, and next year we will score ourselves based on progress toward that timeframe.

1. At least two acquisitions involving an MFP vendor and ECM and/or capture ISV (this year): As noted earlier, several MFP vendors seem to be circling around our market. The recent success **Lexmark** reported for its Perceptive Software business no doubt has caught the eyes of its competitors. While we've already seen vendors like **Canon** and **HP** acquire document imaging ISVs over the years, we expect to see more aggressive acquisition activity by other vendors this year.

The concept of the MFP as a document hub for managing both input and output of paper from business processes and ECM systems has validity. And the MFP vendors are in a perfect position to address the increasingly niche world of paper document management—through a combination of hardware, software, and services.

2. A stabilization in the decline of paper use in business transactions (next year through next five years): We're kind of stealing this one from **IDC**, which has predicted that worldwide printed page volumes will stay flat, at around 3 billion per year through 2017 [see *DIR* 10/18/13]. One reason is the continued improvements in printing technologies, including new print-from-mobile apps.

Another reason is the continued ease of use of paper as a lowest common denominator for

transacting business. There are no compatibility and accessibility issues with sharing paper. This ease-of-use is increased by continued developments of IDR (and now data-entry centric crowdsourcing services), which make integrating paper communications into electronic systems of records cheaper, faster, and easier than ever.

3. Emergence of cloud repositories as the next SharePoint (two to three years):

Remember when we were predicting that because of its ubiquity SharePoint would become the market leader in ECM? Well, **Microsoft's** lack of focus on ECM (SharePoint does many other things as well) probably prevented complete domination, but SharePoint certainly became at least one of the market leaders in ECM—not bad when you consider that it was basically starting from scratch in 2010. We expect the same thing to happen with at least one of the popular online file sharing/collaboration sites, with **Box.com** being the leading candidate. In September, at BoxWorks, former EMC Documentum CMO Whitney Bouck revealed that Box was working on adding meta data and workflow capabilities to its platform.

When it comes to ubiquity, as of August last year, Box boasted 20 million users, compared to 135 million for SharePoint, but 20 million is still nothing to sneeze at as a potential ECM market. In addition, in July, Box competitor **Dropbox** reported 175 million users, so if Dropbox ever gets serious about ECM, look out.

4. The emergence of widespread driverless scanning (two to three years): We're already seeing a significant uptick in this area, as, according

to Harvey Spencer Associates, MFPs were one of the fastest growing on-ramps for document imaging in 2012. Capturing documents with mobile devices is also an emerging trend. Over the years **Fujitsu** has also had great success with its proprietary ScanSnap desktop devices and even EMC, developer of the ISIS driver, has a Web-based, zero-footprint scanning SDK. In addition, the TWAIN Working Group recently unsheathed its SWORD (scanning without a required driver) initiative [see *DIR* 12/20/13].

5. Kofax is acquired for more than \$1 billion dollars (two to three years):

At last check, Kofax's market cap had reached close to \$700 million. In March 2013, we reported it was at around \$400 million. It's no secret that CEO Reynolds Bish was brought in 2007 to raise the company's valuation for a potential sale—which is what he had accomplished in his previous job at Captiva [see *DIR* 11/4/05]. Completing his mission at Kofax has taken a little longer than maybe was originally anticipated, but culminating with Kofax's recent listing on the Nasdaq, the momentum finally seems to be headed in the right direction.

Kofax's continued success is by no means a slam dunk. The document capture market leader has made a somewhat risky bet on the nascent smart process application (SPA) market [see *DIR* 3/29/13]. But like with many risks, if the SPA market hits the projections made by Forrester, Kofax's bet could pay off big. In addition, the ISV continues to make money while investing in a new market—a strong combination that should prove irresistible to a major enterprise software player (or even a hardware vendor looking to transition deeper into software) in the near future.

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