

Document Imaging Report

Business Trends on Converting Paper Processes to Electronic Format

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January 21, 2011

THIS JUST IN!

DICOM PLANS TO STAY THE COURSE

Don't expect any major changes to the **Kofax** hardware distribution business after its acquisition is completed this March. Yes, the business will be re-named Dicom, but that, of course, was the original name of the distribution business that acquired the ISV Kofax more than 10 years ago [see *DIR* 8/6/99]. It was only in 2008 that the whole entity changed its name to Kofax, reflecting the fact that the software business, which was half the size of the distribution business when it was acquired, was now approaching double the size of the distributor.

Of course, some credit should be given to the founders of the original Dicom for realizing that their best chance at future growth lay in software. I mean this was back when margins on hardware were still pretty good. Over the last few years, of course, hardware margins have declined, and for its fiscal 2010, Kofax reported profits of just 1.4%, an EBITA of \$1.8 million, on \$126.6 million in revenue related to distribution.

"Those results included a restructuring charge," noted Kofax CEO Reynolds Bish. "Without that charge, and with the changes that were made, the profits for 2011 were projected at approximately \$4 million. If you multiply that by six, it comes out to approximately the \$23.4 million price we will be receiving for the business."

The acquisition was made by a German private equity firm, with Joachim Froning and two other members of the distribution management team taking a \$500,000 stake. Froning has been appointed CEO of the new Dicom, which will be headquartered in Rocklitz.

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Transformation of Kofax is Complete

SAN DIEGO, CA—Perhaps **Kofax** should have been the vendor with an event called Momentum this year. That's because everything seemed to be headed in the right direction for the Irvine, CA-based capture software specialist during this year's annual Transform Americas conference. Kofax welcomed more than 500 attendees to the Bayfront Hilton this week, where topics like enterprise capture, KTM (Kofax Transformation Modules), channel, and the sale of Kofax's hardware distribution business dominated the discussions.

The event kicked off auspiciously with Monday's early morning announcement (coinciding with the opening of the London Stock Exchange, where Kofax is traded) that the hardware distribution business had been sold to an investment group for \$23.2 million (<http://www.documentimagingreport.com/index.php?id=2037>). The announcement included the line, "We recently concluded a successful half year that is materially better than the expectations previously conveyed in our Interim Management Statement dated November 4, 2010" (with more details scheduled for Feb. 7).

This followed a week during which Kofax's share price had already risen 5.5% to 3.25 British pounds. By the end of the day Monday, the share price had risen another 5%, bringing Kofax's market capitalization to the unprecedented level of \$470 million. Of course, this was followed by a spike in speculation that Kofax is going to be sold.

Kofax CEO Reynolds Bish said that while the company's valuation is certainly headed in the right direction, many shareholders think it can reach levels "much greater than we are currently trading at." "At this point we are adamant that we are not running the business to sell it," Bish told *DIR* in an exclusive interview at Transform. "We have great ambitions to grow into a very large enterprise software company."

"Most financial analysts have our annual run rate at about \$245 million today. In three years, through a combination of organic growth and acquisitions, we'd

like to get to \$500 million. Then, we'd like to figure out how to get to \$1 billion."

Bish added that board member Ty Comfort, through the firm he manages, **Conversion Capital Partners**, controls more than one quarter of Kofax's shares. "Everything [Comfort] says, both explicitly and implicitly, as well as his body language and all his actions, indicate that he is in this for some really long-term value," said Bish. "And it would be extremely difficult, or impossible, for anyone to acquire the company without him being in favor of it."

Kofax hungry for acquisition

In fact, contrary to sounding like he was in a selling mood, at Transform Bish explicitly stated that he wanted to buy someone. "Utilizing the revenue generated by selling the distribution business, we are going to turn our attention quickly to developing strategies for supplementing our organic growth," Bish said from the dais during his keynote address.



"At this point we are adamant that we are not running the business to sell it. We have great ambitions to grow into a very large enterprise software company."

— Reynolds Bish, Kofax

"At the end of our fiscal 2010 (June 30), we had \$55 million in the bank," Bish told *DIR*. "Through the sale of the hardware business, we expect to generate another \$20 million after taxes. This fiscal year, expectations are that we'll generate at least another \$25 million in after-tax cash flow. That puts us on track right now to have \$100 million in the bank by June 30 of this year. I'm not going to say that money will burn a hole in my pocket, but I haven't been criticized very often for sitting around on cash."

Enterprise sales driving growth

Helping generate Kofax's cash flow has been increasing adoption of the company's KTM modules and an embracing of enterprise capture strategies by Kofax's customer base. As we've documented in the past, these trends have increased the number of large deals Kofax is securing. This included the two largest deals in the history of the company in 2010.

"When I started with Kofax in late 2007, what are now the KTM modules were divided up in many different products," said Bish. "We had some basic capture in Ascent. For more advanced capture, we had the old LCI software, which was separate from our Neurascript technology. I think that not fully integrating those products resulted in a lot of confusion, both internally and externally. Now, we have done that integration and there is just one Transformation product we

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

Areas we cover include:

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2. Image Processing
3. Forms Processing/OCR/ICR
4. Enterprise Content Management
5. Records Management
6. Document Output
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DIR brings you the inside story behind the deals and decisions that affect your business.

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Subscriptions: \$597 (electronic) or \$670 (paper) per year.

sell. Although we continue to support the older products, we do not sell them.”

As for enterprise capture, it’s Bish’s view that the industry’s history of tactical (departmental) installations has seeded the market for the enterprise deployments that are now being realized.

During the second day’s keynote, Kofax CTO Anthony Macciola, sitting on a panel of experts, conjectured that the emergence of intelligent capture software like KTM has also played a role in the increasing adoption of enterprise capture. “KTM is used to take unstructured information and structure it for use by downstream systems,” said Macciola. “This has enabled customers to think about automating many more processes than they have in the past.”

Mark Hakime, senior enterprise architect for the ECM and capture system at **TD Bank**, based out of Toronto, also made an interesting point about enterprise capture during his breakout session. “In a shared services approach,” he said, “the smaller use cases can be subsidized by the larger ones.”

Channel Conflict Settling

Of course, as Kofax has moved upstream during Bish’s tenure, it has significantly increased its percentage of direct sales. In the last six months of calendar 2008 (before many of Bish’s changes really took effect), 86% of Kofax’s software sales came through its reseller channel. Only a year-and-a-half later, during the first six months of 2010, just 52% of software went through the channel.

“Making changes about how we went to market and adding direct sales was probably the most controversial thing I’ve done at Kofax,” said Bish. “Hopefully, the controversy turned out to be much ado about nothing. I think our partners were afraid we were going to cannibalize their business. I think they now realize that has not been the case, and we are engaging with them better than we ever have.”

Bish surmised that channel unrest bottomed out at last year’s Transform, shortly after Kofax announced changes in the way it would be compensating its partners. “We brought them back to a more industry-standard way of doing business,” Bish said. “Of course, our partners did not like that. But, they’ve adjusted and realize we have been fair and honest in dealing with them.”

In his keynote, Bish announced plans to increase investment in Kofax’s channel program to help reinvigorate it. “We are making an investment of \$1.5 to \$2 million to better engage and grow our channel,” he told *DIR*. “We will be providing more

sales and marketing resources. We have hired a significant number of account managers whose only role is to interact and work directly with the higher-end of our channel. We have a smaller group that will focus on the lower end.”

Bish concluded that the optimal percentage of channel sales for Kofax would be 50%. “It could vary five points either way, depending on the quarter or half year, but our goal is to grow the channel as fast as we grow our direct sales,” he said. “We need both horses performing well to realize consistent organic growth.”

Focused on execution

During our interview, Bish reviewed the strategic initiatives he set out to accomplish in early 2008 [see *DIR* 2/1/08]. “I think by Sept. 2009, when we acquired 170 Systems, we had accomplished most of those initiatives,” said Bish. “All of them focused on our software business and put us on a firm foundation for growth.

“Now, our success comes down to execution in three primary areas. These include achieving growth, both organically and through acquisitions. We also have to continue to improve operating margins, which means prudently controlling expenses as we grow. Finally, we have to focus on investor relations. This means dealing with the financial community in a way that will help us get the valuation we think we deserve.”

More coverage upcoming

That’s about all we have room for this issue, but we promise more from Transform in upcoming issues, including more from our interview with Bish, some expanded coverage of the hardware distribution sale, notes from our conversation with Kofax Chief Marketing Officer Martyn Christian, and plenty from the show floor.

We’re not sure Kofax has quite accomplished EVP of Field Operations Alan Kerr’s stated goal of making Transform “the premier event in the industry,” but it certainly was an interesting and productive event for us. “When I got here three years ago, I think I was the lone voice that thought we could take Transform, bring in end users, as well as resellers, and charge for it,” said Bish. “But I wasn’t that lone voice for long. We’ve brought in a multitude of talented and experienced people [who have helped him transform not just the event, but the company]. For all of those who said we couldn’t do it—we did!”

For more information:

<http://www.documentimagingreport.com/index.php?id=2037>;
<http://www.kofax.com/news/article.asp?id=1129>

New Capture App Combines MFPs, the Cloud, and MPS

Two of the hottest trends in the multi-billion dollar digital copier space are managed print services (MPS) and document capture. A Phoenix-based ISV thinks it has found a way to capitalize on both with a new product called AirMail2. **DocSolid**, which was founded by document imaging industry veteran Steve Irons, is positioning AirMail2 as a “universal scan capture” platform ideal for bundling with MPS implementations.

“‘Universal’ refers to any machine being able to use the application the same way,” Irons told *DIR*. “‘Scanning’ is what the device does, and ‘capture’ is about the intelligent removal of information from a document. If you’re selling MPS, which manages everything about MFPs’ printing, it only makes sense to manage the scanning component as well.”

If you’ve been following along in *DIR*, you should have a general idea of what MPS is. MPS is basically a means for transitioning MFP/digital copier sales from a hardware leasing model to a services-based model. The end game is that users are paying MFP dealers a rate based on the number of pages that they print—a click charge, if you will, that covers the hardware, consumables and related services.

There has certainly been a lot of talk about where document scanning applications fit into the MPS model, but we haven’t heard a lot of definitive answers, yet. “It has always been a challenge for MFP vendors and dealers to monetize scanning,” said Irons. “Historically, they have made their money on toner, and there’s no toner used in scanning. A lot of times, they end up giving away scanning for free.”

As the MFP market evolves, Irons thinks vendors, dealers, and even some newer players, will begin take scanning opportunities more seriously. “Scanning is really the last frontier for MFPs,” he said. “And, because of that, it’s exciting. Organizations are using less toner and at some point in the future, there will be a crossover where there will be more scanning done with MFPs than copying.

“If you think about it, the corporate scanning grid is already in place. An Acrobat viewer is on everybody’s desk, and there is enough storage and bandwidth to manage image files. In addition, everybody has a capture hardware device. What’s missing is the capture ‘on’ switch.”

“Once that switch is in place, through a standardized solution like AirMail2 that is easy-to-use and implement, we think scanning applications will

proliferate like weeds in a flower bed. This will create additional software and service revenue opportunities for organizations selling MPS.”

The nuts & bolts

AirMail2 combines bar-coded labels, a browser-based administration screen, and cloud computing to create a versatile scanning application that can be launched from an MFP with the push of a single button. (The idea of bar-coded labels is a carryover from Irons’ former company, **ImageTag**, with a few

improvements.) So, how exactly does AirMail2 work? Basically, there are three parts: 1.) a server-based component known as the “MailMan;” 2.) a cloud-based component, known as the Post Office; 3.) and the labels, which come in the form factor of stamps.



Steve Irons, president,
DocSolid

The MailMan handles all the user administration, and it can be accessed through a browser. It is basically the only piece of software that needs to be installed. The MailMan

reads the bar-coded stamps, cleans up and formats images being captured, and either sends the images to an internal location or to the Post Office to execute cloud-based processes.

Each individual user has his own account with the MailMan, where he can set up his preferences and workflows. There are three major commands: AirMail2 ME, AirMail2 YOU, and AirMail2 FOLDER. AirMail2 ME would typically be set up to capture an image and send it to the user’s inbox. AirMail2 YOU is for outgoing e-mails, and AirMail2 FOLDER can be used for things like saving to a file server, SharePoint Library, or ECM system, or launching a workflow process.

The type of file being captured can be selected for each workflow. Options include color or black-and-white images, searchable PDFs, and Word files. Default preferences are saved for each command, but the details can be adjusted for individual scans. For example, the destination of the AirMail2 YOU command would be changed depending on who the user wants to receive a particular document.

When a user is ready to scan, she selects the appropriate command within the MailMan, and the document is assigned a bar code. The bar code will correspond to the one on the next stamp in the roll that has been assigned to the user. This is a concept similar to the bar-coded Post-It Notes used in ImageTag’s KwikTag software.

"There are some elements of AirMail2 that look like KwikTag," acknowledged Irons. "But, the patents for both applications belong to me, so there aren't any issues. Also, stamps have a better form factor than Post-it Notes. A stamp is something everybody is comfortable with, and stamp dispensers are inexpensive and can be found anywhere."

Also, AirMail2 utilizes two-dimensional DataMatrix bar codes, while KwikTag uses standard Code 39 barcodes. Although, AirMail2 isn't yet doing anything to leverage the significantly larger amount of data that can be stored in the DataMatrix format, Irons indicated that is something DocSolid plans to take advantage of down the road.

After a user affixes a stamp to the front page of the document he wants to scan, he places it in the MFP, which will be set up to scan to a network folder being watched by the MailMan. Irons indicated that it is fairly simple to set up a button on almost any MFP interface to launch this scan-to-folder process. "The newer generation of devices typically have some sort of Web-browser type console that enables admins to set up buttons, like one that says, 'AirMail2,'" he said. "Older machines also typically have a button set-up procedure that might take a couple of minutes."

For administration purposes, DocSolid encourages users to set up individual watched folders for each MFP. The MailMan retrieves all images from these folders, reads the bar codes, and processes the images according to the AirMail2 commands. (The processing includes removing the images of the bar codes.) Depending on the instructions, the MailMan either passes images to an internal file server or network folder (getting them out of the AirMail2 system), or to the cloud-based AirMail2 Post Office.

Currently, the primary function of the Post Office is managing e-mail delivery for AirMail2. "IT admins love the way AirMail2 handles e-mail," said Irons. "The 'from' will still be the sender's address, but there is no integration with Outlook or Exchange. This significantly reduces the burden on IT."

Another way AirMail2 helps reduce IT overhead is that instead of sending images as attachments, they can be stored on the cloud with recipients getting a link. "Once an image is in the cloud, there is potential for integration with other cloud-based applications," added Irons. "Basically, AirMail2 can act as a universal gateway for feeding images to the rapidly proliferating market of cloud-based applications."

Irons suggested that invoice processing vendors, for example, could benefit from integrating their

cloud offerings with AirMail2. "One of the challenges forms processing vendors have is that their technology has historically been too expensive for smaller companies to purchase and set up," he said. "A cloud-based forms processing application could make their technology a lot more accessible to the SMB market. However, it would help if they had a universal methodology for getting images into their cloud apps."

Overcoming Scanarchy

According to Irons, AirMail2 addresses a situation known as "Scanarchy," on which he has written an article (<http://tinyurl.com/Scanarchy>). "If you walk into a large organization, you can find people doing scanning multiple ways, with no best practices in place," he said. "This is because most current MFP scanning solutions are proprietary. In addition, they're complicated. Imagine trying to tell an office worker that each time they print, they have to log in to the MFP and type stuff in. That's basically what you're telling them they have to do to scan."

Irons did say that there are some excellent third-party MFP capture products already on the market. "However, they still need to be integrated with hardware devices, which means they won't work with every MFP or scanner," he said. "In addition, they don't have a cloud component."

AirMail2 is also being released with an attractive pricing model, especially for larger organizations. The list price is \$3,995 for an unlimited number of users, plus an additional \$395 per hardware scanning device. There are some extra fees for direct integration with document management and ECM systems (an option initially available for applications from vendors like **Interwoven iManage**, **World Dox**, and **Open Text**, which play heavily in the legal market, where DocSolid's background is [see "Who's DocSolid?"]).

Irons noted, however, that when AirMail2 is bundled with MPS implementations, end users shouldn't even be aware the price. "Our cost will be buried in the cost-per-print fee," he said. "Basically, it

WHO'S DOCSOLID?

DocSolid was founded in 2009 as a spin-off of Tempe, AZ-based ISV **ImageTag** [see *DIR* 5-1-09]. DocSolid's executive management team is made up entirely of former ImageTag executives, including President Steve Irons, who founded ImageTag, as well as the VAR/SI business Image Choice, which now operates enChoice. Prior to launching AirMail2 this month, DocSolid's focus was selling ImageTag's KwikTag software to the legal market, which it continues to do.

will come down to additional hundredths of a penny per print. For that, the user is receiving a universal capture application. And the MPS vendor will have insight into all the scanning an organization is doing, just like they do for printing. This will help them optimize their hardware implementations for scanning as well as printing.”

Evolving MFP channels

Irons is looking at multiple channels for AirMail2. These include the MFP hardware vendors and their dealer channels. “In the vendor camp, there are two schools of thought regarding MPS deals,” he said. “The older school views the MPS contract as means for getting their hardware into an account and getting rid of everybody else’s. They are not going to be receptive to AirMail2, because we’re vendor agnostic.

“The newer, and what we think is healthier, school is more worried about coming up with the best solution for their customers. This fits with our strategy, because we’re liable to tell a customer the best MFP for scanning is the one they already have.”

Irons indicated that DocSolid is already working with a large MFP distribution partner. He added that he is also seeing some interesting new players enter the MPS space. “First off, we’re seeing **HP** tell all its distribution channels, which includes a lot of VARs, that they have to get into MPS or they won’t be healthy three or four years down the road,” he said. “In addition, you’re starting to see **Microsoft** service providers, who have accounts at which they manage servers and Exchange implementations, being asked if they can manage printing as well.”

All this adds up to a healthy and growing market for MPS [see *DIR* 10/22/10], one, which Irons would be glad to ride the coattails of. “One thing I’ve learned through many years of selling document imaging solutions is that, even though you can come up with a compelling story and even an ROI, imaging is not the most exciting thing for businesses to spend money on,” he said. “This time around, it was my goal not only to create a solution that gives us value in the market, but also a way to get to market that makes sense. Currently, I think the best avenue is through MPS deals.”

For more information: <http://www.docsolid.com/>;
<http://www.docsolid.com/products/airmail2/>

VISIT OUR BLOG

Check out our Thursday, Jan. 20 post on the new John F. Kennedy on-line digital archive. Did you know that JFK predicted the rise of the imaging industry?
<http://documentimagingreport.blogspot.com/>

New Mobile Scanner: No Strings Attached

Visioneer’s new Mobility is aimed at taking mobile document scanning to the next level. It attempts to remove traditional computers from the capture equation and enable users to move images from their scanners directly to their smart phones or to cloud-based apps. Visioneer introduced the product at the recent CES show in Las Vegas, and it is scheduled to start shipping in March.

“We think we’ve changed the game with Mobility,” said John Capurso, Visioneer’s VP of marketing. “Really, how mobile is a scanner if it has to be tethered to a computer to capture images? Our new device doesn’t have its own wi-fi or 3G capabilities, but it can connect directly to devices that do.”

The Mobility is powered by a rechargeable lithium-ion battery, which is good for 150 scans on a full charge, so the scanner doesn’t need to be plugged into anything to capture documents. A user places the edge of a document into the device and selects the type of scan they would like—a JPEG, or color or black-and-white PDF image. Visioneer’s auto-launch technology starts the scanning process, and images can be saved either to an SD card or a USB stick connected to the scanner.

For the Mobility to capture to a smart phone, the phone must support external media (the iPhone currently does not), such as a microSD card. “The user takes the USB cable that comes with the phone and plugs the flat end into the Mobility scanner,” said Capurso. “The phone’s storage then becomes the scanning destination. The phone’s apps can be used to view, upload, or e-mail the images. For example, a user could view and then upload images to an ECM or ERP app.”

There are no drivers included with the Mobility, but images can be transferred onto a traditional computer through the USB cable that is included with the scanner. The cable, which can also be used for charging the scanner, enables a computer to recognize the scanner’s SD card as a USB storage device (an SD card or USB drive can also be transferred physically from the Mobility to a computer). Once the images are on the computer, the user can take advantage of the software package that is bundled with the Mobility. This includes **Nuance’s** PaperPort (document and image management) and OmniPage (OCR), as well as CardScan (business card scanning).

There are no OCR or multi-page document capture capabilities on the scanner, so the software

bundle enables users to perform processes like those. Of course, users can still cut out the traditional computer by taking advantage of mobile computing and cloud-based apps that offer similar functionality.

One way of reaching cloud-based apps is through an Eye-Fi memory card, which is compatible with the Mobility. The Eye-Fi is most commonly used to automatically transfer photos from cameras to on-line sharing sites. It has the same form factor as an SD card and fits into SD slots on devices. It contains a wireless radio that can utilize wi-fi networks to automatically transfer images to cloud-based applications.



Visioneer's recently announced Mobility scanner offers some unique features, including the ability to capture images directly to some smart phones.

"A user pre-configures the Eye-Fi to log into his account and their images will show up there without ever being touched," said Capurso. "One of the sites it currently works with is Evernote." For document images, Evernote offers features like image processing and OCR.

The Mobility can also scan to iPads through the Apple camera connection kit. "It will be compatible with other tablet devices coming out as well," Capurso said.

The Mobility Difference

The Mobility is the second cordless portable sheetfed scanner on the market that we are aware of. The IRIScan 2 was the first [<http://tinyurl.com/IRIScanII>]. "The IRIS device is a nice scanner, but, because it can only capture JPEG images, it works best for photos," said Capurso. "Also, it can only scan to a USB drive, SD card, or a traditional computer. We wanted to do more, such as create PDFs and enable scanning directly to smart phones."

In DIR's opinion, being able to access images on smart phones is an important feature. It enables users to preview their images even in cases where it is inconvenient to access a traditional computer. This capability can be especially important in mobile applications where a user might not be able to regain access to documents for re-scanning at a later time.

Also, a scanner like the Mobility creates a higher likelihood of quality images being captured in less time than utilizing a smartphone camera to take

pictures of documents. This ease-of-use factor increases when dealing with multiple page documents.

The Mobility measures 11.5 inches long, 2 3/4 inches wide, and 2 inches high. It weighs 22.5 ounces. It is a simplex, color scanner that captures images at 300 dpi, at a rate of 10 seconds per page for U.S.-letter sized documents. "It is proportionately faster for smaller documents, like photos, receipts, and I.D. cards," said Capurso.

The Mobility will ship with a padded carrying case and an AC adapter for charging the battery. It will list for \$199 and be sold through Visioneer's e-tail, retail, and DMR channels. It will not be marketed, initially at least, under the Xerox DocuMate brand.

For more information:

<http://support.visioneer.com/products/Mobility/default.asp>

Fujitsu Reduces Size of Mobile ScanSnap

Fujitsu also introduced a new mobile scanner at CES—the ScanSnap S1100. It's Fujitsu's second foray into the mobile scanning market and follows the S300/S1300 models, which are marketed as the world's smallest ADF scanners. The S1100 is more of a traditional mobile scanner, in that it's more lightweight than the S300/S1300 and is handfed. However, it retains many features that have made the ScanSnap series so popular.

The S1100 weighs approximately three-quarters of a pound. This makes it more than three times lighter than the S1300, which, although a workhorse for a mobile scanner, really isn't that portable. The S1100 also has a very small footprint, measuring only 10.74 in. wide, 1.87 in. deep, and 1.33 in. high.

It's a simplex device that can capture in color, black-and-white, or grayscale, at resolutions up to 600 dpi. At 300 dpi, the S1100 is advertised as scanning a U.S.-letter-sized page at 7.5 seconds. The S1100 features continuous document feeding, which means that although it's handfed, it can compile multiple pages into a single file. By default, those will be PDF images, made searchable through **ABBYY's** FineReader for ScanSnap application.

Like other ScanSnaps, the S1100 has no TWAIN driver. Proprietary technology acts as the interface between the scanner and a PC or laptop, which is connected through a USB cable and also powers the scanner. The proprietary driver improves the

scanner's ease-of-use and enables it to work seamlessly with bundled software like Fujitsu ScanSnap Manager and Organizer, as well as CardMinder for automatic recognition of business cards. Fujitsu has also bundled applications for scanning directly to cloud-based software from Evernote and Google.

The S1100 includes Fujitsu's intelligent document processing, meaning it can auto-select page size and orientation and will recognize documents as color, black-and-white, or grayscale. The device features an adjustable two-way paper path, which enables it to support a wide range of documents—plastic cards, IDs, and thick stock through the straight paper path, and normal paper through the "L-shaped" paper path.

List price for the S1100 is \$199 and it is available through Fujitsu authorized resellers, and the on-line Fujitsu store.

For more information:
<http://tinyurl.com/ScanSnap1100>

DICOM, FROM PAGE 1

"Our investors really want a long-term business that will yield substantial dividends on an annual basis," Froning told *DIR*. "This deal is not built around achieving a quick disposal and exit."

Froning acknowledged that the distribution market has declined in recent years. "I think that is attributable to the overall economic decline everybody has seen, and we survived that fairly

well," he noted. "Our revenue declined only slightly [1.7% in 2010], and we were still profitable. Now, our market is growing again, and we see this as a growing business. It's not a massively growing business, but our plans aren't built on any aggressive growth strategies."

The distribution business has 19 locations that serve 40 countries throughout Europe, the Middle East, and Africa. "We want to build on the strengths we have today," said Froning. "We offer businesses an independent provider of production scanners, along with maintenance, services, and support. We will also continue to offer batch capture software like Kofax Express."

Froning said Dicom will also continue to look for areas of customization, such as with network scanners. "Adoption of network scanners is one of the bigger trends we see right now," he said. "Also, our reseller base has changed pretty dramatically over the past three years. While we're still dealing with traditional VARs, a number of other parties, such as systems integrators and corporate resellers, have emerged. These are larger organizations that provide infrastructure products and services to large corporations.

"You didn't see that a few years back. As our entire market moves toward front-office capture, it's changing the players we deal with. While some smaller deals may go through Internet resellers, nobody buys hundreds, or thousands, of workgroup scanners on-line."

For more information:
<http://www.kofax.com/distribution.asp>

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