

# Document Imaging Report

Business Trends on Converting Paper Processes to Electronic Format

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January 4, 2013

## 2012: A Holding Pattern; Expect More Aggressive 2013

2012 was kind of an odd year in the document imaging market. The space is definitely maturing—countless viewings of commercials for “The Neat Desk” during prime time televised sporting events are certainly evidence of that. That said, there didn’t seem to be any huge acceleration forward in the market as a result of document imaging’s finally having crossed the chasm. In fact, in many ways, the market seemed in a bit of a holding pattern in 2012.

The two leading sources that *DIR* relies on for market projections both issued fairly conservative CAGRs for the five-year period 2012-2016. **Harvey Spencer Associates**, which tracks capture software sales worldwide, projects 10% revenue growth, which is a downgrade of 2.5% from their five-year projection made in 2011 [see *DIR* 8/10/12]. **Moyse Technology Consulting**, which tracks scanner sales, was projecting a 10% CAGR in units sold and a 5% growth in revenue [see *DIR* 10/12/12].

Aside from the basic principal of a greater number of vendors (increasing supply) driving down prices, which is certainly a factor in the conservative revenue projections, we believe there were three other factors in 2012 that contributed to some market malaise when we could have potentially seen explosive growth. Following is a look at each of these factors:

### 1. Uncertainty surrounding

**Kodak:** Yes, it’s only one company, but at \$400 million in annual revenue, Kodak is clearly one of the biggest players in our market. If you remember, in January, **Eastman Kodak** filed for Chapter 11 bankruptcy protection [see *DIR* 1/20/12]. In its original re-organization plan, Kodak announced it would keep the profitable Document Imaging unit and run it as a “core business.” This meant it was key to the plans of Kodak corporate going forward [see *DIR* 3/2/12].

In August, however, those plans changed when Kodak announced that DI was being put up for sale [see *DIR* 8/31/12]. The reason was that Kodak discovered it was going to receive far less than originally anticipated for the sale of a portfolio of digital imaging patents. Kodak eventually received \$525 million. Regardless, this wasn’t enough to pay all the bills and creditors Kodak needs to pay off to emerge from bankruptcy, so Document Imaging and Personal Imaging [a consumer and photo kiosk business] were put up for sale.

The end result might be a good thing for Kodak Document Imaging. DI execs are optimistic that a new owner will be able to focus resources entirely on the DI business, instead of utilizing the profits from DI to support an emerging print business—which seemed to be Kodak’s original

plan. In the interim, however, the uncertainty has hurt Kodak DI. It took the organization at least a month to recover from the initial bankruptcy announcement [see *DIR* 6/8/12], and word is that the business took another hit when the planned sale was announced.

Say what you want about Kodak, but DI is certainly one of the pioneers in our industry, and its products and marketing have helped drive a lot of document imaging sales over the years. Any uncertainty and doubt surrounding a leader the size of Kodak is certainly going to be felt. With a sale expected to close in Q1 2013, we expect Kodak’s momentum to pick up again by the second half of this year and certainly in 2014.

### 2. Technology at a crossroads:

This is related to one of the predictions we made for 2012 about the emergence of a new operating systems environment. No, Windows did not lose its dominant OS position in 2012, but there clearly is some uncertainty in the market regarding technology platforms going forward. To cloud or not to cloud is the big question for end users. And, in deference to increasing adoption of cloud and mobile technology, vendors are considering new development tools incorporating technology like HTML 5 and REST (Representational State Transfer)ful APIs. Even the new release of SharePoint 2013 drew

some attention.

The result was that in 2012, end users were more careful in their purchasing decisions for document imaging systems—not wanting to get stuck with outdated technology. This resulted in some unnaturally elongated sales cycles—which will hopefully start to shorten up a bit in 2013.

Vendors, like capture software market leader **Kofax**, for example, were also busy investing R&D dollars in cutting edge solutions like mobile capture—that currently have more mind- than market-share. The good news is that by investing in the future, these vendors are setting themselves up for long-term success. The bad news is that it may have taken their focus off the here-and-now a bit, which contributed to a somewhat sluggish 2012. When all is said and done, a strong 2013-2020 counts for more.

**3. Global economic uncertainty:** The latest flavor was the creatively named “fiscal cliff” that we recently stopped just short of going over here in the U.S. Throughout the year, we also heard the phrase “austerity measures” associated with several countries in western Europe, including Germany and Greece. Rumbblings about the French, British, Spanish, and Portuguese economic environments also have graced on-line news feeds.

Interestingly, while the North American and western European markets, where document imaging sales have historically been strongest, somewhat plateaued in 2012, we heard positive reports coming out of emerging markets like Eastern Europe, the Middle East, and Latin America. It’s always been our position that document imaging is a great bridge from paper to electronic processes. In less developed countries, we’re assuming processes are also less developed, and therefore more dependent on paper—thus creating more opportunities.

In 2013, we expect continued strong growth in developing markets, and also somewhat of a rebound in the more mature document imaging geographies as economies start to stabilize.

### **Grading Our 2012 Predictions**

As is our custom, before getting to our annual *DIR* predictions for 2013, we will review our 2012 projections to see how we did:

**1. Emergence of electronic document capture and classification as a major component of the document capture space:** Just to be clear, we were predicting that capturing electronic documents was going to begin to rival the capture of document images in importance for document capture ISVs. While we certainly saw some movement this way in 2012, especially with the introduction of **Forrester’s** Multi-Channel Capture wave [see *DIR* 8/31/12], electronic document capture is still secondary to image capture for most people in our market. That said, we think this is a valid prediction—just one that is taking a little longer to realize

## **Document Imaging Report**

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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 2012**

The next four pages contain an index of the articles that *DIR* published in 2012. 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](mailto:ralphg@documentimagingreport.com) or (814) 866-2247.

**Key to index abbreviations (listed in alphabetical order):** A/P - accounts payable; BI - business intelligence; BPM - business process management; ECM - enterprise content management; EHR - electronic healthcare records; FCPA - Fujitsu Computer Products of America; HIMSS - Health Information Management Systems Society; HSA - Harvey Spencer Associates; IDR - intelligent document recognition; IIS - Image Integration Systems; IP - intellectual property; M&A - mergers and acquisitions; MFPs - multi-functional peripherals; MPS - managed print services; MTC - Moyses Technology Consulting; NSi - Notable Solutions, Inc; OBS - Ocè Business Services; ONC - Office of the National Coordinator for Health Information Technology; RM - records management; QAI - Quality Associates, Inc; SaaS - software as a service; SDK - software development kit; TABS - Toshiba America Business Solutions; TIS - Top Image Systems

<b>Issue Date</b>	<b>Pg.</b>	<b>Name of Article</b>	<b>Market Segments</b>	<b>Companies Featured</b>
Jan 6, 12	1	Market Maturation Marks 2011; What to Expect in 2012	Capture, Scanners, Financials, M&A,	HSA, Microsoft, Kofax, Kodak, HP
Jan 6, 12	3	DIR Annual Article Index for 2011		
Jan 20, 12	1	Digitech Aggressively Attacks Batch Capture Market	Capture, Channel	Digitech, Cranel
Jan 20, 12	1	Kodak Execs Position Bankruptcy as Part of Re-org	Scanners, Service	Kodak, Imaging 411
Jan 20, 12	3	Research Shows \$6-Plus ROI for \$1 of ECM	ECM, Events	Nucleus, Digitech
Jan 20, 12	4	Kofax Announces Mobile Play	Capture, Mobile	Kofax, MobiFlex
Jan 20, 12	5	AutoStore 6.0 Increases Automation, Usability	Capture, MFPs	NSi, Xerox, Ricoh
Feb 3, 12	1	Laserfiche Pushes Toward Enterprise Implementations	ECM, Events	Houston Texans, Ramsey County, USC
Feb 3, 12	1	Perceptive Announces Process Mining Tool	BPM, ECM	Pallas Athena
Feb 3, 12	4	Epson Ramps up VAR Channel Focus	Scanners, Channel	Epson, Laserfiche
Feb 3, 12	4	Plustek Introduces New Network Technology	Scanners, Events	Plustek, NewWave
Feb 3, 12	5	LincWare Shows Mobile E-Forms App	E-Forms, Mobile	LincWare, HSA
Feb 3, 12	5	ECM-Focused SharePoint Integrators Report Growth	ECM, Channel	DocPoint, Hershey
Feb 17, 12	1	AIIM Preps for Upcoming Conference	Events, ECM	AIIM, Questex
Feb 17, 12	1	Kofax Flat; ReadSoft, Nuance Up	Capture, Financials	Kofax, ReadSoft, Nuance
Feb 17, 12	5	Multiple Factors Drive Psigen's Impressive Growth	Capture, Financials	Psigen, Cabinet NG
Feb 17, 12	6	Imaging Industry Veterans Launch BI Start-Up	BI, Channel	Intuitive Business Intelligence, TIS
Feb 17, 12	7	Parascript Building Document Imaging Channel	Capture, OCR/ICR, Channel, Checks	Parascript, Data Dimensions, Kofax
Mar 2, 12	1	High-Volume Experience Pays Off	Scanners, BPO	Scan-Optics, BancTec
Mar 2, 12	1	Mail Order Company Achieves Impressive ROI with ICR	Capture, OCR/ICR, Channel, Awards	AnyDoc, Johnson Smith, AIIM, Open Text
Mar 2, 12	5	Resellers Combine Strengths	Channel, M&A	Image Express, Relion
Mar 2, 12	6	Cloud Services Target SMB-Driven Markets	ECM, Capture, Cloud, Verticals	Doculex, Reynolds and Reynolds, Plustek
Mar 2, 12	7	HTML 5 Viewing SDK on Way from Lead	Viewing, Mobile	Lead Technologies
Mar 2, 12	7	Fremium App Synchs Box with SharePoint	ECM, RM, Cloud	LivingAnalytics

Issue Date	Pg.	Name of Article	Market Segments	Companies Featured
Mar 23, 12	1	Kofax Focused on Capture-Related Software Growth	Capture, BPM, Events, Cloud	Kofax, Singularity, Forrester
Mar 23, 12	1	News Round-Up	Capture, IDR, Healthcare	CVision, Nuance, NovoDynamics
Mar 23, 12	5	Mobile Capture a Hot Topic	Mobile, Events	Kofax, MobiFlex
Mar 23, 12	7	Brainware Rounds Out Lexmark ECM Play	M&A, IDR, ECM, BPM, MFPs	Lexmark, Brainware, Perceptive, HSA
Apr 6, 12	1	Lexmark Adds Technology and Vertical Expertise	M&A, Education, Search, ECM	Lexmark, Perceptive, Nolij, ISYS
Apr 6, 12	1	IKON Re-branded as Ricoh	MFPs, M&A	IKON, Ricoh, Canon
Apr 6, 12	3	Trapeze for Invoices Builds on CVision's Expertise	Capture, IDR	CVision Technologies
Apr 6, 12	4	Nuance Showcases Capture Technologies at HIMSS	Events, Healthcare, Capture, OCR/ICR, EHR, MFPs	Nuance, Fujitsu, Osmosyz, ONC, Health Story Project
Apr 6, 12	5	NovoDynamics Revamps IDR Offering	IDR, Capture	NovoDynamics, AIIM
Apr 6, 12	6	docSTAR Donates DMS to Flooded Neighbor	ECM, Events	Village of Schoharie
Apr 6, 12	7	Imaging 411 Thrives as Independent Service Provider	Scanners, Service, Micrographics	Imaging 411, Kodak, Sunrise Imaging
Apr 20, 12	1	IBML Expanding Capture Footprint	Scanners, Capture, Channel, Personnel	IBML, Kodak, Kofax, CVision, TIS
Apr 20, 12	1	USAA Seeks To Invalidate Mitek's Patents	Capture, IP, Mobile	Mitek, USAA, Kofax
Apr 20, 12	4	Hyland Touts Advantages of Integrated Repository	BPM, Capture, ECM, Channel	Hyland Software, Kofax, Microsoft
Apr 20, 12	5	U.K. ISV Gaining Momentum with SaaS IDR Platform	Capture, SaaS, BPO, IDR	Celaton, RedRock Technologies
Apr 20, 12	6	Square 9 Announces P2P Application	ECM, P2P, Channel, Capture	Square 9 Softworks, Artsyl, Microsoft
May 4, 12	1	Nuance DI Changes Leaders	Capture, OCR/ICR, MFPs, Channel	Nuance, Equitrac, Ricoh, Xerox, AT&T
May 4, 12	1	Is Anyone Going to info360?	Events, ECM	AIIM, Questex
May 4, 12	4	Investment Partner to Help DocuWare Pursue Growth	ECM, Channel, MFPs, Financials	DocuWare, Morgan Stanley, Perceptive
May 4, 12	6	Snowbound Reports Robust Growth	SDKs, Viewing	Snowbound, Microsoft
May 4, 12	7	First Quarter Returns Sluggish	Financials, Capture	Kofax, ReadSoft
May 18, 12	1	Cabinet NG Finds Success in Hybrid Implementations	ECM, Mobile	Cabinet NG, Intuit
May 18, 12	1	Nuance Reports 7% Organic Growth	Capture, Financials	Nuance, TIS, Hyland
May 18, 12	3	New Product Development: Do You Feel Lucky?	ECM, Channel	Innovaxis
May 18, 12	4	CVision Building Out Channel	Capture, Channel	CVision, Red Herring
May 18, 12	6	DI Healthy Despite Kodak Corporate Struggles	Scanners, Capture	Kodak, AIIM
May 18, 12	7	A2iA's Document Reader Gaining Momentum	Capture, OCR/ICR	A2iA, Kofax, Yale
Jun 8, 12	1	Cranel Evolves with Market	Channel, Events, Scanners, Capture, Service, Storage	Cranel, FCPA, Kodak, Epson, Imation, Digitech, EMC
Jun 8, 12	1	CVision Named by Red Herring	Capture, Financials	CVision, Red Herring
Jun 8, 12	4	Iron Mountain Introduces Hosted A/P Workflow	Workflow, Capture, SaaS	Iron Mountain, Ephesoft, Corcentric
Jun 8, 12	5	Kodak DI Regains Momentum	Scanners, Service	Kodak, AIIM
Jun 8, 12	7	Management Changes Address Global Focus	Capture, Financials	ReadSoft, Debeka
Jun 8, 12	7	Brother Enters Desktop Scanner Market	Scanners, Channel	Brother, Best Buy

Issue Date	Pg.	Name of Article	Market Segments	Companies Featured
Jun 22, 12	1	This Could be it For Info 360	Events, ECM, M&A	Questex, AIIM, FCPA
Jun 22, 12	2	IBML Introduces Tabletop Scanner	Scanners, Capture	IBML
Jun 22, 12	3	More than One Way to an ROI	Scanners, Capture	FCPA, AutoNation, OPEX, IIS, Kofax
Jun 22, 12	4	A Mobile Document Camera	Scanners, Mobile	piQx, Epson, ABBYY
Jun 22, 12	5	HP Introduces MFP Capture Software	Capture, MFPs	HP, NSi, Nuance
Jun 22, 12	5	Meta Data Capture Start-up	Capture, ECM	Pingar, Microsoft
Jun 22, 12	6	I.R.I.S. Partners with Evernote	OCR/ICR, Cloud	I.R.I.S., Evernote
Jun 22, 12	6	Ricoh Increases Focus on Delivering Services	Events, MFPs, Channel	DocuWare, Nuance, NSi, Westbrook
Jul 13, 12	1	Ephesoft 3.0 Advertises Next-Generation Capture	Open Source, SaaS	Ephesoft, Alfresco
Jul 13, 12	1	ABBYY Launches Cloud SDK	OCR/ICR, SDKs	ABBYY, Fujitsu
Jul 13, 12	4	Alfresco Enjoying Open Source ECM Success	Open Source	Alfresco, Ephesoft
Jul 13, 12	5	DocPoint Evolves into SharePoint SI	ECM, Services	DocPoint, QAI
Jul 13, 12	8	Kodak, Alfresco in ECM Partnership	ECM, Services	Kodak, Alfresco
Aug 10, 12	1	Crowdsourcing Brings Twist to Data Entry Market	Capture, BPO, OMR, Financials	virtualsolutions, Captricity, Orbograph
Aug 10, 12	1	Spencer Reports Strong Capture Sales	Capture, Events	HSA, SAP, TD Bank
Aug 10, 12	5	Visioneer Continues to Move Forward	Scanners	Visioneer
Aug 10, 12	6	Square 9 Introduces RESTful API	ECM	Square 9 Softworks
Aug 10, 12	7	Cabinet drops NG	ECM	Cabinet
Aug 10, 12	7	Industry Briefs	ECM, SaaS	DocuWare, TIS, Kofax
Aug 31, 12	1	Kodak DI for Sale; Who's Buying?	Scanners, M&A	Kodak, Alfresco
Aug 31, 12	1	Scanners Shipping with EMC Cloud Capture Component	Scanners, Cloud, SDKs, Capture	EMC, Ricoh, Image Access, HSA, SAP
Aug 31, 12	4	Forrester Wave Ranks "Multi-Channel" Capture ISVs	Capture, Mobile, IDR, Analytics, A/P	Forrester, Kofax, HSA, Brainware, EMC
Aug 31, 12	6	IDC Study Examines Broken Document Processes	MFPs, BPM, MPS	IDR, Ricoh
Aug 31, 12	7	Panasonic Upgrades Workgroup Models	Scanners, Channel	Panasonic
Sep 14, 12	1	Bringing More Intelligence to Capture	Capture, Events, Analytics	HSA, SAP, ABBYY, NovoDynamics
Sep 14, 12	1	ABBYY Acquires Software Reseller	M&A, Capture, Channel, ECM	ABBYY USA, Digital Documents, Hyland
Sep 14, 12	3	New Software Addresses Remote Scan Management	Scanners, Capture	Kodak, HP
Sep 14, 12	5	Document Compression Sales Growing	Capture, Image Processing, PDF	LuraTech, CVision, ISO, PDF Association
Sep 14, 12	6	Snowbound Upgrades AJAX Viewer	Viewing, SDKs	Snowbound IBM, EMC
Sep 14, 12	7	Automated Data Capture Still Underutilized	Capture, OCR/ICR	Parascript, AIIM
Sep 28, 12	1	Kodak DI Presents New Software Face at Conference	Capture, M&A, Scanners, IDR, Channel, Events	Kodak, ITyx, Digital Group, Nintex, Microsoft
Sep 28, 12	4	NSi Announces Ambitious Mobile App	Capture, Mobile, MFPs, E-Forms	NSi, HSA
Sep 28, 12	5	More from recent HSA Conference	Events, Capture, Mobile, Cloud, RM	HSA, Gimmel, STOIK, SAP, Open Text
Sep 28, 12	7	ISV Takes Fresh Look at Recognition	Capture, OCR/ICR	Beyond Recognition

Issue Date	Pg.	Name of Article	Market Segments	Companies Featured
Oct 12, 12	1	Scanner Sales Up 7% in 2011	Scanners, Capture	MTC, Kodak, IBML
Oct 12, 12	1	TABS Launches Solutions-Focused Unit	MFPs, MPS, ECM, Channel	TABS, DocuWare, Adobe, Perceptive
Oct 12, 12	3	FlexiCapture Engine Features Set-Up & Mobile Upgrades	Capture, SDKs, IDR, Channel	ABBYY, HSA, Intuit
Oct 12, 12	4	Mitek Sues TIS over Mobile Capture Patents	Capture, Mobile, IP	Mitek, TIS, USAA
Oct 12, 12	5	Datamark Implementing TIS eFlow	BPO, Capture, Channel	Datamark, TIS, TransCentra
Oct 12, 12	6	Xerox Develops Innovative Distributed Capture for Banks	Capture, MFPs	Xerox
Oct 12, 12	7	Atalsoft Releases Java SDK	SDKs, Capture	Atalsoft, Kofax
Oct 26, 12	1	A Look at Perceptive's Product Re-Branding	M&A, ECM, MFPs, Capture, Channel	Perceptive, Lexmark, TIS, OBS, SAP, EMC
Oct 26, 12	1	ReadSoft Increasing Footprint	Capture, Financials, BPO, Channel	ReadSoft, foxray, HSA, NMS Imaging, Altec
Oct 26, 12	4	Artsyl Gaining Momentum with ISVs	Capture, IDR, Channel	Artsyl, docSTAR, Square 9 Softworks
Oct 26, 12	6	DICOM Launches Cloud-Based Scanning	Cloud, Capture, Channel, Scanners	DICOM, KnowledgeLake, Kofax
Nov 9, 12	1	Meta Data Extraction Specialist Hopes to Revolutionize ECM	ECM, Capture, Channel, Search	Pingar, Microsoft, AIIM, Nintex, BA Insight
Nov 9, 12	1	Kofax Revenue Down in Q1	Capture, Financials	Kofax
Nov 9, 12	5	EMC Adds Text-Based Classification to Captiva	Capture, ECM	EMC
Nov 9, 12	6	Brother Scanner Features Wireless Network Scanning	Scanners, Cloud	Brother, Nuance
Nov 9, 12	7	Imaging Streamlines Political Fundraising	Capture, Check 21, Compliance	Aspect Consulting; iStream
Nov 23, 12	1	Content Management Key to Expanding "Beyond Print"	MFPs, Events, MPS, ECM	TABS, DocuWare, Perceptive, Drive
Nov 23, 12	1	Ricoh Consolidates Conversion Services	MFPs, Services	Ricoh Americas, IKON
Nov 23, 12	5	Web-Based Capabilities Drive Growth of Distributed Capture	Capture, Cloud, Channel, Scanners	CAPSYS, Tronitech, IDT, Tallega
Nov 23, 12	7	Developing a Successful Model for Subscription Sales	Channel, Cloud	IDT
Dec 7, 12	1	Crowdsourcing Leader Acquires Innovative Data Entry Co.	M&A, Capture, BPO, OCR/ICR	Lionbridge, Virtual Solutions, BancTec
Dec 7, 12	1	ibml Introduces In-Line Arabic OCR	Scanners, Events OCR/ICR, Channel	ibml, Kodak Document Imaging, GITEX
Dec 7, 12	4	New Firm Specializes in M&A		Xamcor, HSA, Document Boss
Dec 7, 12	5	Kofax Upgrades Front Office Server	MFPs, Capture, Mobile, Channel	Kofax, Canon, Fujitsu, Corporate Express
Dec 7, 12	7	E-Invoicing Complements Scanning Services	Capture, A/P, SaaS	Direct Insite Corp.
Dec 21, 12	1	Accusoft Launches Cloud-Based Invoice Capture	Capture, SDKs, IDR, Cloud	Accusoft, Intuit
Dec 21, 12	1	DocuLex Part of Brother Online Program	Scanners, ECM, MFPs, Cloud	Brother, DocuLex, Ricoh
Dec 21, 12	3	All Cloud Vendors are not Created Equal	Cloud, ECM	eGitsics, Gartner, IDC
Dec 21, 12	4	docSTAR Staking Future on Web-Based App	Cloud, Channel	docSTAR
Dec 21, 12	5	Psigen Introduces Web-Based Capture Module	Capture, Cloud, MFPs, Mobile	Psigen, Microsoft, Lexmark, Hyland
Dec 21, 12	6	ECM Not Major Focus of SharePoint 2013 Upgrades	ECM, Events, Services, Capture	DocPoint, Quality Associates, Vizit, C3

than we anticipated. **Wrong**

**2. “Touchless automation” and “straight-through processing” emerge as the new buzzwords for measuring the quality of capture systems:** This prediction had to do with the continued emergence of IDR and the integration of capture and BPM. While we heard a little talk about it from Kofax in regards to case management, we didn’t see a lot of metrics being used specifically mentioning these terms. While we think it’s a great concept, it’s clearly one whose time has not quite arrived. **Wrong**

**3. Consolidation of the ECM software market:** Really, we only saw a couple of smaller acquisitions by **Perceptive**, of Nolij, and **Hyland**, of SIRE,— both vertically oriented buys. Although there was a lot of talk about using cloud-based file storage for document management, none of the major cloud ISVs felt the need to acquire ECM technology. We also didn’t see any consolidation of smaller ISVs with the goal of increasing mass. **Wrong**

**4. Consolidation in the document imaging services space:** We did see some movement in this area with **Image Express** buying Relion [see *DIR* 3/2/12] and **Databank** acquiring OSAM. We’re assuming there was also some stuff that flew under our radar. We also saw **ABBYY USA** acquire a reseller, Digital Documents [see *DIR* 9/14/12]. **Right**

**5. Emergence of a new operating systems environment:** As we alluded to in our review of 2012, we may have gotten a little ahead of the market with this prediction. In fact, if anything, with the launch of Windows 8 and its Surface Tablet, Microsoft may have actually regained some OS market share. We still expect **Apple** and **Google**, and maybe someone else, to be the long-term winners, overtaking Microsoft’s Windows in the future, but that future is certainly not here yet. **Wrong**

Okay, that was somewhat embarrassing. A 20% success rate for our 2012 predictions was by far the lowest we’ve recorded since we began validating our previous year’s predictions back in 2009. We told you 2012 was a strange year.

### **What to expect in 2013**

Now, let’s move ahead to 2013. Here’s what we see happening in the document imaging market over the next 12 months:

**1. Explosion in adoption of cloud-based document imaging technology:** The table has been set—meaning almost every ISV in our market is now offering some form of cloud-based

technology. New developments in areas like HTML 5 and RESTful APIs are making this technology more attractive than ever. And vendors are also starting to develop creative compensation programs to motivate salespeople to sell cloud-based services.

For end users, the benefits of cloud-based document management are becoming too great to pass up. Now that document imaging has crossed the chasm, the mid-market is the next great area for a sales push. We’ve always said that cloud deployments benefit the mid-market the most— but the irony has been that mid-market users have been less willing than high-end customers to embrace emerging platforms. The continuing maturation of the cloud, along with the maturation of document management, has now created a perfect storm for mid-market adoption.

**2. Document imaging becomes key component in second-generation MPS:** *The MFP Report’s* Brian Bissett did a great job recently explaining why managed print services (MPS) are such a double-edged sword for the MFP industry: “Since the whole premise of MPS is reducing what a customer spends to deploy and use its print infrastructure, MPS by its very definition can only bring down total industry-wide spending on devices, supplies, services and pages,” said Bissett.

That would seem to leave revenue from products and services outside the print infrastructure as the best opportunity for increasing revenue for MFP vendors. Document scanning is clearly one such area, and it can also be tied closely to MFP vendors’ hardware. At the **TABS** (Toshiba America Business Solutions) conference late last year, President and CEO Mark Matthews pointed out that contracts of early MPS adopters are now coming up for renewal and that vendors are looking for ways to expand those contracts. Document imaging applications are a natural avenue.

**3. Kodak DI will be acquired by a major printer vendor:** Our discussions with Kodak executives in 2012 indicated that there were two types of potential buyers for DI: strategic and financial. A financial buyer would be an equity investment firm. A strategic buyer would be a hardware or software vendor in a related industry.

It’s our opinion that the potential benefits to a strategic buyer would be greater because of its ability to piggyback DI onto an existing infrastructure. This potential for greater benefits should lead to higher bids from strategic buyers. As far as candidates go, a printer vendor makes sense, as most are desperately trying to diversify from what is a flat to declining market. And, as we said in

prediction number two, document imaging is a natural avenue for this diversification.

**4. More opportunity for IDR in healthcare market:** The first generation of EHR systems is now almost complete—we've seen projections that up to 80% of physicians are now using electronic healthcare records. And while there has been some integration of document capture with EHR through HL7's CDA (clinical document architecture), we expect increasing opportunities for IDR ISVs as healthcare providers seek to create to Level 2 and 3 CDAs from document images.

Basically, for Level 1 CDAs, extracting header information like patient and provider information, as well as date and time, is sufficient. To gather any more information, the user must view the image. To truly give a paper record the flexibility of an electronic record, Level 2 and 3 CDA formatting must be adopted. This involves extracting information like section and entry codes that can be understood by EHR systems and used for important processes like demographic charting. According to one blogger on the topic, "For interoperability to truly be successful, EHR repositories need to be armed with the richness of quality data that is coded to its fullest extent. Quality data will help lead to quality care."

And quality care was the whole goal of the U.S. government when it encouraged/mandated EHR adoption. Even with EHR, there remains quite a bit of paper in healthcare, and we expect doctors will be given incentives to capture this paper in a more effective fashion in the near future.

**5. Major acquisition of an ECM vendor:** This has to happen again sometime right? By major, we're going to say over \$20 million, but we wouldn't be surprised if it scaled closer to \$100 million or more. The last major ECM acquisition we recall was **Open Text** picking up Global 360 for \$260 million and that was a year and a half ago. No, ECM isn't the sexiest technology on the market, but with more storage moving onto the cloud—there is definitely an emerging need for more controls and document management, and ECM vendors are the perfect place to turn for that sort of functionality.

**6. Some major market developments driven by ongoing patent lawsuits:** The **ABBY** vs. **Nuance** patent infringement suit regarding OCR technology has been going on for four years now—something has to give. In addition, in 2012, we saw **USAA** file suit against **Mitek** and Mitek turn around and sue **TIS**—both cases involving mobile capture technology, an area where a lot of other vendors are marketing similar products. Somebody is going to settle and/or run out of money and we expect the results to significantly impact the market landscape going forward.

Please feel free to let us know your thoughts on our predictions, as well as what you are expecting to see in 2013!

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