January 6, 2012

Market Maturation Marks 2011; What to Expect in 2012

DIR makes its annual predictions and reviews last year's

2011 marked another year in the maturation of our market. What was once considered fringe technology is now being positioned regularly in mainstream applications like managed print services (MPS), cloud storage, and mobile banking. Heck, we're even seeing infomercials featuring document and receipt scanning. Technology giants like **IBM**, **Oracle**, and even **Microsoft** (albeit mainly through partners) are also increasing their investments in document imaging.

While document imaging, at least the kind that delivers a solid ROI, hasn't been commoditized, we are certainly seeing some of the price pressure that going mainstream can create. That said, 2011 seemed like a relatively healthy year. **Harvey Spencer Associates**, even with a slight downgrade to account for uncertainty in the European economy, was still projecting 10% growth for the document capture software market in 2011—bringing its value to approximately $2.5 billion worldwide. Susan Moyse was projecting similar growth for document scanners [*see DIR 11/4/11*].

Several publicly traded companies in our market also showed strong results through the first three quarters of 2011. These included **Nuance**, **ReadSoft**, **Top Image Systems**, and **Mitek**. In

contrast, **Kofax** started the year strongly before stumbling a bit in the second and third quarters— blaming weakness in Europe for the third-quarter shortfall.

While invoice capture remains a strong market for IDR (intelligent document recognition), auto-classification for documents like mortgage files and medical records is gaining momentum and perhaps emerging as the second killer app for advanced capture.

On the hardware front, we saw improved incorporation of scanning into MFPs, through manufacturers' improvements, like a new touchscreen interface developed by **Sharp** [*see DIR 5/6/11*] and scan-to-cloud delivered by **Ricoh** [*see DIR 6/10/11*], as well as continuing advancements in third-party MFP capture products from vendors like Nuance and **NSi**—each of which announced multi-million dollar deals in 2011 [*see DIR 10/21/11 and 12/2/11*].

Scanner vendors also continued to improve their products, with **Kodak** introducing more LED models [*see DIR 3/4/11 and 4/1/11*] and **Fujitsu** and **Visioneer** each improving their mobile offerings [*see DIR 1/21/11 and 10/21/11*]. On the high-end/mailroom front, **IBML**, **Banctec**, and **OPEX** continue to move forward, while market pioneer **Scan-Optics** has

discontinued manufacturing to focus on service and solutions.

As always, with the first issue of the year, we will attempt to forecast some of the biggest stories and trends that will take place in 2012. But first, we will review our predictions from 2011 to see how we did. Following is an analysis of the five predictions that appeared in our January 7, 2011 issue:

1. Full acceleration of hardware vendors into the capture software space: While we saw several minor moves in this direction last year, we did not see the "full-scale acquisition of a capture software company by a hardware vendor" that we had predicted. We did see **Canon USA** launch a solutions focused subsidiary that it plans to grow to $500 million in four years [*see DIR 5/20/11*]—which will likely involve some future acquisition, possibly of a capture vendor. We also saw Fujitsu continue its software investments—as its scanner manufacturing subsidiary **PFU** took a stake (reportedly 5%) in recognition ISV **ABBYY**. Kodak launched a couple new software products designed to image-enable SharePoint—built on technology licensed from Atalasoft spin-off **Vizit** [*see DIR 5/20/11*]. Finally, **Xerox** made a minor acquisition of an ISV that has developed some capture technology for its DocuShare

platform [*see* *DIR* *2/18/11*].

But, unless you count **HP's** acquisition of **Autonom**y, which we'll actually count later, the movement of hardware vendors into the capture space continued at more of a steady pace in 2010—rather than the full-scale acceleration we had predicted. **Wrong.**

2. **A ramping up of cloud-based document capture offerings:** We were dead on with this one. *DIR*'s 2011 coverage featured the launch of no less than seven new cloud-based capture initiatives. These included new offerings from well-known capture ISVs like **ABBYY**, **EMC's** Pixel Translations, **Brainware**, **Nuance**, **Mitek**, and **Capsys**. We also saw start-ups like **DocSolid** get into the mix with a cloud capture offering targeted at managed print services environments [*see* *DIR* *1/21/11*]. And the year ended with Kofax discussing its plans for a cloud platform [*see* *DIR* *12/16/11*].

Of course, this isn't to say we've seen a ton of cloud adoption by end users yet, but HSA's Dave Wood has projected strong growth in mobile document capture—which inherently relies on cloud technology for any advanced capture. So, this bodes well for future adoption. In 2011, we basically saw vendors ramping up to meet future demand. **Right.**

3. **SharePoint emerges as a competitive transaction content management platform:** Okay, predictions similar to this one have been floating around for years. Basically, here's what we've learned: 1) SharePoint is an estimated $2-billion-a-year business for Microsoft, and the software has been installed by more than 70,000 organizations. 2) SharePoint 2010 is a much better platform for implementing document imaging applications than any of its predecessors. 3) Maybe 10% of attendees at any given SharePoint event are interested in utilizing it for document imaging.

If you put all this together, this makes SharePoint potentially a $200-million-a-year imaging business for Microsoft—not including third-party capture, viewing, and BPM revenue—with some 7,000 customers. We're pretty certain it's not quite that big, but even at even a fraction of those numbers (and considering some of the success stories we've been hearing from imaging-focused SharePoint integrators), we think SharePoint is definitely competitive in our market, to say the least. Also, when you are hearing top marketing executives at ISVs like **Open Text** and **Perceptive** tell you that if they were launching ECM businesses today, they doubt they'd develop their own repositories…well, you have to figure SharePoint is emerging as a force in the TCM space. **Right.**

4. **An IDR vendor will be acquired**: Somewhat surprisingly, this didn't happen. IDR continues to be a fragmented market with a lot of strong technology, but for whatever reason, none of the larger capture or imaging players decided to invest in an acquisition. In fact, we even saw **Hyland** go down the route of developing its own

The next four pages contain an index of the articles that *DIR* published in 2011. If there are any articles in this list that you are interested in seeing, please contact Editor Ralph Gammon. He can be reached at ralphg@documentimagingreport.com or (814) 866-2247.

Note: To avoid redundancy, if a company's name or a market segment is mentioned in a headline ("Name of Article"), it is not always included in the "Companies Featured" and "Market Segment' columns. This is done to save space, and because we wanted to list as much relevant information as possible.

Key to index abbreviations (listed in alphabetical order by acronym): BPM - business process management; CCHIT - Certification Commission for Health Information Technology; CIIS - Canon Information and Imaging Solutions; DCA - Document Conversion Associates; DoD - U.S. Dept. of Defense; ECM - enterprise content management; EMEA - Europe, Middle East and Africa; EMR - Electronic Medical Records; FCPA - Fujitsu Computer Products of America; HHS - U.S. Dept. of Health and Human Services; HSA - Harvey Spencer Associates; IAC - Information Access Systems; IDR - intelligent document recognition; IIS - Image Integration Systems; IP - image processing; KM - Konica Minolta; M&A - mergers and acquisitions; MS - Microsoft; NSi - Notable Solutions, Inc.; MFPs - multi-functional peripherals; MPS - managed print services; MTC - Moyse Technology Consulting; PBMS - Pitney Bowes Management Services; QAI - Quality Associates, Inc.; RM - records management; SaaS - software as a service; SDK - software development kit; SOA - Services Oriented Architecture; TCM - transactional content management; TIS - Top Image Systems; USPS - United States Postal Service.

Issue Date	Pg.	Name of Article	Market Segments	Companies Featured
Jan 7, 11	1	MFP Capture, SharePoint 2010 among Hot Trends for 2011	Capture, ECM, MFPs, M&A, IDR, Mobile, EMR, Cloud	Kofax, IBM, HP, MS, EMC, ABBYY, Kodak,
Jan 7, 11	3	DIR Annual Index of Articles for 2010		
Jan 21, 11	1	Transformation of Kofax is Complete	Capture, Events	Kofax
Jan 21, 11	1	Dicom Plans to Stay the Course	M&A, Channel	Kofax, Dicom
Jan 21, 11	4	New Capture App Combines MFPs, the Cloud, and MPS	MPS, Legal, Channel	DocSolid, ImageTag
Jan 21, 11	6	New Mobile Scanner: No Strings Attached	Scanners, Mobile	Visioneer
Jan 21, 11	7	Fujitsu Reduces Size of Mobile ScanSnap	Scanners, Mobile	Fujitsu, ABBYY
Feb 4, 11	1	Laserfiche Prepares for Tornado	ECM, Events	Laserfice, MS
Feb 4, 11	1	Venture Money to Fund Additional ERP Integration	BPM, ERP	IIS, Oracle
Feb 4, 11	3	Kofax Driving Toward Increasing Market Cap	Capture, Financials	ReadSoft, EMC
Feb 4, 11	5	Christian Ramps Up Kofax Marketing Programs	Capture, Events	Kofax, IBM
Feb 4, 11	6	Cranel Not Interested in Europe	Channel, Scanners	Kofax, Dicom
Feb 4, 11	6	OPEX Gaining Momentum in Document Processing Market	Scanners, Channel, Capture, Check 21	OPEX, Kofax, BCS Systems
Feb 4, 11	7	ABBYY Introduces Cloud Service for Ad Hoc Users	OCR/ICR, Cloud	ABBYY
Feb 18, 11	1	Pitney Bowes Canada to Resell Square 9's SmartSearch	MFPs, Channel MPS, ECM	Square 9 Softworks
Feb 18, 11	1	Atalasoft Strengthens TWAIN Play	Scanners, M&A	Dosadi
Feb 18, 11	3	Acquisition Strengthens Xerox DocuShare Pro Services	M&A, MFPs, Capture, ECM	Xerox, WaterWare
Feb 18, 11	4	docSTAR Leads with the Cloud	ECM, Cloud	docSTAR
Feb 18, 11	6	Reseller Maintains Growth Through Recession	Channel, ECM	ImageSoft
Feb 18, 11	7	Open Text Completes BPM Acquisition	M&A, ECM, BPM	Metastorm

Issue Date	Pg.	Name of Article	Market Segments	Companies Featured
Mar 4, 11	1	BancTec Heightens Focus on BPO	Capture, BPO	BancTec, EDS
Mar 4, 11	1	Kodak i5000 Series Features New Lighting System	Scanners, IP	Kodak
Mar 4, 11	3	ReadSoft Looking for New CEO	Capture, Financials	ReadSoft, SAP
Mar 4, 11	4	Bish: Kofax has no Interest in Acquiring ReadSoft	Caputre, M&A	Kofax, ReadSoft
Mar 4, 11	5	NSi Prepares for Future of the MFP Market	MFPs, Capture	Ricoh, Xerox, KM
Mar 4, 11	7	Fujitsu Evolving With Network Scanner Market	IP, MFPs	FCPA, ABBYY
Mar 18, 11	1	Is SharePoint for ECM Nearing a Tipping Point?	Services, Channel, BPM, Capture	MS, ShareSquared
Mar 18, 11	1	AIIM's New Capture Course	Education, Capture	AIIM, @doc
Mar 18, 11	5	IBM Announces New Version of Datacap Taskmaster	Capture, M&A	IBM, Datacap
Mar 18, 11	6	Lexmark Facilitates Rapid International Ramp-Up	M&A, MFPs, Channel	Perceptive, Lexmark
Mar 18, 11	7	Perceptive Introduces Deveoper Network	Channel, Services	Perceptive
Mar 18, 11	8	TIS Formalizes Channel Program	Capture, Channel	TIS, Kofax
Apr 1, 11	1	SharePoint Dominates Mindshare at info360	Events, ECM, Capture, BPM	Kofax, KLake, Open Text
Apr 1, 11	1	Open Text and Kofax Merge	April Fools	
Apr 1, 11	3	Mobile Apps Another Strategic Direction for Open Text	Mobile, M&A, ECM	weComm
Apr 1, 11	4	Compliance and Viewing Viable Ecosystem Strategies	RM, Viewing, ECM, Mobile	Laserfiche, Atalasoft
Apr 1, 11	5	EMC Ramps up Speed in Captiva 6.5	Capture, IDR	EMC
Apr 1, 11	6	OPEX Revamps Standalone Scanner	Scanners, Capture	OPEX, Kofax
Apr 1, 11	7	Kodak Skips Show; Releases New Distributed Series	Scanners, Events	Kodak
Apr 1, 11	8	AIIM Show: What's in a Name?	Events, ECM	Questex, AIIM
Apr 22, 11	1	Canon Takes Measured Approach to MPS	MFPs, MPS	Canon USA, Océ
Apr 22, 11	1	New Walk-up Photo Scanner	Scanners, Events	Kodak, Docville
Apr 22, 11	3	Touring the AIIM Show Floor	Events	
Apr 22, 11	3	I.R.I.S. upgrades invoice processing app	Caputre, IDR	I.R.I.S., Docutec
Apr 22, 11	3	Iron Mountain doubles capture volume	Capture, Verticals	Iron Mountain
Apr 22, 11	3	Brainware spreading its wings	Caputre, IDR	Oracle, Perceptive
Apr 22, 11	4	CVision enjoys data capture success	IDR, OCR/ICR	CVision
Apr 22, 11	4	Square 9 shows iPad client	ECM, MFPs	Square 9, Apple
Apr 22, 11	4	Watson recalls ping-pong playing robot	Capture, OCR/ICR	IBM, Symbus
Apr 22, 11	5	Visioneer demoes scan-to-phone	Scanners, Mobile	Visioneer, Xerox
Apr 22, 11	5	AnyDoc reports strong 2010	Capture, Financials	AnyDoc
Apr 22, 11	6	ABBYY advances on mobile front	OCR/ICR, Capture	ABBYY, Intuit
Apr 22, 11	6	Contex adds ISIS drivers to WF scanners	Wide-Format, Channel	Contex, EMC Pixel
Apr 22, 11	7	Browser-based scanning a hot trend	Caputre, Cloud	FCPA, EMC
Apr 22, 11	7	nextScan offers 400 dpi newspaper output	Micrographics, IP	nextScan
Apr 22, 11	7	End of an Era: Kodak Sells Micrographics Business	M&A	Eastman Park Micrographics
May 6, 11	1	Start-Up Helps Archivists Meet Quality Standards	IP, Books	Certifi-Media, Hudson, Crowley
May 6, 11	1	FlexiCapture Features Enterprise Upgrades	OCR/ICR, IDR	ABBYY, MS
May 6, 11	4	Ephesoft Gaining Momentum	IDR, Open Source	Ephesoft, Kofax
May 6, 11	5	New Interface Complements Sharp's Latest Version of OSA	MFPs, Capture, Cloud	Sharp
May 6, 11	6	Kofax Expanding APAC Sales	Capture, Personnel	Kofax
May 6, 11	7	OBS Increases Document Imaging Footprint	Services, Capture	Océ, Canon

Issue Date	Pg.	Name of Article	Market Segments	Companies Featured
May 20, 11	1	MPS Leader Embraces Scanning Platform	MPS, Capture, MFPs, Channel	DocSolid, Supplies Network
May 20, 11	1	TIS, Nuance, Report Strong Quarters	Capture, M&A	TIS, Nuance
May 20, 11	4	Kodak Launches SharePoint Scanning and Viewing Apps	Scanners, ECM, Viewing, Channel	Kodak, MS, FCPA
May 20, 11	5	Canon USA Launches Services-Focused Subsidiary	MFPs, Services	CIIS, Nuance
May 20, 11	6	Regulus, J&B Bought by Equity Investor	Capture, M&A	Cerberus Capital
May 20, 11	7	PBMS, EMC Sign Reciprocal Agreement	Capture, Services	PBMS, EMC
Jun 10, 11	1	Ricoh Embracing Managed Services	MPS, MFPs, Events, Cloud	Ricoh, NSi, Cima, DocuLex
Jun 10, 11	1	Ricoh Spin-Off Introduces Paper Forms Alternative	E-Forms, Channel	eWriter Solutions
Jun 10, 11	4	Atalasoft Complementary to Kofax Portfolio	M&A, SDKs	Atalasoft, Vizit
Jun 10, 11	5	*DIR* Editor Presents on MPS, IDR, and BPM	Events, Channel	Cranel, Digitech
Jun 10, 11	6	IBM Deploying High-Volume Assisted Auto-Learning	Capture, IDR	IBM Datacap
Jun 10, 11	7	New Android App for Visioneer Mobility	Scanners, Mobile	SYNNEX
Jun 24, 11	1	Service Bureau Spin-off Thriving with SharePoint for Imaging	ECM, BPO, Capture, Channel	QAI, DocPoint, MS, Kofax
Jun 24, 11	1	Nuance Closes Equitrac Acquisition	M&A, MFPs	Nuance, Equitrac
Jun 24, 11	4	Windows Azure Platform Good Fit for M-Files	ECM, Cloud	M-Files, MS
Jun 24, 11	5	Visioneer Upgrades Workgroup Scanner	Scanners, IP	Visioneer, Kofax
Jun 24, 11	6	Swedish P2P Specialist Looking for U.S. Resellers	Workflow, Capture	Palette, PNC
Jun 24, 11	6	Compression ISVs Upgrade Technology	Capture, IP, OCR/ICR	CVision, LuraTech
Jun 24, 11	7	The Kofax-Pegasystems Synergy	Capture, BPM	HSA
Jun 24, 11	7	Perceptive Names Marketing VP	ECM, Personnel	Perceptive
Jun 24, 11	8	Merger Creates Business Process Services Leader	M&A, BPO	SourceHOV
Jul 8, 11	1	Imaging Remains Strong Focus for Iron Mountain	Services, M&A, RM	Autonomy, Kofax
Jul 8, 11	1	BancTec Ramping Up EOB Outsourcing Efforts	Capture, Healthcare	BancTec
Jul 8, 11	4	Reseller Hershey Places its Bets on SharePoint	Channel, ECM	MS, Hershey
Jul 8, 11	6	Perceptive Software Moving Upstream	Capture, BPM	Lexmark, Brainware
Jul 8, 11	8	AnyDoc Focused on Driving Channel Sales	Capture, Channel	AnyDoc, DCA
Jul 22, 11	1	Global 360 Acquisition Fits Open Text Plan	M&A, ECM, BPM	Open Text
Jul 22, 11	1	Pixel Upgrades Imaging SDK	Capture, SDKs, IP	EMC Pixel
Jul 22, 11	3	Integrating Scanning with the Cloud	Scanners, Capture	CloudShare
Jul 22, 11	4	Brainware Makes IDR Available as SaaS	Capture, IDR, Cloud	Brainware, MS
Jul 22, 11	6	Westbrook Beefs Up Web-Based App	E-Forms, Workflow	Westbrook, MS
Jul 22, 11	8	Parascript Primary Contractor for new USPS System	OCR/ICR, Verticals,	Parascript
Aug 5, 11	1	Spencer Reports Strong Capture Growth for 2010	Capture, Mobile	HSA, Nuance, Kofax, NSi
Aug 5, 11	1	PaperPort 14 Features Cloud Integration	OCR/ICR, Cloud	Nuance, MS
Aug 5, 11	3	Mitek Launches Mobile Cloud Platform	Cloud, Mobile, IP	Mitek Systems
Aug 5, 11	3	Open Text Launches SAP Receipt Capture App	Mobile, Capture	Open Text, SAP
Aug 5, 11	5	Kodak Integrates Software with Contex Scanners	Large Format	Kodak, Contex
Aug 5, 11	6	Hyland Reseller Shows No Fear of SharePoint	ECM, Channel	AMS Imaging
Sep 2, 11	1	Vizit Aids in Evolution of SharePoint for ECM	Viewing, Capture	Vizit, Atalasoft
Sep 2, 11	1	FineReader 11 Complements Mobile Initiatives	OCR/ICR, IP	ABBYY, Amazon
Sep 2, 11	4	ReadSoft Gaining Momentum	Capture, Financials	ReadSoft, Enea
Sep 2, 11	5	Square 9, Artsyl Team Up to Offer IDR to MFP Dealers	Capture, Channel	Square 9, Artsyl
Sep 2, 11	7	BancTec Announces New Multi-Pocket Output Stacker	Scanners, Check 21	BancTec

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Sep 23, 11	1	Dicom to Distribute KLake Software in EMEA	Capture, Channel	KLake, Dicom CaptureBites
Sep 23, 11	1	Spencer Conference Touches on Growth, Mobile Apps	Events, Capture	HSA, ACS
Sep 23, 11	3	Advanced Monitoring Key To ECM Satisfaction	Capture, ECM	Reveille, EMC, Zurich Financial
Sep 23, 11	5	DataServ Unveils SaaS-based Invoice Processing Machine	Capture, OCR/ICR, P2P, Workflow	DataServ, Scottrade
Sep 23, 11	7	Psigen Improves SharePoint Integration	Capture, ECM	Psigen, Microsoft
Sep 23, 11	8	OfficeDrop Pursuing OEM Partners	Cloud, Mobile	Nuance
Oct 7, 11	1	AIIM Study Validates Potential for Capture-To-Process Market	Capture, BPM, Research	Kofax, AIIM
Oct 7, 11	1	Nuance Highlights Equitrac Integration	Events, Capture, MFPs, MPS, Cloud	Nuance, Equitrac, MS
Oct 7, 11	3	Xerox Reselling ABBYY in Conjunction with DocuShare	Capture, OCR/ICR, IDR, MFPs	Xerox, ABBYY
Oct 7, 11	4	CAPSYS Launches Azure Capture Option	Capture, Cloud	CAPSYS, MS
Oct 7, 11	5	NSi Rides Distributed Capture Wave to Impressive Growth	Capture, MFPs, Financials	NSi, Konica Minolta, HSA
Oct 7, 11	7	Open Source Capture Business Picking Up	Capture, IDR	Ephesoft, Alfresco
Oct 21, 11	1	NSi Lands Multi-Million Software Deal with DoD	Capture, MFPs	NSi, DoD, HSA
Oct 21, 11	1	Lexmark Acquires BPM ISV	M&A, BPM, MFPs	Pallas Athena
Oct 21, 11	3	Visioneer Ups Ante for Mobile Scanning	Scanners, Mobile	Visioneer, Eye-Fi
Oct 21, 11	5	Document Management Software Certified for EHR Meaningful Use	EMR, Standards, ECM	DocuLex, HHS, CCHIT, HSA
Oct 21, 11	7	DocuWare Ramping Up Sales Efforts	ECM, Channel	DocuWare
Oct 21, 11	8	Laserfiche Targeting Acquired Competitors	ECM, M&A	HP, Global 360
Nov 4, 11	1	Scanner Vendors Embrace Solutions Approach	Scanners, Healthcare	FCPA, Kodak, Osmosyz, MTC
Nov 4, 11	1	Kofax, Kodak Struggle in Recent Quarter	Capture, Scanners	Kofax, Kodak
Nov 4, 11	6	Accusoft Pegasus Acquires Zero-Footprint Viewer ISV	Viewing, M&A	Adeptol, EMC
Nov 4, 11	8	More Big Stories Upcoming	M&A, Services, EAI	Databank, CIIS
Nov 18, 11	1	BPM Key to Lexmark's Pallas Athena Acquisition	BPM, ECM, M&A	Pereceptive
Nov 18, 11	1	Reading the EMEA Tea Leaves	Capture, Financials	Kofax, TIS, HSA, Docville
Nov 18, 11	3	New Visioneer Drivers Deliver Powerful Feature Set	Scanners, IP	Visioneer, Xerox
Nov 18, 11	4	The Book on OCR Systems Accuracy	Capture, OCR/ICR, M&A, Services	ADI, Kodak
Nov 18, 11	6	Databank IMX Embarks on Next Stage of Growth		Svoboda Capital, IAC, Hyland
Dec 2, 11	1	Nuance Imaging Pushes Toward $200 Million in Annual Revenue	Capture, MFPs, OCR/ICR, M&A	Nuance, HSA, Equitrac, Canon
Dec 2, 11	1	SCANNX Book Scanner to Carry Xerox Brand	Scanning, Cloud	Scannx, Xerox
Dec 2, 11	3	Canon Solutions Subsidiary Previews Its First Offerings	EAI, Cloud, ERP, MFPs, Output	CIIS, Oracle, Fujitsu
Dec 2, 11	4	Former Regulus Offers Multi-Channel Management	Capture, Services	J&B, Cerberus
Dec 2, 11	6	HP Moves Forward with TRIM RM Implementation	RM, M&A,	Tower, KPMG
Dec 16, 11	1	Kofax Jumps into BPM Space	M&A, Capture	Singularity, HSA
Dec 16, 11	1	Reveille Introduces Monitoring for SharePoint	ECM, Monitoring	Reveille, MS
Dec 16, 11	3	The Road to Touchless Automation	Capture, BPM, P2P	Brainware
Dec 16, 11	5	Mobile Document Capture Space Poised for Take Off	Cloud, Scanners	HSA
Dec 16, 11	6	EMC Introduces Tools for Cloud Services Capture	SOA, SDK	EMC

invoice capture [*see* *DIR* 8/5/11].

It turned out that the other big ROI producer related to document imaging—BPM, was the big area of acquisition in 2011. We saw no less than four major acquisitions in this area—two by Open Text, one by **Lexmark**, and one by Kofax. As IDR is so complementary to BPM in the area of automating document-driven processes, perhaps in 2012 we'll see some IDR acquisitions. **Wrong.**

5. HP will buy a capture ISV: Okay, this is where things get a little tricky. As you all know, HP acquired Autonomy for $10.3 billion, which most people agreed was an exorbitant price and led to a change in CEOs at HP. Most people don't think of Autonomy as a capture company. However, in addition to the Cardiff technology, which Autonomy picked up through its acquisition of Verity a few years back, Autonomy has plenty of auto-classification technology which can be utilized to organize and index electronic documents—which, as you'll see in our 2012 predictions, is going to become a major requirement in the capture market of the future. So, we're going to count this one as a winner. **Right.**

That brings us to a 60% accuracy rate on our 2010 predictions, which, based on historical data for these types of things in general, as well as what we've seen from our own predictions, we consider to be pretty good.

Now without further adieu, here are the five prognostications that we'll offer for the 2012 document imaging market:

1. Emergence of electronic document capture and classification as a major component of the document capture space: We've already seen the market starting to trend this way, with Kofax CEO Reynolds Bish stating late last year, "about a third of Kofax's revenues come from processing content that's already in electronic format." We received similar feedback from **AnyDoc** CEO Sam Schrage when discussing some of the invoice processing applications AnyDoc has been implementing.

Accelerating this trend will be the increasing use of mobile computers for generating transaction-related documents. This creates yet another avenue of input for organizations to worry about, in addition to the Web, e-mail, and paper—and each of these avenues can have multiple variations. In many cases, building and maintaining separate systems to capture multiple document types isn't going to make sense. This will lead to increasing adoption of enterprise capture strategies to handle both paper and (the rapidly increasing volume of) electronic documents.

2. **"Touchless automation" and "straight-through processing" emerging as the new buzzwords for measuring the quality of capture systems:** For several years now, we've utilized field-level accuracy to measure the success of forms processing systems. But, field-level accuracy is really a technology measuring stick—what does it mean in the real world? Well, better accuracy results in less keystrokes, which is a quantifiable value that can be turned into reduced labor costs.

Now that capture is being integrated with BPM, you add another quantifiable value into the mix—that is the number of times a document has to be looked at by a person during a transaction. The goal of IDR when integrated with BPM is to accurately capture the information needed to automate as many steps in a process as possible. This means that the characters not only need to be correct, but their context must be understood.

The bottom line becomes reducing labor through increasing the number of transactions that can be processed entirely automatically, or completed straight-through, without being touched by a human. So, now we are quantifying not only labor reduction of key entry personnel, but also of knowledge workers needed for processes like invoice or credit approval. Clearly, we can up the stakes with this new measuring stick. [It can also be applied to electronic document processes, where field-level accuracy is irrelevant.]

3. **Consolidation of the ECM software market:** With heavyweights like Microsoft, Oracle, IBM, and EMC mashing around in the market, the writing is on the wall. First of all, we expect to see an acquisition of at least one ECM ISV by a cloud-focused organization like **Google**, **Amazon**, or **Box.net**. Second, we expect to see some smaller and mid-sized vendors looking to team up and consolidate expenses.

ECM is still a growth market, but, as we've seen with Microsoft's SharePoint, once the big fellas start focusing on it, it can create price pressure. So, let's say the ECM market is growing at 10%, but Microsoft is growing its ECM business at 20% a year, and driving down prices to boot. This is certainly going to put the squeeze on some smaller ISVs. We think this will drive them toward consolidation or selling out to larger entities looking to grab a slice of a still lucrative software space—that certainly hasn't reached the commoditization stage (and probably [like ERP] never will) but is definitely reaching maturation. Market maturation is a double-edged sword that can bring new players into a space, but

also drive out some of the older ones.

4. **Consolidation of the document imaging services space:** We saw the beginnings of this trend in 2011 with merger of **SourceCorp** and **HOV Services** (the former Lason) [*see DIR 6/24/11*]. That was followed-up by **Databank IMX** announcing the first step forward in its acquisition strategy, which has been enabled through an equity investment [*see DIR 11/18/11*]. We've also seen reports of various smaller imaging SIs and service providers coming together.

We think this consolidation is being driven by changing market conditions—with integrators and service providers seeking safety in numbers. After all, in a maturing market, it certainly helps to be a larger entity. As more conservative buyers enter the market, it's only natural that they want to buy from larger businesses. In addition, as new technology in areas like IDR, SharePoint, and the cloud emerge, it helps to have a wider breadth of resources to invest in addressing these new opportunities/challenges.

5. **Emergence of a new operating systems environment:** This is more of a macro-technology trend, but certainly one that is going to affect our market going forward. For years (as long as I can remember), Microsoft has been the king of the OS. Back in the day, we had DOS and now almost everybody in business runs Windows. Well, guess what? As mobile and cloud computing begin to replace PC/server-based computing in some environments, Microsoft will be challenged for its throne.

That's right. Reports show that tablets and smartphones are being adopted at a much faster rate than PCs were originally adopted. While a lot of this adoption is for personal use, mobile computers are also rapidly crossing over into business applications. As they do, Microsoft loses some of its advantage.

Google and **Apple** are the clear leaders in the mobile OS world, and when it comes to cloud environments, while Microsoft's Azure is a leader, it is not the overwhelming force that Windows is.

So, what does this mean to you? It creates new opportunities in the uncharted waters of capture and document management in mobile and cloud environments. It also seems to lessen the edge that SharePoint has in the ECM market. Sure, Windows is going to continue to be a force going forward—but in a few years, we don't see it as the be-all and end-all OS that it is today.

We hope these predictions help you successfully navigate the document imaging landscape in 2012 and wish you all the best of success. Cheers. - *DIR*

CHECK OUT BLOG FOR NEWS UPDATES!

Well, happy New Year everybody. After a couple slow weeks, news will surely start picking up now, as the winter/spring event season is underway. We'll be out on the road a bit over the next month, so maybe we'll see you. Check out our blog (http://documentimagingreport.blogspot.com/) for briefs on a few recent news events, like **CVision's** release of new mobile recognition technology, a big sale by **Brainware**, and our thoughts on **Kodak's** potential bankruptcy filing.

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