Document Imaging Report

Business Trends on Converting Paper Processes to Electronic Format

January 9, 2009

ACQUISITION PUSHES PEGASUS TO FOREFRONT OF SDK MARKET

With its recent acquisition of **AccuSoft**, **Pegasus Imaging** has established itself as the clear leader in the imaging SDK (software development kit) market. The deal, which was worth more than $10 million, closed in late December and was announced this week. It was Pegasus' second major document imaging SDK-related acquisition in the past three years. In late 2004, Pegasus acquired Stillwater, OK-based TMSSequoia for approximately $3 million [*see DIR 1/21/05*].

"Our strategic goal is to grow through acquisitions," Jack Berlin, president, CEO, and founder of Pegasus, told *DIR*. "It's our vision to continue to buy companies that add to our business—if we can agree on the right price. We've had several deals that have fallen through because we couldn't agree on a price. I've been talking with [AccuSoft founder and CEO] Scott Warner for several years.

"Basically, I let him know that when he was ready to sell, I'd be happy to try and work something out. By June, we knew we would get something done, but it took us awhile to wrap things up—partially because of the economic downturn….Valuations have trended downward over the past two years, and they always say to buy low. The problem is that when things get bad, everyone is scared to do anything."

Following the TMS acquisition, Berlin told us that Pegasus, which is privately held, had an annual run rate of approximately $9 million. He estimated that AccuSoft was currently about half the size of Pegasus. Like Pegasus, AccuSoft has interests in both document and medical imaging, with document imaging making up the majority of its business, "but

What's in store for 2009?

By Ralph Gammon,
Editor

Although the worldwide economic situation remains tenuous at best, there is still a lot to look forward to in 2009 related to the document imaging market. No, we haven't seen the fourth-quarter reports for 2008 yet, so we are not sure how severely the economic slowdown has affected our market to date. But, the good news is that, prior to the stuff hitting the fan, our industry was enjoying a period of unprecedented growth. We were seeing trends like greater incorporation of imaging in ECM platforms, increasing adoption of distributed scanning, continued growth in the adoption of automated data capture from invoices, and a greater acceptance of document imaging in the mid-market.

We expect many of these trends to continue in 2009. That's because, from the very beginning, document imaging has always been about increased efficiency—or doing more with less. And in lean economic times, what could be a better selling point?

Before we get to our five sure-fire predictions for 2009, it's probably worth noting that last year, by our calculations, we hit on seven out of 10, which is a pretty strong success rate—based on the way these things usually go.

Following is a review of our predictions for 2008, which appear in our 1/4/08 edition:

1. Continued 15%-plus market growth: This seemed to be holding true through the first half of 2008, but we're guessing the second-half economic slump knocked the industry-wide growth rate down closer to (or even below) 10%. Some evidence: Automated data capture software leader **ReadSoft** was tracking at 11% growth through three quarters; **Nuance** reported 8% growth in its document imaging business for its fiscal year ended on Sept. 30. As of November, **Kofax** was continuing "to aim for double digit revenue growth" in its software business this fiscal year (ending June 30, 2009), after reporting overall growth of just more than 5% for its fiscal 2008. Kodak reported 3% growth in its document imaging business through nine months of

2008. **TIS**, which is quite a bit smaller than these companies, reported a much higher growth rate through nine months, while some smaller, privately held companies also seemed to be enjoying accelerated growth in early 2008. But most everyone was being cautious as the year ran out, and no matter how you slice it, it doesn't seem to add up to the bullish growth rate we had predicted. **Wrong**.

2. Capture becomes more assimilated into ECM: Early in 2008, **Oracle** acquired Captovation [*see DIR 3/21/08*], and late in the year **Open Text** bought Captaris [*see DIR 12/31/08*]. In between, **EMC** announced a new version of *InputAccel* with tighter ties to its *Documentum* platform. This call was pretty much a slam dunk for us. **Right.**

3. Button-scanning makes significant inroads: I think we were a little ahead of the market with this prediction. On the technical side, great inroads continue to be made to create more user-friendly scanner interfaces, but, in 2008, we didn't see any significant end-user adoption trends in this area. **Wrong.**

4. Litigation support will continue to gain attention, but not drive significant revenue for document imaging vendors: Litigation support and e-discovery continue to be very hot topics, but no one in our industry seems to be making a killing off them. Best practices are still being established in e-discovery, which makes it an immature market. **Right**.

5. Merger of payment and document capture applications: We definitely saw more of this, as payment processing specialists attempted to counteract increasing volumes of electronic payments by offering more full-page document capture technology and document capture vendors attempted to increase their slice of the pie by adding A/R offerings to their A/P technology. This trend is affecting both hardware and software vendors, as well as service providers. **Right.**

6. Widespread adoption of the digital mailroom is still at least a year off: Key here being "at least" a year, although we did start to see the emergence of some interesting applications with new value propositions in this area. Over the course of the year, we profiled several companies with viable digital mailroom offerings. However, adoption rates are clearly lagging behind many of the aforementioned vendors' expectations. **Right.**

7. Document output becomes part of ECM: We're not sure where this one sits, because we didn't follow the output segment very closely in 2008. However, we didn't hear a whole lot of buzz following EMC's acquisition of Document Sciences, and quite frankly, we didn't hear too much buzz about anything else involving output related to ECM. Open Text did pick up Captaris' fax server business, but that was not the main impetus for its acquisition. **Wrong.**

8. Emerging geographical markets continue to

Pull-Out Section:

Document Imaging Report
Annual Article Index For 2008

The next four pages contain our annual index of articles for our 2008 issues. Thanks again for your continued support of our publication. We hope to continue to provide your with a valuable resource for your business in 2009. If there are any articles in this index that you would be interested in reading, please contact Editor Ralph Gammon, who can be reached at ralphg@documentimagingreport.com or (814) 866-2247. We can also e-mail you a searchable Excel version of this index or a compact disc containing an index as well as all the year's issues. Indexes for past years are also available.

Key to index abbreviations: ECM - enterprise content management; RM - records management; M&A - mergers and acquisitions; SOA- service oriented architecture, WCM - Web content management; BPM - business process management; IP - image processing; IDR - intelligent document recognition; BPO - business process outsourcing; SaaS - software as a service; FCPA - Fujitsu Computer Products of America; TABS - Toshiba America Business Solutions; BBH - Böwe Bell + Howell; TIS - Top Image Systems; NSi - Notable Solutions, Inc.; ODT - Ocè Document Technologies; KLake - KnowledgeLake; TCM - Transactional Content Management; QAI - Quality Associates, Inc.; MRC - Mixed Raster Content; MTC - Moyse Technology Consulting; SDK - Software Development Kits; HSA - Harvey Spencer Associates; PBMS - Pitney Bowes Management Services

Issue Date	Pg.	Name of Article	Main Topics	Featured
Jan 4, 08	1	What's Coming Down The Pike In 2008?	Capture, ECM, M&A, Scanners	Kofax, Captaris, Hyland, EMC
Jan 4, 08	3	*Document Imaging Report* Annual Article Index For 2007		
Jan 18, 08	1	Captaris Makes Serious Capture Play	M&A, IDR, Fax	Captaris, Ocè
Jan 18, 08	1	Visioneer Announces New OneTouch Links	Scanners, Capture	Sftwre Connections
Jan 18, 08	3	HP To Resell Kofax *Document Exchange Server*	Capture, MFPs,	Kofax, HP
Jan 18, 08	5	Smaller Booths, Bigger Marketing	Events, ECM	Questex, AIIM
Jan 18, 08	6	Utility Bill Management Leader Deploying Distributed Capture	Capture, Scanners, IDR, Events	ista, Datacap, BBH Scanners
Jan 18, 08	7	Tying Imaging Into Web 2.0	ECM, RM, Search	ZyLab, CREW
Feb 1, 08	1	Bish Pushes Forward Changes At Dicom	Capture, Financials	Kofax
Feb 1, 08	1	Invoice Capture Market Healthy	Capture, Workflow	Brainware,ReadSoft
Feb 1, 08	3	Kodak Targets Forms Processing Apps With New High-Speed Scanner	Scanners, IP, OCR/ICR/IDR	Kodak, Kofax
Feb 1, 08	5	AnyDoc Bullish About Capture Opportunities	Capture, Workflow	AnyDoc Software,
Feb 1, 08	5	A Look At Growing Opportunities In Shared Services	ECM, Capture	Time Warner
Feb 1, 08	6	Web-Centric Focus Drives Success For Tools Vendor	Toolkits, Web	Atalasoft,
Feb 1, 08	7	Mitek Introduces Check Capture For Mobile Phones	Check 21, Mobile	Mitek Systems
Feb 1, 08	8	AIIM Show Just Over A Month Away	Events, ECM	Questex, AIIM
Feb 22, 08	1	eCopy Widens Its Focus	Capture, MFPs	eCopy, Xerox
Feb 22, 08	5	*OneTouch* Drives PartnerVision	Scanners, Events	Visioneer, Kofax
Feb 22, 08	6	Ricoh Builds On Success of *GlobalScan*	Capture, MFPs	Ricoh Americas
Feb 22, 08	7	Kofax Completes Name Change	Capture, Financials	Kofax, Dicom

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Mar 7, 08	1	*OneTouch 5* Promises Extensible Platform For Distributed Capture	Scanners, Capture, SDKs, Events	Visioneer, BBH Scanners
Mar 7, 08	1	Last Minute AIIM Update	Events, ECM	Questex, Google
Mar 7, 08	4	Kodak Introduces Personal Scanner, New Software At AIIM	Scanners, Capture, Channel, Events	Kodak, DYMO, Nuance
Mar 7, 08	5	The Longest Scan	Scanners, IP	BBH Scanners
Mar 7, 08	6	Image Processing 2.0	IP, SDKs	Accerlerated I/O
Mar 7, 08	7	TIS Adopts Stronger Regional Model	Capture, Financials	TIS, AsiaSoft
Mar 21, 08	1	New Wave Of Capture Solutions Washes Over AIIM	Capture, OCR/ICR	Kofax, Kodak
Mar 21, 08	1	A quick review of AIIM 2008	Events, ECM	AIIM, Questex
Mar 21, 08	5	*SharePoint* Specter Looms Over AIIM	ECM, Events	KLake, Captaris
Mar 21, 08	7	Oracle Weaving ECM Into Offerings	Capture, M&A	Oracle
Mar 21, 08	8	EMC, Open Text Pursue Imaging Solutions	ECM, Verticals	EMC, Open Text
Apr 4, 08	1	Big Game Hunting	Capture, Channel	Kofax, Captiva
Apr 4, 08	1	Color Imaging On The Rise	Scanners, SDKs	Snowbound
Apr 4, 08	3	I.R.I.S. Continues To Broaden Its Spectrum	Capture, OCR/ICR	I.R.I.S., eCopy
Apr 4, 08	5	ABBYY Attacks Enterprise OCR Space	OCR/ICR, SOA	ABBYY
Apr 4, 08	6	Scanner Vendors Continue To Move Technology Downstream	Scanners, IP, Check 21, Capture	OPEX, BancTec, FCPA, Canon
Apr 18, 08	1	Open Text Launches New Imaging/Workflow Product	ECM, TCM	Open Text, IXOS
Apr 18, 08	1	Some Quick Hits	ECM, Scanners	QAI, FCPA
Apr 18, 08	3	Iron Mountain Adds IBM CM To Hosted Offering	SaaS, ECM, RM	Iron Mtn., IBM
Apr 18, 08	4	Datacap Thrives On Challenging Capture	Capture, IDR	Content Analyst
Apr 18, 08	5	Nuance Touts Healthy Imaging Sales	OCR/ICR, Channel	Neat Receipts
Apr 18, 08	5	Equity Firm Lets Bid For Captaris Expire	Capture, Financials	Vector Capital
Apr 18, 08	5	ABBYY Also Making Gains	OCR/ICR/IDR	ABBYY, Nuance
Apr 18, 08	7	Pen Scanning Solution Touts ECM Integration	Capture, Mobile	Codehost, Anoto
Apr 18, 08	8	Toshiba America Becomes FCPA Scanner Reseller	Scanners, Channel	TABS, FCPA
May 2, 08	1	OCR Patent Suits Could Have Far Reaching Effects	OCR/ICR, Patents	ABBYY, Nuance
May 2, 08	1	Anacomp Launches Invoice Service	SaaS, IDR, Channel	Anacomp, Perot
May 2, 08	3	ReadSoft U.S. Reports Strong Growth	Capture, IDR, BPM	Ntl.Semicoductor
May 2, 08	4	TIS Scores Win With Swiss Telco Firm	IDR, BPM	TIS, SAP
May 2, 08	5	Imaging SI Launches *SharePoint* Subsidiary	Capture, Channel	DocPoint, QAI
May 2, 08	7	ACOM Offers VARs Input/Output For ERP	ECM, Output	ACOM Solutions
May 2, 08	8	Kofax Upgrades VRS	IP, Capture	Kofax
May 2, 08	8	Peladon Signs L.A. VAR	Capture, IDR	eDocSecure
May 16, 08	1	EOB Processing: The Next Frontier For IDR?	IDR, Verticals	AnyDoc, CereSft
May 16, 08	1	Top Image Rebounds With Strong Quarter	Capture, Financials	TIS, Citibank
May 16, 08	5	Smart Moves Into CEO Position	Scanners, Personel	Visioneer, BBH
May 16, 08	7	Tools Vendor Adapts To Evolving Market	SDKs, Imaging	Pegasus, Microsft

Issue Date	Pg.	Name of Article	Main Topics	Featured
Jun 6, 08	1	EOB Processing Takes More Than Data Capture	IDR, Verticals	CereSoft, Kofax
Jun 6, 08	1	Former HP Software Exec To Lead Kofax Sales	Capture, Channel	Kofax, HP
Jun 6, 08	4	Two More U.S.-Based SAP Users Choose ReadSoft	IDR, Workflow	DuPont, SAP
Jun 6, 08	5	SMB Vendors Make Products Enterprise-Ready	Channel, ECM	DocuWare, Laserfiche
Jun 20, 08	1	Adobe Introduces New Imaging Technology In *Acrobat*	OCR, MRC	Adobe, I.R.I.S.
Jun 20, 08	1	Microsoft Honors ImageTag	Capture, ECM	ImageTag
Jun 20, 08	3	FCPA Reports Strong 2007	Scanners, Channel	FCPA, MTC
Jun 20, 08	5	ISV BluePoint Combines Doc Imaging & Check 21	Capture, ECM	BluePoint
Jun 20, 08	6	TIS Sees Digital Mailroom Emerging In Germany	Capture, IDR	TIS, BKK, GEK
Jun 20, 08	7	ABBYY Upgrades Mac SDK	OCR/ICR, SDKs	ABBYY, Apple
Jul 25, 08	1	Hyland Flexes Acquisition Muscle	ECM, M&A	Hyland, Liberty
Jul 25, 08	1	EMC Improves TCM/Imaging Capabilties In Documentum	ECM, TCM, Viewing, Web 2.0	Documentum, Captiva
Jul 25, 08	3	IBML Scanners Fit Wausau's Expanding Market	Channel, TCM	IBML, WAUSAU
Jul 25, 08	4	ImageTag Focuses On Capture For Mid-Market ERP	ECM, ERP	ImageTag
Jul 25, 08	6	eCopy Previews New SDK to ISV Partners	Capture, MFPs	Open Archive
Jul 25, 08	7	Integrator Touts Clearview ECM Capabilities	ECM, Channel	DocPoint
Aug 8, 08	1	BancTec Targets Transaction-Heavy Mailrooms	TCM, IDR, BPM	BancTec
Aug 8, 08	1	Parascript Planning Merger With Authentidate	OCR/ICR, M&A	Parascript, Authentidate
Aug 8, 08	4	Reseller Discusses Success In Federal Gov. Sales	Verticals, Capture	EDAC Systems
Aug 8, 08	5	Spencer Hosts Annual Conference	Events, Capture	HSA
Aug 8, 08	5	Fujitsu Now Bundling KLake Desktop Capture	SharePoint, Capture	FCPA, KLake
Aug 8, 08	7	Daybreak Announces New Products and Partner Program	Capture, ECM, Distributed, Channel	Daybreak ICS, Documentum
Aug 22, 08	1	Parascript CEO Discusses Reasons For Merger	M&A, OCR/ICR	Authentidate
Aug 22, 08	1	AnyDoc Makes Moves	IDR, Channel	AnyDoc, FIS
Aug 22, 08	4	Kodak Network Scanner Finding Its Niche	Scanners, Capture	Kodak, NSi
Aug 22, 08	4	Visioneer Upgrades Desktop Model	Scanners, Capture	Visioneer, MTC
Aug 22, 08	5	Dataintro Gaining Traction With 2D Bar Coded PDFs	Capture, Verticals	Dataintro, EMC
Aug 22, 08	6	HP Now Reselling *Kofax Capure*	Capture, Channel	HP, Kofax
Aug 22, 08	6	Adlib Carves Out Niche In Server-Based PDF Creation	OCR/ICR, PDF	Adlib, Nuance
Aug 22, 08	7	NewWave, Pitney Bowes Team Up To Offer MFP Services	Services, Channel, MFPs	NewWave, HP, Pitney-Bowes
Aug 22, 08	8	JPMorgan To Implement Web-Based Capture	Distributed	Oracle
Sep 12, 08	1	Open Text To Acquire Captaris For Capture Capabilities	ECM, M&A, IDR	Captaris
Sep 12, 08	1	Bosch Shared Services Installs *eFlow For Invoices*	Capture, IDR	TIS, Bosch Group
Sep 12, 08	3	IBML Introduces New Version of ImageTrac	Scanners, IP	IBML, TAWPI
Sep 12, 08	4	IKON Acqustion Indictative of Changing Dealer Landscape	MFPs, M&A, Capture, Channel	IKON, Ricoh, Canon, eCopy
Sep 12, 08	6	ReadSoft Licenses A2iA Technology	Capture, IDR	ReadSoft, A2iA
Sep 12, 08	6	ECM SaaS Specialist Continues Impressive Growth	ECM, SaaS	SpringCM
Sep 12, 08	7	Artsyl Builds On *SimpleCapture* Platform	Capture, IDR	Artsyl, ODT

Issue Date	Pg.	Name of Article	Main Topics	Featured
Sep 22, 08	1	Can Capture Survive Onslaught Of Electronic Transactions?	Capture, Check 21, IDR, Verticals	HSA, JPMorgan, CIA, NARA, FBI
Sep 22, 08	1	Visioneer, Marex Strengthen Partnership	Scanners, ECM	Visioneer, Marex
Sep 22, 08	6	New IDR Toolkits Available	Capture, IDR, OCR/ICR	NovoDynamics, A2iA
Sep 22, 08	8	Xerox Introduces *DocuShare* Lite	ECM, Capture	Xerox
Oct 17, 08	1	Bish Lays Out Plans To Capture More Market Share	M&A, IDR, Channel	Kofax
Oct 17, 08	1	Check out document imaging stocks	ECM, Scanners	Kofax, ACS
Oct 17, 08	4	Transform Features Hardware, IP Partners	Capture, Events	Kofax, Canon
Oct 17, 08	5	Tools Vendors Embrace Changing Landscape	Viewing, SDKs	AtalaSoft, Pegasus
Oct 17, 08	6	Captaris announces OCR for *SharePoint*	Capture, OCR/ICR	Open Text
Oct 17, 08	8	*DIR* Market Watch for Friday, October 10	Financials	
Oct 24, 08	1	Questex Begins Marketing For AIIM 2009	Events, ECM	Questex, AIIM
Oct 24, 08	1	Pixily Uses Innovative Approach To Reach SOHO	SaaS, OCR	Pixily, ABBYY
Oct 24, 08	3	Kodak Software To Support Other Vendors' Scanners	Capture, Scanners	Kodak, Kofax
Oct 24, 08	4	IBML Stepping Up Its Business	Scanners, Channel	IBML, Lockheed
Oct 24, 08	5	Daybreak announces hosted app for workgroups	Capture, Distributed	Daybreak ICS
Oct 24, 08	6	Compression Specialist Broadens Its Horizons	IP, OCR/ICR, PDF	CVision, Nuance
Nov 14, 08	1	Filling A Hole In The SMB Space	Channel, ECM	eFileCabinet
Nov 14, 08	1	FCPA Introduces Next-Generation Network Scanner	Scanners, MFPs	FCPA, Hyland
Nov 14, 08	3	New FineReader SDK Adds Speed, Accuracy, & RAD Tools	OCR/ICR, SDKs, IP, IDR, MFPs	ABBYY, NewSoft, Pixily
Nov 14, 08	5	AnyDoc Upgrades Sales Strategy	Capture, Channel	AnyDoc
Nov 14, 08	6	Pegasus Makes Case For Viewer That Leaves Footprint	Viewing, SDKs	Pegasus Imaging
Nov 14, 08	8	ECM Integration Differentiates eCopy's New PDF Offering	Capture, PDF, ECM, Channel	EMC, Interwoven, Open Text
Nov 28, 08	1	Innovative Approach Differentiates Earth Class Mail	Capture, SaaS	Earth Class Mail
Nov 28, 08	1	Industry Briefs	Capture, Channel	Ricoh, eCopy
Nov 28, 08	5	A Tale of Two More Digital Mailroom Strategies	Capture, IDR, BPO	PBMS, Image Architects
Nov 28, 08	7	OPEX Introduces Lower-Volume Remittance Scanner	Check 21, IP	OPEX, Wausau
Dec 12, 08	1	*IA 6.0* Offers Next-Generation Capture Capabilities	ECM, SOA, IDR	EMC Captiva
Dec 12, 08	1	Vendors Prepare For Slowing Growth	Financials	Kodak, Kofax, TIS, DocuWare
Dec 12, 08	4	Kodak Reflects On Strong Year; Looks Forward To 2009	Scanners, Channel Financials, Capture	Kodak
Dec 12, 08	5	Belgian Tax Authority Expands I.R.I.S. Installation	Capture, Verticals	I.R.I.S.
Dec 12, 08	6	Brainware Continues Impressive Growth	Capture, IDR, BPM	Brainware
Dec 12, 08	7	TIS Reports Strong U.K. Sales	Capture, IDR, M&A,	TIS, Atkins
Dec 31, 08	1	Open Text Discusses Plans For Captaris	M&A, ECM, IDR	Open Text, SAP
Dec 31, 08	1	Second SharePoint Conference Postponed	Events, ECM	Microsoft
Dec 31, 08	3	TWAIN 2.0 Expands Driver's Horizons	Scanners, SDKs, Standards	TWAIN Working Group, JFL, Pixel
Dec 31, 08	4	BancTec Sharpens BPO Focus	M&A, BPO	BancTec
Dec 31, 08	5	PDF, Imaging-Enabling MFPs Drive Nuance Growth	OCR/ICR, PDF, MFPs	Nuance, Xerox
Dec 31, 08	6	Document Viewing Market Strong	ECM, Viewers, IP	Informative Graphics
Dec 31, 08	8	Kofax Hires Former Captiva CMO	Capture, Channel	Pixel, NowDocs

emerge: The Middle East, India, China, Africa, the former Soviet states…these all seem to be hot areas for expansion and growth of document imaging technologies and services. **Right.**

9. SOA passes through "trough of disillusionment:" I'm going to give myself this one, because, in the hype cycle, the T of D is followed by the "slope of enlightenment," which is where I think SOA is. It has definitely not reached the "plateau of productivity" stage. In fact, in 2008, we saw one high-profile SOA ECM initiative, that of Branford, CT-based **Westbrook Technologies**, put on the shelf. However, we also saw vendors like EMC Captiva, **Datacap**, and **BancTec** move forward with SOA strategies designed to make document imaging more flexible. These types of strategies are going to make a lot of sense in a few years when the dust has settled and enterprises have standardized on SOA-based IT infrastructures, which I think they are starting to. **Right.**

10. Mortgage processing market continues to drag: The real estate bubble has burst, and isn't being put back together any time soon. As a result, we haven't heard much talk about the great opportunities in this space in awhile. **Right.**

2009 Predictions
Without further adieu, here they are:

1. **Transactional content management for *SharePoint* emerges as a viable market segment:** Since **Microsoft** introduced its revamped ECM platform in 2007, people have been figuring out what to do with it. This includes end uses, VARs, systems integrators, and ISVs. I think a lot has been figured out over the past two years, and in 2009 we'll see some fruits of this labor. Expect to see some major announcements about *SharePoint*-centric ECM implementations—flushed out with imaging and workflow technology.

2. **Intelligent document recognition (IDR) adoption will expand beyond the invoice capture niche**: Invoice capture has established the IDR beachhead. We've seen too much impressive technology in areas like auto-classification and EOB capture for IDR to continue to be confined to this narrow niche. Maybe it won't be the digital mailroom leading the way, but we definitely expect 2009 to be a breakout year for IDR.

3. **At least one major scanner vendor will be acquired and/or merge**: There are just too many players in what is becoming a mature market. Yes, document scanner sales continue to increase, but prices also continue to fall— pushing margins down. Plus, the leading vendors continue to broaden their product lines, while large MFP vendors also make

more inroads into scanning. MFP vendors have shown a willingness recently to open their purse strings to build channel, but we haven't seen any pure hardware-based M&A action in awhile. With money tight all-around, we think a deal for a proven, established, cash-producing, profitable business in a growing market will look mighty attractive for someone. On the flip side, it could also provide a source of quick revenue for the seller.

4. **Intellectual property/patent headaches will continue to increase**: This is unfortunately another side-effect of a maturing market. Nuance really got the ball rolling in 2008, filing suits against **ABBYY** and **eCopy** related to OCR, and Nuance has been countersued in retaliation. That's four suits we're aware of, and Nuance is following up on patents that were filed 15-20 years ago. Document imaging technology and software patenting techniques have both come a long way since then, so you can imagine what's out there. With a potential slowdown in business due to global economic conditions, companies may begin to look for alternative sources of revenue, such as the kind patent enforcement can bring.

5. **An MFP vendor will buy a capture software player**: Will it be **Canon** and eCopy, **Xerox** and **NSi**, **HP** and **Kofax**, or some other combination? As noted earlier, MFP vendors have been in an acquisitive mood recently, especially when it comes to expanding their channels. Here's our betting that one of them will look to add a document imaging software product and the loyal channel it brings along with it.

That's all we have. We apologize there are only five predictions, but with the economic outlook being about half as healthy as it was last year, we feel justified in coming up with only half the predictions. After all, it's hard for people in the market to make things happen if they are unsure about incoming revenue. For that reason, we expect the first six months of 2009 to be relatively quiet, before the market finds its footing and regains the momentum it had through the first six months of 2008.

That's not to say 2009 will be uneventful, but we can't expect it to be as exciting as 2008, which was really one of the most interesting years we've seen since we started covering this industry. Rest assured, however, that what does happen in this still very dynamic and growing space, will be covered thoroughly in the pages of *DIR*.

Please feel free to e-mail me your comments and/or your own predictions for 2009 at ralphg@documentimagingreport.com.

not by an overwhelming amount," said Berlin.

AccuSoft has two major product lines: its *ImageGear* SDK and *NetVue*, Web-based document viewer. "AccuSoft had a similar business to ours," said Berlin. "But, for some reason we didn't run across them very much in the market.

"*ImageGear* competes head on with our *ImageXpress*. The packaging was a little different—theirs was more of a one-size fits all, while ours is more ala carte. Also, the interface is very different. Customers that liked their product didn't seem to like ours, and vice-versa. As a result, we are going to be careful to keep their product line going for a long time.

"*NetVue* is a great product that I don't think they spent enough resources promoting. With *Prizm Viewer*, we have a dominant market position for thick client viewing. *NetVue* is a thin-client, Java-based viewer, which is new technology for us."

AccuSoft's customer list includes ISVs like **Perceptive Software, Autonomy**, **docStar**, **Easy Software, Itesoft**, **McKessen**, and **Sage**. Hardware-oriented customers include large scanner and MFP vendors. End user customers include several large financial organizations and government agencies. "The customer base is wonderful," said Berlin. "They have contracts with customers dating back 10 years."

Some administrative consolidation between the two companies has already taken place. According to Berlin, Pegasus will maintain approximately 15 AccuSoft employees, as well as six Russian contractors, some of whom have had long-term engagements with AccuSoft. This will be Pegasus' first foray into overseas development.

Pegasus will also maintain an office in the Boston area where AccuSoft was based. Pegasus already has an Atlanta-area development facility. "The only reason we didn't maintain TMS' Stillwater office was that it was just too far from a major airport," Berlin commented.

Market sound, ready to rebound

Berlin acknowledged that 2008 was a comparatively slow year for SDK sales, but still sees document imaging SDKs as a good business to be in. "We were flat, and AccuSoft's revenue was a little down," he said. "But, fundamentally, both businesses are sound and profitable. I like to think SDK vendors are on the forefront of the market and maybe ahead of the curve. We saw weakness almost at the beginning of 2008, but I think things are starting to come back.

"In tougher economic times, we do hear customers whining a little more about prices, but if a customer really understands our value, we don't have to lead with price. We lead with how much we are going to save them on development costs. If they can use our tools to free up one developer, that's a savings of more than $100,000 per year. That's a huge value based on our average deal price."

For more information:
http://www.pegasusimaging.com/;
http://www.accusoft.com/

Subscription Order Form for RMG Enterprises, Inc.

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