Document Imaging Report

Business Trends on Converting Paper Processes to Electronic Format

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November 6, 2009

THIS JUST IN!

SCANNERS NOW FCPA'S SOLE FOCUS

Fujitsu Computer Products of America (**FCPA**) recently went through a reorganization that narrows its focus. FCPA's parent company, **Fujitsu, Ltd**., has divested itself of its hard drive business. As a result, the only unit continuing to operate out of FCPA's Sunnyvale, CA, headquarters is the document scanner business, which is now known as Scanning Solutions and Services.

Etsuro Sato, who was previously, VP, FCPA's Imaging Products Group, has been appointed CEO of FCPA. Victor Kan, who was IPG's senior VP of sales and marketing, is now EVP and COO of FCPA. Scott Francis has been promoted to VP of marketing.

"With this move, we will be better positioned to focus on our scanner business growth in the Americas," said Doug Rudolph, FCPA's VP, product management and business development, who I caught up with at the recent Kofax Transform event. "Our scanner sales are doing very well across all segments. We are especially proud of our network scanner sales which hit record numbers this month with another large deal."

Other news

We have a lot of other news we were unable to get to this issue, but hope to cover soon, including the recent release of the two-in-one portable/desktop BulletScan S300 duplex scanner by Milipitas, CA-based **iVina**, Inc. Former Visioneer CEO Murray Dennis is now the CEO of iVina. Also, **Westbrook Technologies** has released a new Web-based ECM application targeted at the mid-market.

For more info: http://www.bulletscan.com; http://www.westbrooktech.com/

Exploring SharePoint's Place in ECM

Microsoft previews 2010 version to more than 7,000 conference attendees.

LAS VEGAS—Is *SharePoint* an enterprise content management (ECM) application? That has certainly been one of the most popular questions surrounding the document imaging industry since late 2006, when **Microsoft** first revealed the features of *SharePoint 2007*. After attending the recent SharePoint Conference 2009, held at the Mandalay Bay Convention Center, I definitely have some opinions on this topic. First off, as I think we all know, *SharePoint* is not really an application—rather it's a platform on which applications can be developed. Second, while *SharePoint* certainly can be deployed across an enterprise, its applications are typically managed on the departmental level.

The third major opinion I came away with, after hearing plenty of discussion on the new features in the upcoming *SharePoint 2010*, is that Microsoft is focusing on document management. The new edition, which is being released for beta this month, offers upgrades in areas like meta data management, records management, scalability, document grouping, and search. These were all challenges for users trying to do anything more than lightweight document management with previous versions of *SharePoint*.

"With *SharePoint 2010*, we made a big leap forward in the area of content management," noted Jeff Teper, Microsoft's corporate VP, Office Business Platform, during his keynote address at the conference. "We looked at the top 10 to 20 pieces of feedback we received related to content management and tried to take off as many as we could."

It is important to point out, however, that, like all of its *SharePoint* predecessors, the 2010 version does not feature any document imaging capabilities out of the box. Also, *SharePoint's* ability to address the complex workflow requirements of many imaging-related applications, in areas like transactional content management, is still questionable.

Not that these capabilities can't be introduced into *SharePoint*. In fact, we've written many times in *DIR* about solutions for adding document imaging to *SharePoint*. And there were plenty of those solutions on display at the 2009 Conference. **KnowledgeLake**, **AtalaSoft**, **Laserfiche**, **Kofax**, **Hyland**, **KeyMark**, **Psigen**, **Kodak**, **GoScan**, **M-Files, Nuance**, **eCopy**, **Open Bee**, and **SpringCM** all exhibited technology for managing images in *SharePoint*.

And most of the exhibitors seemed happy with their booth traffic. "This is the best trade show I've been at this year," said Bill Bither, founder and CEO AtalaSoft, which announced version 2.0 of its *Vizit SP* imaging viewer, at the event.

Yes, the event featured some 7,600 attendees—the majority of which were *SharePoint* users. And there could have been more. I understand there was a waiting list to get in, and Microsoft CEO Steve Ballmer joked (at least I think he was joking) that people were scalping passes outside Mandalay Bay. This was impressive considering that almost every other conference I've been at in the previous year reported a decline in attendance due to the global recession. The Microsoft SharePoint Conference almost doubled in attendance compared to the 2008 event, which was held 19 months earlier in Seattle.

What's in SharePoint 2010?

The big attraction was a preview of *SharePoint 2010*, which is due to be released for beta this month. According to Microsoft's overview, which was distributed at the conference, "*SharePoint 2010* is the Business Collaboration Platform for the Enterprise and the Web."

"What is *SharePoint*? I get that question all the time," said Ballmer during his keynote. "Is it a collaboration platform? Yes. Does it provide business insights? Yes. Can it do workflow, document management; can it be used for social networking? The answers are yes, yes, and yes."

From our standpoint, it's the document management capabilities that are of the most interest. It's these features that make *SharePoint* a potential imaging platform. Microsoft document imaging partner KnowledgeLake did a presentation entitled "ECM in *SharePoint 2010*—Features that Rock." It detailed some of the document management improvements Microsoft is making:

- improved data connectivity for exchanging documents and data with business applications;
- improved list validations for better indexing;
- new enterprise meta data capabilities for better managing taxonomies and keywords, including the ability to share meta data collections across site collections;
- a more scalable architecture—this includes the ability to crawl more than 50 million items, the ability to handle larger lists and libraries (according to Teper, over a million items in

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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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a list or folder), better back-up of content databases, and better responsiveness when users are working with large amounts of data;

■ improved search—the ability to deploy multiple index servers improves scalability and performance; there are other new features as well, including the option of upgrading to the FAST Search engine—enterprise technology developed by a Norwegian company [*see DIR 4/8/05*] that Microsoft acquired last year;

■ improved remote BLOB storage—this is the process of moving binary large objects (BLOBs) off the content database and onto external storage; it's utilized by most traditional ECM platforms because it improves performance when working with larger content items like document images; with *SharePoint 2007*, it was typically accomplished by leveraging Microsoft's published EBS (external BLOB storage) standard [*see DIR 7/17/09*]; for *SharePoint 2010*, Microsoft has developed a new "remote BLOB storage (RBS)" protocol [http://tinyurl.com/RBSBLOB]; RBS is designed to provide better consistency between the pointers that remain in the database and the externally stored BLOBs;

■ an improved audit trail that can now be set up around document, site, and list events, such as checking in or out, or editing, documents, and doing a search on a list;

■ the ability to utilize unique document I.D. numbers that remain with documents if they are moved;

■ improved content organization features, such as the ability to automatically create folders based on meta data and the ability to automatically route content to specific libraries based on rules;

■ the ability to create document sets, which are groups of documents that are automatically given the same meta data, and can be versioned and sent through workflows together.

Microsoft has also introduced an in-place records management feature that enables any user with the proper permissions to apply records management to a document without having to move that document to a special records management collection.

Imaging follows EDM

These features certainly will make *SharePoint 2010* a more formidable document management platform than in the past. In fact, *SharePoint* is starting to remind me of the electronic document management (EDM) systems that were so hot 10 years ago. At that time, EDM vendors' like Documentum, **Open Text**, PC Docs, iManage and even some WCM vendors like Interwoven, Vignette, and BroadVision, were starting to eclipse document imaging vendors because everybody thought paper was going away.

After the dot-com bust of the early 2000s, we all started to realize that maybe paper wasn't going to disappear, and that the best way to manage paper may be to image it, so that it can at least be handled with close to the same efficiency as electronic documents. All of a sudden EDM and WCM specialists started paying good money for document imaging vendors. EMC bought Captiva to pair with Documentum, IBM bought FileNet, Stellent bought Optika, Vignette acquired Tower Technology, Open Text bought Captaris, and so on.

Well, we don't necessarily think Microsoft is going to buy an imaging company, after all, it has had plenty of opportunities to do so in the past. But *SharePoint's* adoption as an EDM platform will certainly create plenty of opportunity for imaging vendors. Because history has shown that imaging adoption will follow EDM adoption.

Where's the rubber hitting the road?

The current issue seems to be that *SharePoint* is still so immature as an EDM platform that, in many cases, users haven't even thought about using it for imaging. For example, at the conference, I moderated a panel for eCopy entitled, "Boosting the Value of *SharePoint* with Document Imaging." The panel featured end users from big-name organizations **Nike** and **Arizona State**, yet it was attended by less than 50 people (a late room change didn't help matters.)

One question I was asking exhibitors was, "How many of the 7,600 attendees really know what production document imaging is?" Our best guess was 10-15%. Still, if there are really more than 130 million *SharePoint* users as Teper indicated, even 10% of that (13 million) is a pretty good market for imaging.

AtalaSoft's Bither told me that his company is starting to see some traction for its *Vizit SP* viewer. Customers include **BearingPoint**, **Covidien** (formerly Tyco Healthcare), and the U.K.-based **Cooperative Group** through an implementation by **Hitachi Consulting**. "Our early customers are using *Vizit SP* to improve their document-centric workflows in *SharePoint* and preview documents prior to opening them and consuming bandwidth," Bither told *DIR*. "In the case of Covidien, they use a production scanning application for structured forms, but are using *Vizit SP* to manually index unstructured paper documents that are scanned into *SharePoint*."

These don't necessarily sound like high-volume, transaction content management applications. In addition, Arizona State and Nike were mainly leveraging imaging for distributed collaboration, rather than document-intensive workflow. That said, both organizations seemed very happy with the ROI they were receiving, mainly on investment in eCopy technology for capturing documents into *SharePoint*.

In addition, when we spoke with KnowledgeLake this summer, its VP of business development noted that 80% of its business was coming in the SMB market [*see* *DIR* 7/17/09], and, on top of that, the St. Louis-based ISV recently announced plans for a sub-$10,000 *X-Series* version of its product to be targeted at the mid-market through copier dealers like **IKON**.

And that is kind of where my comparison of *SharePoint* to historical EDM (and current ECM) products falls down. *SharePoint* applications are actually inexpensive enough, and easy enough to manage, that they can be deployed effectively at the departmental and SMB level. *SharePoint* implementations don't necessarily require huge returns related to high-volume transactional content to be cost justified.

Making headway upstream

That said, there also seems to be evidence that *SharePoint* can be competitive at the high-end. "We are being considered for implementations in which users are evaluating replacing FileNet systems, on which they are paying high annual maintenance costs, with *SharePoint* platforms," Bither told *DIR*. "In those situations, we are being evaluated as part of a best-of-breed approach in which another vendor might be used for production capture and another for BLOB storage."

I also heard at the recent Kofax Transform event that Kofax had been selected to provide capture for a large *SharePoint* implementation at the investment firm **Raymond James**. In 2008, Raymond James announced it would be utilizing *SharePoint*, **BlueThread's** *SmartDesk* ECM interface, and **K2's** BPM technology "to manage massive amounts of data, paper-based content, and business processes that drive new account opening and other operational processes across 2,200 investment offices."

I'm assuming *Kofax Capture* is being deployed on the front-end of that system in a best-of-breed fashion, which brings us to another question: What is the best approach to adding imaging to *SharePoint*? There seem to be two options: a Web Parts integration that connects a complete imaging/ECM system to *SharePoint* and a best-of-breed approach that takes a bunch of imaging-related pieces and integrates them with the *SharePoint* platform.

Different ways to skin the cat

To date, KnowledgeLake has been the market leader in document imaging for *SharePoint*. Although it has a fairly comprehensive set of imaging technologies in its product line, KnowledgeLake falls into the best-of-breed category because, unlike traditional ECM vendors, it leverages the *SharePoint* repository (instead of managing content in a separate repository connected to *SharePoint* through Web Parts). In addition, KnowledgeLake has worked with vendors like **Nintex** and K2 for BPM in the past and at the *SharePoint* Conference 2009 announced a partnership with **Global360**.

At first glance, the best-of-breed approach seems attractive because of the single-repository, as well as the ability to pick and choose vendors based on price and functionality specific to a user's needs. A 25-user license of Atalasoft's *VizitSP*, for example, lists for $4,625. This is considerably less expensive than a full-featured document imaging application that potentially duplicates many of the functions already available in *SharePoint*—and even moreso in *SharePoint 2010*.

HOW BIG IS SHAREPOINT?

So, how much of a threat is *SharePoint* to the traditional ECM market? Well, at the SharePoint Conference 2009, we ran into a former **Open Text** executive who told us a compelling story. Actually, we were introduced to David R. Seaman by **Document Boss'** Paul Carmen who now lives in the Las Vegas area and was attending the show.

Seaman is the VP *SharePoint* Technologies at Ontario-based ISV **Syntergy**. Syntergy develops content management replication software. The way I understand it, Syntergy's software takes information stored on servers at remote sites and makes it available at an enterprise level. For example, if one of Syntergy's military customers is saving data on a *SharePoint* server on an offshore destroyer, Syntergy's technology can replicate that data at the central server in Washington, D.C.—making it available to the army brass at headquarters.

Syntergy started out offering that type of software for Open Text *Livelink* environments. Seaman said the company's *SharePoint* business is now growing at a much faster rate. Syntergy has more than 500 customers using its software for *SharePoint*. "We also offer services related to integrating *Livelink* and *SharePoint*," he told *DIR*. "While we originally were getting a lot of requests for integrating *SharePoint* and *Livelink* repositories, we are now getting more requests to convert *Livelink* applications over to *SharePoint*."

For more information: http://www.syntergy.com/; http://www.documentboss.com/

However, there are some challenges associated with the best-of-breed approach. Dan Carmel, CEO of SpringCM, was happy to point out a few. SpringCM is an ECM vendor that delivers its software through an SaaS (software-as-a-service) platform, which can be integrated with *SharePoint* through Web Parts.

"*SharePoint* has solid functionality in areas like repository services and collaboration," said Carmel. "But, there are a number of things it doesn't have, which we offer. These include OCR, image integration, advanced workflow, e-signature capabilities, and elements of complex meta data management.

"Numbers from a recent **AIIM** survey show that half of *SharePoint* users are utilizing it as a file store. But, if you talk to people on the show floor [at the *SharePoint* conference], many want to go beyond that. They want to build rich applications on *SharePoint*.

"They are asking how they can use MOSS or WSS [two current flavors of *SharePoint*] to automate invoice processing, for example. It's one thing to say *SharePoint* is storing files, it's another to say it's delivering an ROI.

"How do you get there? Microsoft is not offering a way to do rich ECM strictly through *SharePoint*. That's why it has partners, and you see a smattering of them on the show floor. Sure, you can use a number of different partners to put together an ECM solution. However, that's just not attractive to a lot of people.

"First of all, the cost can be prohibitive, because not only do all these pieces have to be purchased, they have to be integrated. On top of that, with a piecemeal solution, you are increasing maintenance significantly, in part because all Microsoft partner upgrades are not on the same schedule. This multiplies if you are using different technologies for different instances of *SharePoint* in your organization, or, even if you have the same technology, but it's deployed and managed separately.

"Many customers today would rather have an out-of-box application they can just plug into *SharePoint*. SpringCM has pre-integrated 25 different ECM technologies that we offer as a unified single point for building content management applications for multiple instances of *SharePoint* throughout an enterprise."

The same can probably be said of ECM software vendors like Laserfiche, Hyland, Open Text, and EMC Documentum, which all had presences at the *SharePoint* conference. However, to get back to what we said before, it's the price tags associated with higher-end out-of-the-box ECM systems and services that have many people considering *SharePoint*-centric replacements fleshed out with best-of-breed components.

Laserfiche had an interesting promotion at the SharePoint conference—some sort of "Cash-for-Clunkers" marketing campaign. Presumably, Laserfiche was attempting to get users to dump their high-end traditional ECM software for some combination of *SharePoint* and Laserfiche. This could be a dangerous proposition for traditional high-end ECM players.

You see, while the concept of ECM has always been fabulous—basically content management on every desktop, the reality has been that traditional ECM software has been too high-priced and hard to manage for its use to become truly enterprise-wide. *SharePoint's* two main selling points are that it's low cost and easy to use.

Yes, there may be some cost associated with building out "rich content applications" in *SharePoint*, but, when you compare these costs to the costs of maintaining a traditional high-end ECM system, *SharePoint* starts to look mighty attractive to organizations that already leverage a Microsoft technology stack. However, when you compare *SharePoint* costs to a lower-end (what has traditionally been classified as a departmental or SMB) imaging application, maybe it's not so compelling anymore, and maybe it's just more efficient to integrate the complete Laserfiche system with *SharePoint*.

That's why it's my opinion that even though *SharePoint* started out as a "departmental" system, its true target is the ECM space. That's because ECM, even at the highest level, is still mostly deployed on the departmental level—albeit in some pretty big departments. And guess what? *SharePoint 2010* shows that *SharePoint* is going to be capable of handling some very large content management applications in the future.

Microsoft has built it, when will the users come?

To tie this all back into the document imaging market—yes, I've heard feedback that *SharePoint* has not taken off like wildfire, like many people predicted, for document imaging. I'll agree with that, but that doesn't mean we should give up on it. Remember, *SharePoint* really didn't have many good document management features until two years ago, and Microsoft is just now introducing features that make it even more competitive in this area. Let's not forget what the average sales cycle is like in the production imaging/ECM/transactional content management space, not to mention one for what's basically a brand new product. Give it time. As somebody (I'm sorry, I can't remember who, but it was probably more than one person) told me at the conference, people are still figuring out what they're doing with *SharePoint,* but once they figure out what it can do, it's really going to have an impact on the ECM space.

For more information:
http://www.mssharepointconference.com;
http://www.atalasoft.com/; http://www.springcm.com/;
http://www.laserfiche.com/; http://www.kofax.com;
http://www.documentimagingreport.com/SharePoint.1743.0.html

Kofax: A Company In Transition

SAN DIEGO—The SharePoint Conference wasn't the only big ECM-related event on tap last month. After a couple days in Las Vegas, I flew down to catch the **Kofax** Transform Americas conference at the Manchester Grand Hyatt. The main topics of discussion there were Kofax's integration of the recently acquired 170 Systems and Kofax's transition toward more direct sales. Not that those two topics aren't related. 170 Systems clearly gives Kofax more advanced BPM technology with which to go after the type of higher-end sales typically executed by direct teams.

Just as a bit of a refresher, most people remember Kofax as the batch capture market leader whose success was primarily built through a large number of imaging-focused value-added resellers (VARs). As the batch and automated data capture markets converged in the late 1990s and early 2000s, Kofax tried to keep pace with a series of acquisitions. Unfortunately, while Kofax had some success introducing basic invoice capture into its channel, for the most part the Irvine, CA-based company found itself on the outside looking in when it came to large-scale data capture deals.

Cue Reynolds Bish. Bish was the former CEO of Captiva Software and one of the early proponents of bringing together document and data capture in the same platform. In the early 2000s, Bish built a $70 million business focused on high-end capture deals, before selling it to EMC Captiva in 2005 for $275 million [*see DIR 11/4/05*]. After helping EMC with the transition, Bish took a year off before he was named CEO of Kofax in 2007—an idea first promoted publicly in *DIR* three months before Bish was hired [*see DIR 8/3/07*].

At Transform, which was being held in Bish's former hometown, he was happy to talk about some of the success he's achieved at Kofax so far. This includes re-branding the company and product lines, restructuring the sales staff, integrating the multiple products picked up through acquisitions, solidifying growth initiatives in areas like front-office capture and forms processing, and implementing a hybrid sales model. In addition, Bish discussed the 170 Systems acquisition and how it positions Kofax to go after its newly stated goal: "To be a leading provider of document driven business process automation solutions."

"We are really evolving beyond the capture market," Bish said during a meeting with press and analysts. "We are looking at a market where capture, workflow, and rules come together. We are focused on the business process automation [BPA] space, but only where it involves document-driven processes."

170 Systems, which is based in the Boston area, is a developer of BPA technology. According to Jim Nicol, Kofax's EVP of products, Kofax will start by addressing BPA needs in the accounts payable space, because that's where both Kofax and 170 Systems are already strong. "Early next year, we plan to have fully integrated 170 Systems' *MarkView* software with *Kofax Capture*," he said. "In another 9-12 months, we hope to have a whole new platform that leverages elements from both companies' technologies."

Kofax executives were reluctant to discuss too many details of its new platform for fear of giving too much insight to the competition. Basically, I understand that one of its goals is to enable captured documents and data to be leveraged at various points during a business process. I've discussed this concept before in *DIR*. It involves features like being able to initiate a call to a capture application for additional documentation during the middle of a business process. The process is held up until the documents are captured and automatically sent to the right place in the BPA application.

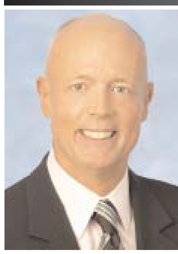
Kofax successfully growing direct sales

This, of course, is fairly high-end stuff and includes 170 Systems' BPA technology, which has always been sold primarily through a direct sales team. In his keynote address, Kofax EVP of Field Operations Alan Kerr stated that he expects top-level sales, which include named accounts, Kofax Transformation technology, and presumably this BPA-focused software, to come 75% from direct sales and 25% from partners. In the mid-market, he expects it to be just the opposite, with 75% of sales coming from partners.

We're not sure how this breaks down overall, but

Kofax's most recent numbers, for the three months ended Sept. 30, showed 46% of software revenue coming from Kofax's direct team and 54% from resellers. This is a fairly significant transition for a company that had almost no direct sales before Bish was hired.

When he came on board, Bish blamed Kofax's lack of direct sales for the company's relatively small average deal sizes when compared to its capture competitors. "We were definitely at a competitive disadvantage when selling to large enterprise customers who often want to deal directly with a software vendor," Bish said during his keynote at Transform. "We didn't start the direct sales initiative to cannibalize our channel business. We started it to augment that business. We have clear rules of engagement for our direct team, and I can count on one hand the number of conflicts we've had between our direct sales team and our channel. They've all been resolved successfully."



"For a company with almost an exclusive focus on channel sales, when I got to Kofax, I was surprised at how little channel management was in place."

— Reynolds Bish, Kofax

In the press and analyst meeting, Bish reiterated that he felt the transition to more direct sales was a fortuitous move in light of the recent worldwide economic slump. "I think the small image-capture VARs suffered more because their target market was hit harder," he said. "I think the market for large, transaction-oriented capture applications has held up better."

I'll agree that I have talked with smaller VARs whose businesses have suffered during the recession. But to suggest that this completely accounts for something like a 30% drop in channel-related sales for Kofax seems like a stretch. After all, in an announcement about the first quarter of its fiscal 2010 [ended Sept. 30], Kofax reported it was on target for "low- to mid-single digit organic revenue growth in [its] software business this financial year." At the same time, the percentage of Kofax's direct sales went from somewhere south of 14% (the percentage for the first half of 2009, when direct sales were clearly on the rise as they hit 28% in the second half) to 46% a year later.

In other words, if Kofax did $40 million [and this is a very rough number] in software revenue in Q1 '09, $35 million of that might have come through resellers. If Kofax grew its software revenue 4% in Q1 2010, that means it did approximately $42 million in total software revenue, but only $23 million came through resellers. Once again, we want to stress that Kofax does not report quarterly numbers, so our figures are rough guestimates, but they should give you an idea of why I think Kofax's channel sales have fallen off close to 30% in the past year.

Why the channel drop-off?

So if it's not all because of the economy, what else has contributed to the reduced reseller sales? I will say that about a month before Transform, I received an inordinate amount of negative feedback from Kofax resellers. The comments were fairly vague, and they didn't mention any specific incidents of conflict with Kofax's direct sales team—concurring with Bish's comments. However, there were definitely some unhappy resellers in the Kofax camp.

At Transform, I asked Bish what the cause of this might have been. He said it probably had to do with a formal reseller agreement the company recently asked its partners to sign. "For a company with almost an exclusive focus on channel sales, when I got to Kofax, I was surprised at how little channel management was in place," Bish told *DIR*. "There were no standard formal reseller agreements and not much in the way of performance monitoring. It was my perspective that for the channel to be as successful as it could be for Kofax, we needed to bring some order to our channel program.

"Late last year, we hired Jim Vickers, who had worked for me at Captiva, as our senior VP of OEM and partner strategy. He looked at the myriad of agreements we had and decided we would be better off with a standardized program that would benefit everybody. One of the issues we had, for example, was that everybody was pretty much getting the same discount rates on both software and maintenance. It did not vary based on how much new software a VAR sold.

"This meant that a lot of resellers were living off their maintenance agreements and not selling any new software. How was this helping us? These are the resellers who are going to be especially unhappy with the new program. But, it's my opinion that working with a reseller channel has to be a two-way street, in which both parties benefit. I think resellers that are really committed and successful are going do even better than before under the new program."

Most of the unhappy resellers we talked with have stressed that there are other capture options. In fact, Kofax competitors **AnyDoc** and **Datacap** have both made recent announcements about signing up new resellers. Some of these resellers continue to represent Kofax, but they have clearly increased their options. I guess the question remains as to whether or not these options will prove better than Kofax.

Kofax became the undisputed king of the capture reseller market because, in addition to having a good product, it historically treated its resellers better than its competitors. We haven't heard much negative feedback about Kofax's products, so, it's now really a question of seeing if competitive vendors can offer resellers a better deal than the one Kofax is giving them. In other words, is the new Kofax partner program less attractive than the programs of its competitors or is it now just the same as theirs? I'm sure the resellers will let us know.

End users contribute to strong show

I will say that Kofax's working more closely with end users definitely made for a more interesting Transform event. According to Andrew Pery, Kofax's Chief Marketing Officer, the conference featured 425 attendees, over 150 of which were from end-user organizations. Overall, Transform Americas had a 40% increase in attendance from 2008.

I only stayed for one day's worth of presentations, but saw interesting talks from organizations like **Catholic Healthcare West**, **Boeing**, **Pharmaceutical Product Development, Inc.**, and **Oppenheimer Funds**. I'll have more details if space permits in an upcoming issue, but most of these organizations were using some of Kofax's more cutting-edge technology in areas like data and front-office capture.

I also met up with one end user who gave me insight into one way Kofax is selling its advanced technology. Unfortunately, it's also a way that might be further alienating its channel. The end user told me about something I think is called a "system health check." He described it as involving filling out several pages of paperwork in exchange for a Kofax rep coming onsite and advising him on how he could get the most out of his software.

While this is certainly a great way to upsell to customers who might not even be aware of Kofax's technology stack because their reseller isn't comfortable introducing it, it is also the type of activity that makes resellers nervous about losing accounts to their vendor partner. Kofax is walking a fine line between its legacy as a highly successful channel vendor and its future goal of dominating both the mid-market and high-end of the capture space, as well as moving more aggressively into the BPA market—which could potentially irritate a whole different group of partners [*see the Hyland-ReadSoft partnership story that ran in our last issue*].

But no matter what, Kofax remains an important company to watch in our space. With $300 million in annual imaging revenue, a fairly dynamic product set, and now a formidable direct sales team to go with its still formidable reseller channel, Kofax is clearly in a position of strength when compared to a lot of people. We look forward to continuing to follow its evolution, which, although we're not certain exactly where it will lead—we will certainly be willing to speculate on in future issues.