Document Imaging Report

Business Trends on Converting Paper Processes to Electronic Format

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November 7, 2003

THIS JUST IN!

CAPTIVA REPORTS SOFTWARE GROWTH

Captiva recently reported another quarter of growth. For the third quarter, overall revenue was up 26% on a pro forma basis from 2002. More importantly, revenue from software sales was up 16%. This represents the first significant increase in software revenue since the merger of **ActionPoint** and Captiva was completed last summer.

Captiva added some $3.2 million in cash to its balance sheet during the quarter through a combination of profits and the purchase of stock options. In the days following Captiva's earnings announcement, the company saw its stock shoot past $12 per share, after trading at less than $1 just over a year ago. "Coupled with the cash on our balance sheet, we are reaching the point where we can consider using our stock as currency for M&A activity," Captiva President and CEO Reynolds Bish said during a conference call.

Other interesting Bish statements included:

■ "There is a lot of talk about large deals repopulating our market. In the third quarter, our average deal size was up significantly compared to the fourth quarter of last year and the first quarter of this year."

■ "We continue to see strong demand for high-speed scanners. Going forward, at least through Q4 and possibly into next year, we expect our revenue from hardware to be approximately $1.8-2.2 million per quarter."

■ "The royalties we paid on software this quarter were driven up by strong demand for application monitoring software from **Silas Technologies**."

■ "Some of our smaller competitors are getting desperate. We recently saw one of them make a bid on a large deal for 50% of what anyone else was asking." DIR

Open Text Acquires Archiving Specialist IXOS

It seems size does matter to **IXOS** after all. A week after telling us the company was not intimidated by **Documentum's** new-found mass (through its acquisition by **EMC**) IXOS, Inc. president and CEO Matt Suffoletto found out his company will be assimilated into a larger operation. IXOS, an archiving specialist with approximately $145 million in annual revenue, has entered into an agreement to be acquired by collaboration and knowledge management specialist **Open Text**.

Matt Suffoletto, president and CEO, IXOS, Inc.

"We will still be small in comparison to **IBM** or **EMC**," Suffoletto told *DIR*. "Basically in the software industry there are a few behemoths and a lot of entrepreneurial companies that bring innovative technology to the marketplace. Buyers face a trade-off choosing between the innovations of smaller companies and the perceived stability of larger ones. As a smaller company, you want to reach enough scale so questions about stability become less of a concern."

According to the press release announcing the acquisition, the combination of IXOS with $178-million Open Text creates the largest pure-play enterprise content management (ECM) vendor in the market. Open Text might face an argument from **FileNET**, which is on pace to do over $350 million in business this year. However, no one can argue that Open Text is rapidly assembling one of the market's most comprehensive ECM portfolios.

In the past year alone Open Text has made four acquisitions, the most recent being document imaging and Web content management specialist **Gauss** [*see* DIR 9/5/03]. However, with the IXOS deal, Open Text broke away from its historical trend of going after struggling companies with low-ball offers. Open Text picked up Gauss, for instance, which was once a $35-million company, for $11 million in cash. In the past, Open Text has also drawn the ire of companies like **Accelio** and **PC Docs** for attempting hostile takeovers.

For IXOS, Open Text has agreed to pay more than $200 million (in either cash or stock depending on IXOS shareholders' preference), or greater than 1.5 times revenue. Granted, this is a far cry from the five to six times revenue that Documentum commanded from EMC or the more than three times revenue **iManage** received from **Interwoven**. However, those deals were all-stock transactions. The price also represents the value that archiving companies have on the open market compared to collaborative/knowledge management-type companies. Most document imaging vendors can probably hope for market valuations more in line with IXOS, although it seems vertical specialties can help drive up that valuation [*see DIR 9/5/03*].

Like Open Text, IXOS has been recently trying to increase the scope of its ECM offerings. Earlier this year, the company made a pair of small acquisitions to add Web content management and workflow technology. Despite their common designs on the ECM market, according to Suffoletto, Open Text and IXOS rarely competed.

"If you match their technology against ours, you see we are either very light or have a complete absence of technology in Open Text's strongest areas," said Suffoletto. "Although we share common customers, we are handling different applications within those customer sites. In terms of technology, this is a very complementary acquisition."

The merger is also complementary from a global standpoint, as IXOS is based in Munich, Germany. Going forward, Munich will be the base of the company's European and content management and archiving operations. The knowledge management and collaborative operations, as well as North American sales, will be run out of Open Text's Chicago operational headquarters. The company's corporate headquarters are in Waterloo, ON, Canada.

In addition to bringing complementary technology to the table, IXOS also brings a tight relationship with ERP-giant **SAP**. IXOS was founded to develop archiving software for SAP applications, and the two companies have worked closely together for several years. In fact, 70% of IXOS' business still comes from its partnership with SAP.

Suffoletto concluded by saying that, although IXOS had managed to date without even a partnership for collaborative and knowledge management technology, growing demand from end users clearly warranted the acquisition by Open Text. "More and more customers are demanding a one-stop shop for the functionality the two companies provide."

For more information**: IXOS, Inc.**, Newtown Square, PA, PH (650) 577-6500, www.ixos.com; **Open Text**, U.S. headquarters, Bannockburn, IL, PH (847) 267-9330, www.opentext.com.

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DIR is the leading executive report on managing documents for e-business. Areas we cover include:

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Is FileNET Up For Sale?

ECM vendors suddenly a hot commodity.

A few years back, **FileNET** Chairman and CEO Lee Roberts told *DIR* he expected the enterprise content management (ECM) industry to consolidate into two to three, billion-dollar-plus companies. Based on the recent wave of acquisitions, he may have been right on that point. Roberts also told us he expected FileNET to be one of the consolidators. On that note, however, it appears Roberts may be changing his tune.

During a recent interview that appeared on cable network **CNNfn's** *The Money Game*, Roberts appeared to be advertising FileNET to potential suitors. The interview aired shortly after FileNET reported its third-quarter results and the company's stock was enjoying some residual effects from **EMC's** acquisition of **Documentum.** Roberts discussed both the health of the ECM market in general and specifically, his company.

For the third-quarter, FileNET posted revenue of $89.4 million, an increase of almost 8% from the third quarter of 2002, and an operating income of $2.8 million. Roberts didn't point out, however, that FileNET's revenue growth trailed that of ECM competitors Documentum, **iManage**, and **Open Text**, who reported 31%, 29%, and 17% growth, respectively, for the same quarter. Documentum and Open Text also had better operating margins than FileNET.

Yes, Roberts claimed FileNET is the market leader in the ECM space, with something like a 19% share, but that lead is rapidly slipping away. FileNET's slow-and-steady profitable growth plan has helped build a nice balance sheet of almost $200 million in cash and short-term investments. However, FileNET's cautious ways may be mortgaging its position as a market leader.

FileNET's recently announced records management application [*see story on page 4*] is a microcosm of the company's conservative operations. Because of its presence in regulated industries, FileNET was one of the first vendors to realize the importance of records management to ECM. But, the unexpected acquisition of potential partner **Tarian** by **IBM** seemed to throw FileNET off its game. So, while its competitors all made their records management plays and moved on, FileNET watched.

FileNET was burned by a trio of document management acquisitions in the mid-1990s and has been gun-shy ever since. Despite its impressive balance sheet and a steadily climbing stock value, Web-content management vendor **eGrail** is the only major acquisition FileNET has made since its mid-1990s Waterloo. [*No pun intended involving **Open Text**.*]

It's not as if the company doesn't recognize the need to offer a smorgasbord of ECM technology. Roberts himself said during the interview on CNNfn that FileNET has only penetrated 10% of its biggest customers. He cited the records management initiative as an effort to grow that percentage by expanding the breadth of the company's ECM offerings. However, it's becoming clear that, without acquisitions, that expansion may be too slow to remain competitive with the likes of Open Text, Documentum, **IBM**, et al.

So, if FileNET is not going to be a consolidator, who is going to consolidate them? Well, we'll assume it's going to be someone larger than FileNET because that's the way these things usually happen. That means that Open Text and **Interwoven** are out. IBM, which was rumored to be one of Documentum's suitors, is a possibility. However, although Roberts is a former IBM exec, the companies have been long-time competitors in the high-end document imaging space and have too much overlapping technology for their combination to make sense.

Oracle is another name that is always thrown about as a possible ECM suitor. However, we view FileNET's culture as a bit too conservative for Larry Ellison's tastes.

EMC, on the other hand, is fairly conservative and curiously, a week after EMC announced it was acquiring Documentum, FileNET announced it had partnered with the storage vendor on an installation at a large hospital. Although FileNET and Documentum are competitors, their technology could be considered complementary. Documentum's roots are in electronic documents and FileNET's are in imaging. And with $2 billion still on its balance sheet and a stated plan to increase software revenue, EMC is an intriguing possibility. However, in addition to FileNET being hard to digest so closely following EMC's acquisitions of **Legato** and Documentum, FileNET probably has too much crossover with those two companies to make it particularly attractive to EMC.

That brings us to the company we feel is the favorite in the FileNET sweepstakes: **HP**. HP is definitely big enough to handle FileNET. And as HP attempts to compete with EMC in the storage market, we're sure the Documentum acquisition focused its attention on the ECM space. FileNET would also provide HP with a pair of important bridges into higher-margin markets. First, FileNET could help HP make the transition from desktop to enterprise applications. Second, FileNET could help HP transition from hardware to software.

Yes, it's an intriguing possibility. Watching the likes of HP, EMC, IBM, and possibly Oracle and **Microsoft** battling for ECM market share would clearly have interesting ramifications on the document imaging market as we know it. As we said in our last issue, it's time to get your books in order, because the ECM acquisition money seems to be flowing fast and furious.

FileNET Finally Announces RM Suite

It was almost a year ago that we ran a headline: "Records Management Has Day in the Sun." The story was about a pair of records management acquisitions by ECM giants **Documentum** and **IBM** that occurred almost simultaneously. We trumpeted the moves as a bellwether for the convergence of the two markets [*see DIR 11/15/02*].

Over the past year, that convergence has certainly played out. We've seen significant announcements by the likes of **Optika**, **Hyland**, **iManage**, **Tower Software** and **Tower Technology** involving a combination of acquisitions, partnerships, and internally developed products that have driven these two markets together. Yet, all the while **FileNET** has stood by conspicuously silent. For more than a year and a half following its initial public identification of records management as an essential part of its ECM vision, the $350-million imaging and workflow pioneer made no apparent moves to add records management to its portfolio.

We say "apparent" because from what we understand FileNET had been close to finalizing an OEM agreement with **Tarian** before it was acquired by IBM. There was talk of that agreement going forward under IBM's watch, but no deal was ever finalized. Finally, at last month's **ARMA Conference and Expo** held in Boston, FileNET revealed its much-awaited records management strategy. The company announced an internally developed suite that will be integrated directly into its *P8* ECM platform.

"We had worked with both the Tarian and **TrueArc** (which was acquired by Documentum) applications," Harris Hunt, FileNET's director of product marketing, told *DIR*. "We had customers that wanted to marry their technology with ours. Some were happy with the results, and some weren't.

"We had to make a choice about whether we wanted to bolt another vendor's technology onto ours. There are a number of reasons why that model does not work very well. The bottom line, however, is that we have existing technology that gives us the capability to deliver some brand new value propositions around records management."

FileNET will initially market its *Records Manager* suite to its installation base of 4,000 customers. "The records management market is super hot right now," said Hunt. "It's being driven by regulatory requirements such as Sarbanes Oxley, the Patriot Act, and the next set of HIPAA regulations. The amount of change in the regulatory environment in the past 24 months has probably surpassed the change seen in that area in the previous 24 years."

According to Hunt, the very magnitude of the change in the records management environment has meant that, fortunately for FileNET, companies have taken their time before making final decisions on records management applications. "These new requirements are not something that can be solved by whipping out a pile of HR policies or buying a bunch of **EMC** hardware and storing everything on it," he said. "Storing everything can be just as bad as storing nothing. Solving needs in records management means taking a step back, doing an inventory of content, and taking the time to understand why it's created and kept, and why it should be disposed of. When it comes to records management, a lot of our customers have recently found religion."

Hunt's observation that the records management gold rush has yet to really begin is in line with what we have been seeing. This summer, for example, we spoke with Cliff Sink, president of the North American office of long-time records management software specialist **Tower Software**. Sink observed that the demand for commercial records management solutions had yet to catch up with the hype. Sink did report, however, that his company's government business had been brisk [*see DIR 6/20/03*].

Hunt concurred that FileNET was also seeing a more immediate demand for government records management solutions. "Because we manage so many of their documents already, our commercial customers told us we were the perfect vendor to provide them with records management," said Hunt. "They basically suggested we put it on our roadmap. Our government customers, on the other hand, told us they needed it now, and that if we didn't have it, it was going to affect buying decisions in 2004."

So, what exactly does a records management suite add to FileNET's offerings? "Functionality like the ability to manage file plans, put a legal hold on documents, and manage the disposal or transfer of records from one organization to another," said Hunt. "We have added this as a layer on top of our existing ECM infrastructure."

Specifically, Hunt offered FileNET's virtual content management (VCM) technology as a characteristic of *P8* that will differentiate FileNET's records management offering. "Companies spend a lot of time building file plans and retention schedules that meet their current records environments," said Hunt. "What happens if they make an acquisition or the compliance rules change and all of a sudden they have a new document repository to deal with? Our VCM technology can be used to bring that new content under control quickly and at a low cost."

FileNET *Records Manager* is due to be released next spring. FileNET has been added to an ever-growing list of vendors scheduled to be tested for DoD 5015.2 records management certification. Details on the certification and a complete list of vendors scheduled for testing can be found on the **Joint Interoperability Test Command** Records Management Application home page at http://jitc.fhu.disa.mil/recmgt/.

For more information: **FileNET**, Costa Mesa, CA, PH (714) 327-3400, www.fileNET.com. DIR

Kofax Begins To Leverage Mohomine

Kofax recently released its first new product related to the **Mohomine** acquisition announced at **AIIM 2003**. Leveraging an existing relationship between Mohomine and **PeopleSoft**, Kofax has launched an *Ascent Capture* resumé processing module that can be plugged into PeopleSoft's *Human Resource Management System* (*HRMS*) software. Mohomine technology is already embedded in an *eRecruitment* module available for *HRMS*. It is used to automatically extract relevant data from electronic resumé submissions. The *Ascent* module will enable paper resumés to be processed similarly.

"*Ascent* will be used to scan resumés and clean-up the images," explained Anthony Macciola, VP of marketing for Kofax. "*Ascent* will then apply full-text OCR to create PDF images of the resumés with hidden searchable text. The image and text will be passed on to the *eRecruitment* module where the Mohomine technology will take over."

Macciola noted some irony in the piece of Mohomine's technology being leveraged. "When we announced the acquisition at AIIM, we focused more on Mohomine's document classification capabilities," he said. "We kind of downplayed the extraction technology. To be honest, we really didn't understand its value or have a clear go-to-market strategy for it. This application shows that the extraction technology lends itself very well to specific vertical applications. Litigation support is another application we are looking at, as well as some scenarios with government intelligence agencies."

Mohomine's established relationships with some of those intelligence agencies, as well as with vendors like PeopleSoft and **Oracle**, played a part in Kofax's decision to purchase the company for $6.4 million. Macciola estimated that PeopleSoft has close to 300 installations of its *eRecruitment* module. "PeopleSoft was getting fairly consistently pinged to do the same thing for paper resumés that it was doing for electronic ones in *eRecruitment*," he said.

According to Mike Morper, director of product marketing for Kofax, it costs approximately $1.50 to manually process a paper resumé. "Although the majority of resumés submitted today are electronic, depending on the industry, 20-40% still come in on paper," he said. "In a lower-tech industry, like transportation, it might be closer to 40%.

"Another figure we've uncovered is that the number of resumés a company receives per month is approximately equal to the number of employees it has. So, if an organization has 150,000 employees, it is likely to receive 30,000-60,000 paper resumés per month. Using the low-end number, a paper resumé processing solution could represent a $45,000 savings per month. Over the course of a year, you're talking about saving more than a half-million dollars."

The module to connect *Ascent Capture* with PeopleSoft's *eRecruitment* module is available for a list price of $5,000. An *Ascent Capture* application must also be purchased. Kofax is distributing the module through its current *Ascent* reseller channel. It is working with PeopleSoft to let current *eRecruitment* customers know about the product.

"We see this as an opportunity for some of our current resellers to break into a new vertical," said Macciola. "Of course, we already have some resellers focused on that space and this will benefit them. We also see this as an opportunity to pick up some new resellers that are focused on the human resources market, but don't have an imaging solution."

Macciola added that the new application could be a sign of things to come. “Our traditional focus has been plugging into enterprise content management (ECM) solutions,” he said. “With all the recent activity in the ECM space, there will continue to be opportunities there. At the same time, we are going to continue to integrate our technology into other types of enterprise applications. Associated with those applications, we are trying to augment our technology with some value-added functionality focused on specific verticals.”

For more information: **Kofax**, Irvine, CA, PH (949) 727-1733, www.kofax.com. DIR

PDF Support Could Be Sign Of Things to Come

Fujitsu exec predicts eventual demise of TIFF Group 4.

Fujitsu has seen the future of document scanning and it is PDF. As scanning moves into the front-office from its roots as a back-office application, end users are demanding a more flexible image file format than TIFF Group 4. To meet those demands, Fujitsu has committed to bundling **Adobe** *Acrobat* across its scanner line.

“Last year, we did a market study to find out if the requirements of front-office scanning were going to be any different than the back-office, where Fujitsu has been selling document scanners for years,” John Hoye, Fujitsu’s director, business development, image scanner products, told *DIR*. “Almost 90% of the respondents told us that PDF was their desired format. One of the things they like about PDF is that it can be used as a universal format for both scanned and electronically created documents.”

Fujitsu has actually been bundling *Acrobat* with various scanning products since the mid-1990s. “Historically, most back-office imaging application vendors saw PDF as a threat,” said Hoye. “In the past year, that has reversed, and they have started to embrace it. I think they understand now that PDF is actually going to increase the opportunities for document imaging.”

Earlier this week, Fujitsu announced that it would be bundling *Acrobat 6 Standard* with its ScanSnap! line of desktop scanners. The ScanSnap! is a 15 ppm duplex color scanner that was introduced in North America at **AIIM 2003** [*see* DIR *4/25/03*]. It lists for $495. Leveraging *Acrobat*, the ScanSnap! is designed to create color or black-and-white PDFs in a very simple manner.

“Potential front-office users we surveyed were very blunt,” said Hoye. “They told us that if they had to learn to use different types of software to make their scanners work, it was going to be a non-starter. They were looking at the ScanSnap! as a productivity tool for knowledge workers. So, we started studying things like auto color and page-size detection, blank page deletion, and page orientation. We’ve incorporated all those into the ScanSnap!”

According to Hoye, so far, the desktop scanner market has proven to be a new area of business for Fujitsu, apart from the departmental and workgroup markets Fujitsu services with more expensive scanners. “The majority of our other scanners are sold as part of large imaging applications that include **Kofax** or **Captiva** capture tools,” said Hoye. “We are seeing a lot of traction for the ScanSnap! in small businesses that are just looking for a way to take all their paper and integrate it with their other Windows files. They’re not looking for be-all document imaging systems; they’re just looking to create some efficiencies.”

One of those efficiencies is as a fax replacement. “We’ve heard from customers that have achieved ROI from their ScanSnaps! in less than a week based on money saved on courier deliveries and international phone calls,” he said.

Eventually, Hoye sees the wave of small businesses that are currently adopting document imaging, as wanting to deploy more advanced document management tools. “There is also the potential for these businesses to post their images to servers where they can be picked up by larger document management systems utilized by partners or corporate offices,” he said.

This is the type of momentum that could eventually make PDF the standard for document imaging. “The survey we did stretched across all verticals and involved companies with a range of five to 500 employees in their offices,” said Hoye. “They said very clearly that PDF will be the standard for how they will store document images in the future. It’s in Fujitsu’s best interest to help perpetuate that.”

Adobe has also spoken with *DIR* about its desire to perpetuate PDF as a document imaging standard [*see* DIR *5/23/03*]. The latest release of *Acrobat* includes improved full-text indexing capabilities as well as advanced compression technology to facilitate the creation of smaller PDF file sizes. “I see Adobe as a company re-energized around its whole ePaper business,” said Hoye. “Adobe is aggressively pursuing opportunities for its PDF technology, and we are partnering closely to help them.”

PDF’s ability to handle color makes it particularly attractive to scanner vendors like Fujitsu who have introduced affordable, quality color capabilities into their scanners. They have yet to see widespread utilization of those capabilities because most imaging applications are still built around TIFF Group 4 images. Currently, most color scanners offer to output a compressed color JPEG or a raw bitmap file that can be worked with off-line. “If you follow the logical market progression, I think you could eventually see PDF output directly from scanners,” said Hoye. “Eighteen months ago, just being able to create a PDF from a scan was fairly significant. Although it’s still an important feature, it is now becoming passé.”

The Fujitsu ScanSnap! with *Acrobat 6.0 Standard* is available now. In time, Fujitsu plans to roll out *Acrobat 6.0* across the rest of its fi-series scanners.

Hoye concluded by saying he does not see Fujitsu’s support of **Kofax’s** VRS technology across its scanner line, which was announced last month [*see DIR 10/10/03*], as being in conflict with its support of PDF. “We view VRS as giving us the capability to generate the best quality image that eventually ends up in PDF.”

For more information: **Fujitsu Computer Products of America**, San Jose, CA, PH (408) 432-6333, www.fcpa.com/products/scanners. DIR

Parascript Expands Relationship With Lockheed

Parascript’s cash cow just had a calf, so to speak. The character recognition specialist recently signed a second contract with **Lockheed Martin** to integrate its technology into a postal sorting system. The majority of Parascript’s revenue already comes from a contract with Lockheed to provide address recognition technology for the **United States Post Office’s** (**USPS**) letter sorting system. Last month, Parascript announced a second deal through which Lockheed will incorporate Parascript’s technology in the USPS’ Automated Package Processing System (APPS).

“This is our second major U.S. deal with Lockheed,” Jeff Gilb, president and CEO of Parascript, told *DIR*. “We’ve also had some international dealings with them. Lockheed has known us for a long time, and they know, for the right situation, we have the best technology.”

Parascript was part of the APPS prototype that was installed by Lockheed for field testing in 2001. That prototype is currently in use by the USPS mail annex for the Minneapolis, MN area. Lockheed will begin installing 70 APPSs nationwide this year. One system is capable of sorting 9,500 packages per hour. Formerly, the packages were manually sorted.

Gilb acknowledged that the APPS deal will generate less revenue for Parascript than the letter sorting contract. “The USPS has thousands of letter sorting systems in its 270 letter distribution centers,” said Gilb. “Some of those centers can have many as 30 letter sorters, which can process up to 30,000 letters per hour.”

The contract for Parascript’s letter sorting technology is structured so that the company’s revenue is based on accuracy improvements. Parascript has a similarly structured contract with **Siemens** as part of a system for sorting flat mail. According to Gilb, the contract for the package sorting system is a more conventional software licensing arrangement.

Gilb stressed that Parascript continues to expand its business outside postal applications as well. “We no longer solely rely on Lockheed as we did in the past,” he told *DIR*. “We continue to make great progress in the check scanning market, and we are also picking up steam in the service bureau market. We had a record year last year, and I think we are on target to surpass that this year.”

For more information: **Parascript**, Boulder, CO, PH (303)381-3100, www.parascript.com. DIR

IMR Launches High-Volume, COLD & Statement Software

Document imaging software specialist **IMR** has started working with print streams in an effort to move its business upstream. Traditionally focused on the low- to mid-volume document imaging market, IMR recently released a high-volume COLD and print stream management application with robust PDF-management capabilities. The product is called *Mercury*, and the company has brought in imaging and financial services industry veteran Dave Mansen to spearhead sales.

“*Mercury* is a single application that can handle both COLD reports and statements generated from print streams,” Mansen told *DIR*. The former **Optika** and **Plexus** executive is now functioning as IMR’s VP of business development and GM of its *Mercury* division. “It can turn data from both sources into large, indexed, searchable PDF documents.”

Mercury is designed to facilitate the exchange of reports and statements on a business-to-business level. IMR's initial customer for the application was **First Data Corporation**. "Among other things, First Data is using *Mercury* to manage the distribution of practically all the cable bills in the world," said Mansen. "*Mercury* could also be used to distribute phone bills.

"Both examples involve millions of documents that can be broken down into two-to-three-page statements, and there is ESP (electronic statement presentment) and EBPP (electronic bill presentment and payment) technology available for that. *Mercury* functions on a different level. It can handle an application like the delivery of a single file containing a PDF of all the phone bills in New York City to the city government for tax purposes."

According to Mansen, IMR's historical strength in creating indexed CDs is an advantage in the high-volume report and statement market. "We can deliver PDFs either as a file to be posted on-line or on CDs or DVDs," he said.

IMR originally developed the *Mercury* technology specifically for First Data, which was already using IMR's legacy *DataGrabber* COLD application. "About six months ago, IMR decided to productize the technology," said Mansen. "Since then, two or three additional customers have installed it. That's when I was brought in."

Mansen's efforts with *Mercury* represent a new sales approach for IMR, one focused on larger, direct sales. "A typical *Alchemy* [the company's flagship document imaging brand] sale goes through a reseller and generates approximately $10,000-15,000 for IMR," said Mansen. "We expect sales of *Mercury* to be in the $100,000 range with a proportionate amount of professional services sold with them. We are also offering *Mercury* as a hosted application for around $10,000 per month."

Mansen acknowledged that only a small number of IMR's existing customer base of 10,000 are candidates for *Mercury* sales. "We have 950 current COLD customers and only a subset of those are potential *Mercury* buyers," he said. "Unlike our document imaging software, which has 100s of thousands of potential customers, there are only 3,000-5,000 businesses that could ever use *Mercury*. However, the financial services industry is very tight. Once First Data's competitors find out what they're doing, we are confident they will want to purchase the technology as well."

In addition to financial services, Mansen sees the insurance and health care markets as potential targets for *Mercury*. "As the monetary value of statements goes up, so does the cost-benefit of managing them," said Mansen. "In the insurance industry, there is more cost-benefit gained from managing claims statements than monthly billing statements. In the health care market, we see EOB [explanation of benefit] forms as a potential application. We can leverage some of the direct sales efforts we are already making for our *RecordCare* application, based on *Alchemy*.

IMR showcased *Mercury* at the recent **Xplor Conference & Exhibit** held in Atlanta. First Data spoke there.

For more information: **IMR**, Englewood, CO, PH (303) 689-0022, www.imrmercury.com. DIR