

# Document Imaging Report

Business Trends on Converting Paper Processes to Electronic Format

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December 19, 2003

## THIS JUST IN!

### FILENET LATEST TO FORM STORAGE ALLIANCE

Where **EMC** goes, **Network Appliance (NetApp)** is sure to follow. Following up EMC's recent announcement that it was acquiring **Documentum**, billion-dollar magnetic storage specialist NetApp announced a sales, marketing, development, and customer support alliance with **FileNET**. The deal is based on integrating FileNET's ECM platform with NetApp's SnapLock archiving system.

NetApp introduced SnapLock in the wake of EMC's Centera magnetic archiving launch. With more than \$700 million on its balance sheet and a market cap of close to \$7 billion, NetApp remains a candidate to acquire FileNET, which reportedly has been up for sale. No word yet if the alliance means that FileNET will cease manufacturing optical jukeboxes.

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A look at recent insider trading activity reveals that at least one **Captiva** executive could be planning some lavish holiday gifts. Between Nov. 14-19, more than \$3 million worth of Captiva stock was reportedly sold at approximately \$12 per share. The stock took a slight hit in the wake of this activity, dipping to below \$9 per share on Dec. 10, its lowest value in more than two months.

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If you didn't see it, **LaserFiche** recently named former **Honda** executive Jerry Bengtson as its president and COO. LaserFiche founder Nien-Ling Wacker will continue to serve as CEO and chairman. After retiring from Honda, Bengtson had been working as a strategic advisor to LaserFiche. He and Wacker have a long history of working together.

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Finally, have a safe and happy holiday season. Our next issue will be out the week of Jan. 9. ☐

## eCopy Navigating Increasingly Complex Landscape

*Capture software developer hits numbers despite increased competition and price pressure.*

A year after announcing its long-time partner **Canon** had invested \$15.8 million in its business, things continue to be good at **eCopy**. The developer of scanning software for digital copiers continues to grow at a 40-50% rate, and completed its fiscal 2003 with revenue of approximately \$25 million.

As success typically does, eCopy's has spawned a slew of competition. Nearly every digital copier vendor is now pushing some sort of scanning package, and mega-dealer **Ikon** has even introduced its own alternative to eCopy. "We were clearly the early innovator in the field," Tim Corkery, eCopy's VP of worldwide sales, told *DIR*. "For a long time, we were pioneering the market by ourselves. The good news about all the competition is that it legitimizes our business. The bad news is that it creates quite a bit of confusion."

Because of its almost exclusive relationship with Canon, eCopy has left plenty of avenues open for competition. Compounding things is the fact that to stay competitive with Canon, other digital copier vendors have been forced to upgrade their scanning capabilities. The result has been a variety of scan-from-copier applications released over the past couple years. These have included **Ricoh's GlobalScan**, **Kofax's Ricochet**, **Notable Solutions, Inc.'s (NSi) AutoStore**, and Ikon's **DocSend** applications. **Toshiba**, **Sharp**, **Lexmark**, **Konica Minolta**, and **Xerox** offer their own-branded scanning platforms as well.

To combat its competition, eCopy has made some adjustments. This summer, it revamped its pricing and created a tiered model, based on copier speed. eCopy also continues to push beyond the scan-to-e-mail functionality which first brought its application to prominence. It has expanded its operations internationally. And finally, next month it will introduce a new product based on Canon's MEAP (multi-function

embedded application platform) architecture. Let's take a look at each of these moves:

■ **Tiered pricing model:** For years, eCopy has sold its *eCopy Suite* for a list price of \$6,995. This includes software and a touchscreen needed to run the application. "We divided the Canon ImageRunner digital copiers into three categories based on speed: workgroup (22-33 ppm), departmental (50-60 ppm), and high-end (72-105)," said Corkery. "We left the price for the high-end the same. In the departmental range, which is our sweet spot, we reduced the list to \$5,495. In the workgroup, we dropped it to \$3,995."

**"We view many of our competitors as being back in scan-to-e-mail 101.... It will take our competition a couple years to catch up. At that point, we will have reached the next level—whatever that may be."**

**Tim Corkery, eCopy**

Interestingly enough, eCopy's decision to drop its pricing wasn't necessarily driven by its competition. "Most users don't make a decision to buy a brand of copier based on its scanning capabilities," observed eCopy President and CEO Ed Schmid. "They typically don't consider adding scanning functionality until after they've chosen their copiers."

Because eCopy is pretty much the only scanning application available for Canon scanners, eCopy mainly competes with its own price. And 90% of the time, it is still losing, as only 10% of ImageRunner buyers purchase a scanning package. "Many copier dealers compete on price and as a result are often afraid to bring anything new into a sale that may increase the price," Corkery told *DIR*. "We wonder sometimes if dealers are afraid to introduce our application."

As an experiment, for four months, eCopy ran a rebate program involving lower-volume ImageRunners. "It tripled our business in the workgroup segment," said Corkery. "That made us realize there is a correlation between the price of the device and the price customers are willing to pay for scanning."

■ **Expansion beyond scan-to-e-mail:** eCopy launched this initiative last year, with the release of its *Connector* tools for integration with other applications. "I equate this with the old saying that whoever dies with the most toys wins," joked Corkery. "In this case, you can replace 'toys' with 'application integrations.' Integration represents the evolution of the market. Three years ago, we were selling based on scan-to-e-mail functionality. Now, our customers are looking beyond that and discovering other things they can do with scanned images, including moving them into content management applications."

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*DIR* is the leading executive report on managing documents for e-business.

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**Vol. 13, No. 24**

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*DIR* is published 24x per year, on the 1st & 3rd Fridays of the month, by:

**RMG Enterprises, Inc.**

5905 Beacon Hill Lane  
Erie, PA 16509  
PH (412) 480-5116

**Web:** [www.documentimagingreport.com](http://www.documentimagingreport.com)

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eCopy offers a toolkit so ISVs and systems integrators can write their own integrations. It also sells several internally developed *Connectors* for leading document management applications, as well as more vertically specific applications in areas like cost recovery.

“Our cost recovery *Connectors* enable law firms to track the amount of scanning they are doing for clients, so they can bill for it,” said Corkery. “These *Connectors*, along with our *Connectors* to leading legal document management applications, have helped grow our sales to the legal vertical. Legal currently accounts for 10-12% of our business, and 28 of the top 100 law firms in the world are customers of ours.”

eCopy recently announced that **Clifford Chance**, the world’s largest law firm, had chosen its application. “The Clifford Chance installation is a microcosm of what we see happening in the market,” said Corkery. “Initially, our software is being installed for its scan-to-e-mail capabilities. There is also a document management project underway. When it’s complete, our application will be connected with it.”

Corkery views *Connectors* to applications from vendors such as **Documentum** and **Open Text** as potential avenues into other verticals, such as the

pharmaceutical and telecommunications markets. “We view many of our competitors as being back in scan-to-e-mail 101,” Corkery said. “We have taken our application to the next level with our *Connectors* and vertical focus. It will take our competition a couple years to catch up. At that point, we will have reached the next level—whatever that may be.”

Corkery added that eCopy’s support is also a differentiating factor. Improving support was cited as a major initiative to be funded by the Canon investment. Since that investment was announced, eCopy has more than doubled its support staff, from 20 to 45.

“We’ve assembled a support team that is comfortable working with IT, an area that a lot of copier dealers don’t have experience in,” said Corkery. “Our support people are focused on areas like scanning, document distribution, enterprise applications, and connectivity. We don’t hire people with traditional copying backgrounds. Dealers can handle copying issues. We like to provide them with a crutch when dealing with more complex IT-related issues.”

Corkery added that Canon’s dealer channel continues to improve its technical capabilities and also cites this as a competitive advantage for eCopy. “We’ve invested a lot in building our relationship

## SCANNING AN IMPORTANT ELEMENT TO LANIER’S VERTICAL FOCUS

**eCopy** is not the only vendor involved with digital copiers that sees vertical applications as important to growing its business. Billion-dollar office systems dealer **Lanier** also has introduced several vertical market initiatives that include document imaging. “Our main goal is to place devices,” explained Kevin Goldsberry, application marketing manager for scanning solutions at Lanier. “Having the ability to analyze a customer’s workflow and create solutions that include scanning gives us a competitive advantage.”

Lanier’s document imaging history dates back to the early 1990s, when the company functioned as a reseller of **Optika** and **FileNET** software. “We built our own user interface, re-sold high-speed scanners, and had an extensive document imaging program,” said Leighton Schroder, director of market development for

Lanier. “For various reasons, we exited that business in the late 1990s.”

In 2001, Lanier was acquired by **Ricoh** and now acts primarily as a dealer of Lanier-branded Ricoh products. This includes digital copiers, document scanners, Ricoh’s eCabinet document management solution, its Document Mall hosted document service, and its *GlobalScan* scanning platform. Lanier utilizes these elements in its vertical offerings.

“Insurance and real estate are currently our two hottest verticals for scanning,” Goldsberry told *DIR*. “In the insurance market, imaging can be used to improve the exchanges that take place between brokers and insurance companies. There is a similar relationship between real estate brokers and property owners. We also introduced a real estate application that leverages scanning

specifically for the title and mortgage industry.”

Goldsberry added that healthcare is about to explode as a hotbed for scanning applications. “Think of the complex workflows in areas like claims processing and patient records that can be improved through imaging,” he said.

According to Schroder, more than half of Lanier’s digital copiers currently go out the door with some type of scanning capability. “The interest in scanning for distribution of documents is growing dramatically,” he said. “Document imaging applications are becoming a real door opener for us when dealing with potential customers.”

For more information: **Lanier**, Atlanta, GA, PH (770) 496-9500, [www.lanier.com](http://www.lanier.com).

with Canon's dealers, and it's started to pay off," said Corkery. "Last year, an analyst remarked that our relationship with Canon is probably the most successful relationship between a copier vendor and an ISV. That's one of the reasons we haven't decided to work with other copier vendors. It is a good thing to be working with a leader. We want to look carefully before jumping into their neighbor's yard, because the grass isn't always greener."

#### ■ International expansion:

In addition to improving support, one of the other major initiatives being funded by the Canon investment is increasing international sales. "Last year, we had maybe two people working in Europe," Corkery told *DIR*.

"Now, in addition to our U.K. headquarters, we have people in Germany, Holland, France, and Sweden. In the past year, we've released products in every major European language. We also have opened an office in Japan and just completed a product launch there."

According to Schmid, with the U.S. scanning rate stuck at around 10% of ImageRunner customers, international sales have accounted for a good portion of eCopy's recent growth. "When you are starting at close to zero, any sales you make are going to provide a boost," Schmid told *DIR*.

Corkery estimated that international sales currently account for 15% of eCopy's business. "We expect that to ramp up to 25% fairly quickly," he added.

■ **Introduction of a new MEAP product:** In an effort to increase its 10% success rate with ImageRunner customers, next month eCopy will introduce *ShareScan OP*. "Canon's MEAP technology essentially allows us to run our application using the touchpanel on its copiers instead of through a separate touchscreen," said Corkery. "It will also enable *ShareScan* applications for several copiers to run off the same server. Our current configuration requires a separate PC for each digital copier."

This server-based application is similar to the configuration Ricoh offers with *GlobalScan* and NSi offers with *AutoStore*. "How many devices a customer will be able to run off a single server will depend on the type of processing they're doing," said Corkery. "If all they are doing is scan-to-e-mail, then they can probably run 10-15 devices per server. If they are doing scanning involving a lot of OCR and encryption, they will want to reduce that



Ed Schmid, president & CEO, eCopy.

number."

Pricing for *ShareScan OP* has not been finalized. "We are targeting it at large corporate environments," Schmid told *DIR*. "Those environments are adopting scanning at a faster rate than mid-range businesses, and we expect them to continue to drive our growth."

#### Vertical Applications Are Key To Future

eCopy's road to success has not been without bumps. Although Corkery somewhat dismissed it, we have to believe eCopy was hurt by Ikon's decision to have **Electronic For Imaging (EFI)** develop an alternative solution to the *eCopy Suite*. Ikon is a \$5 billion company that deals mainly with Canon products. EFI represents another potential competitor that eCopy didn't have three years ago.

Despite the increasingly crowded landscape, eCopy continues to grow. With its success rate still at around 10% of Canon customers (some 200,000 Canon copiers are sold in the U.S. every year), eCopy's potential remains sky high. There is no question that, as imaging continues to work its way from the back office to the front office, the percentage of scan-enabled digital copiers will increase. We believe eCopy's aim to leverage its *Connectors* to create vertical solutions is right on target for driving this increase. Specific vertical solutions are currently driving sales in the traditional document imaging space and will eventually drive sales in the digital copier space as well.

For more information: **eCopy**, Nashua, NH, PH (603) 881-4450, [www.ecopy.com](http://www.ecopy.com). ■■

## Hyland Approaching \$40 Million

Last issue, we ran a story extolling the mid-market as a hot area for document imaging installations. We talked about the recent success of companies such as **LaserFiche**, **Optika**, and **DocuWare**. Probably the most successful mid-market document imaging company, however, is **Hyland Software**. Founded just over 10 years ago, Hyland is on pace to hit \$38 million in revenue this year, which represents 40% growth over 2002.

According to A.J. Hyland, president and CEO, the company's growth can be attributed to its easy-to-deploy software package, which is sold primarily through a channel of more than 200 resellers worldwide. "Systems that require a lot of customization are not particularly attractive to mid-market customers," Hyland told *DIR* during a recent

visit to the company's Westlake, Ohio offices. "We've done some multiple-site, enterprise-wide installations that require 9-12 months worth of on-site services. However, that type of services model is not applicable in the mid-market. Mid-market customers have typically spent what they feel is a lot of time looking for a system. After they make their selection, they want to get it up and running as soon as possible."

Hyland's reliance on value-added reseller (VAR) and OEM partners, and its desire to deliver systems with a low cost of ownership, has a lot to do with the fact that 60-70% of the company's revenue is generated through sales of software licenses. Competitor **FileNET**, which focuses on higher-end deals, generated only 39% of its revenue from software licenses in its most recent quarter.

### **Hyland Rebounds Strongly In 2003**

Hyland has averaged 40% annual growth since it was founded in 1991 by A.J.'s older brother, Packy Hyland, Jr. The company has also reported 21 straight profitable quarters. Last year, when its growth slipped to 20%, it appeared Hyland might have reached the size where it would have to start tempering its expectations. But, Hyland has rebounded strongly this year, including 48% revenue growth in the third quarter over the third quarter of 2002. A.J. Hyland stressed that expecting a 30-40% annual growth rate into the foreseeable future is not unrealistic.

"Last year's slower growth was purely because of the economy," Hyland told *DIR*. "You hate to use 9/11 as an excuse, but the fact is, it stopped a lot of sales cycles that were in motion. Budgets started coming back last year, and because our software has a 9-12 month sales cycle, it really wasn't reflected in our sales until this year."

According to Hyland, although regulatory compliance concerns have heightened the awareness of document management technology, the ROI produced by digital workflow is still the number one sales driver. "People have invested a lot of money in ERP and CRM systems and rightly so," he said. "However, now they are finding they need to get other processes under control in areas like accounts payable, human resources, and manufacturing—that are still paper based."

### **Vertical Initiative Pays Dividends**

A.J. Hyland believes that the vertical markets



**A.J. Hyland,**  
president and CEO,  
Hyland Software.

initiative launched a couple years back has been instrumental in maintaining the company's high growth rate. Fifty-six percent of Hyland's new customers last quarter still came from the financial services sector, which is where Hyland's roots are. However, healthcare is now the fastest growing vertical and accounted for 10% of new customers last quarter. Other vertical focuses include public sector, education, insurance, technology, services, manufacturing, and utilities.

"When we launched our vertical initiative, many of our partners got nervous because they thought it was a step toward direct sales," said Hyland. "On the contrary, it's proven a very valuable resource to our channel. We've helped some regional VARs take their businesses national by focusing on a specific vertical. We've also been able to recruit vertically focused resellers who we weren't able to connect with in the past."

According to Chris Hyland, the company's CFO, resellers have evolved over the past five years, similar to the way document imaging software has. "They are doing a much better job putting together solutions rather than just selling technology," he said. "And we've been able to recruit more experienced VARs, including some from our major competitors.

This has helped increase our market share and our average sales size."



**Chris Hyland, CFO,**  
Hyland Software.

Since 1998, Hyland has had one of the largest and most extravagant booths at the annual **AIIM Conference and Expo**.

According to John Opdycke, director of marketing at Hyland, AIIM has proven a great investment for attracting new and keeping existing resellers. "We spend about 7% of our

annual marketing budget on

AIIM," Opdycke told *DIR*. "A lot of our competition has walked away from AIIM to a certain degree to focus more on vertical shows. We've decided to maintain our presence at AIIM, while also increasing our vertical presence. Our second biggest show investment this year was **HIMMS (Healthcare Information Management and Systems Society)**, where we had a 20x40-foot booth.

"A lot of vendors go to AIIM looking for hard core end users," Opdycke added. "We are still a company that needs to make sure some of the major consultants and systems integrators know who we are. Some of our larger competitors have already accomplished that."

On the product side, Hyland prides itself on its responsiveness to end user and reseller needs. "We don't necessarily respond to every new acronym that appears in the press," said A.J. Hyland. "We do pay attention to our customers' pain. We will not develop a new product without a customer in mind."

Following this strategy, Hyland has introduced more than 50 modules for its *OnBase* document management platform. We asked if the company would ever consider acquiring technology in areas like collaboration or e-mail management. "We are always considering acquisitions," said A.J. Hyland. "However, although we feel we can maintain a 30-40% growth rate organically, the main reason we would do an acquisition would be to add a customer base."

For technology in areas like document capture and storage management, A.J. Hyland indicated the company would prefer to continue working with best-of-breed partners.

As far as expanding overseas, Hyland currently generates 7% of its business outside North America, a figure it would like to increase by working with more European, South American, and Asian resellers. Hyland currently has remote offices in the United Kingdom and Brazil. The overwhelming majority of its 270 employees, however, work out of the 73,000 square-foot Westlake headquarters. Plans for a 53,000-square-foot addition are already underway.

### ***IPO Rumors Lack Substance***

So, what is Hyland's ultimate goal? As far as we can tell, it's to eventually reach 10,000 customers (and the revenue that comes with them), fueled primarily by organic growth. Hyland's customer count currently stands at more than 3,600, as indicated by a weekly updated scoreboard that sits on the landing between the company's first and second floors.

As far as the IPO rumors that have been circulating, A.J. Hyland denied their substance. "We do some things that a public company does, like announcing our quarterly results in a report to our investors," said A.J. Hyland. "When the time is right, and if it makes sense, we are prepared to enter into an IPO push. But that is where it ends."

And that's probably just as well. As we stated, Hyland's success so far can be largely attributed to its deft cultivation of a reseller channel. And, if there is one thing history has shown us, it's that resellers and their unreliable forecasts are often at odds with the machinations of public companies. If you remember, FileNET, Optika, and **OTG** were all

known for strong reseller channels before going public. However, the pressures of consistently meeting Wall Street forecasts forced all of them to step up their direct sales efforts—which naturally led to disgruntled resellers. Many of these resellers have signed on with Hyland over the past few years.

For more information: **Hyland Software**, Westlake, OH, PH (440) 788-5000, [www.onbase.com](http://www.onbase.com). ■■

## **Capture Software Proves Perfect Gift**

Is document capture software the gift that keeps on giving? For **Precision Images** it is. Two years ago, the Alexandria, VA-based service bureau received more than \$100,000 worth of capture software from **Fairfax Imaging**. Precision currently uses that software to scan and image some 10,000 documents per week.

It's important to note that Precision is not just any service bureau. As a subsidiary of the non-profit organization **ServiceSource, Inc.** ([www.ourpeoplework.org](http://www.ourpeoplework.org)), Precision employs physically and developmentally challenged individuals. It has ongoing contracts with the likes of **Fannie Mae**, the **Navy Mutual AID Association**, and the **Washington D.C. Department of Tax & Revenue**.

ServiceSource was founded in 1971 by parents whose children had disabilities. It has grown into an organization with more than \$50-million in annual revenue. It currently employs 850 challenged individuals in areas like food service and mailroom operations.

"Our experience in mailrooms led us into the document imaging industry," explained Lisa Ward, ServiceSource's corporate development manager. "In the mid-1980s, we signed a 10-year contract with the **Marine Corps** to convert personnel records to microfilm images. When that came to an end, we decided we wanted to stay in the imaging business, so in 1997, we launched Precision Imaging."

Precision Imaging began life working with a capture platform developed by D.C.-area **PowerScan, Inc.**, a subsidiary of **Star Technologies**. Jim Everett, Fairfax's VP of sales and marketing, was working for PowerScan at the time. He began volunteering with ServiceSource and was appointed chairman of the organization's Technical Advisory Committee. "It's a very rewarding experience working with ServiceSource," Everett told *DIR*. "Once you take a tour and see all the

people and what they are doing, you get hooked.”

ServiceSource eventually became disenchanted with the support they were receiving from PowerScan, which was struggling financially. “We were shopping for a new capture package,” explained Kenneth Crum, ServiceSource’s document imaging manager. “We were considering purchasing **Kofax** software, and I estimate an *Ascent Capture* installation would have cost more than \$100,000.”

From his vantage point on ServiceSource’s Technical Advisory Committee, Everett saw an opportunity for Fairfax to provide an important community service. Fairfax is a software developer and systems integrator that specializes in scanning checks and full-page documents in applications such as tax processing. “I was able to convince Steve Chahal and Tony Cristofano, the owners of Fairfax, to donate software and training,” related Everett. “We just felt ServiceSource was a good organization to be involved with.”

### **Gift Helps Precision Stay Competitive**

Precision Imaging employs approximately 25 of ServiceSource’s 850 total workers. Ward notes that the Precision positions are coveted within the organization. “The goal of ServiceSource is to bring people in, try to provide them with training, and then get them placed in jobs outside the organization,” she told *DIR*. “The reality is that the people at Precision Imaging like working on their jobs so much, we don’t have a lot of placements from there.”

In addition to a half dozen steady contracts, Precision typically works on a number of backfile, or one-time conversion projects. Precision is employed by a combination of government and commercial organizations. According to Crum, no special adjustments to the Fairfax *Quick Modules* capture system were needed for Precision to run it successfully.

Precision offers CDs as well as electronic output of images and accompanying indexing information. “We have an ongoing contract with an **IMR Alchemy** reseller who will set up image databases for our customers,” said Crum.

Last year, IMR received Section 508 Certification for its software. Section 508 is designed to ensure that information technology systems are accessible to people with disabilities. [For more information, go to [www.imrgold.com](http://www.imrgold.com), search: 508.]

“We do have some unique challenges verifying output to make sure we provide our customers

with the product they are looking for,” Crum told *DIR*. “In some instances, we actually perform more quality control than other service bureaus might have to. But it’s important for us to maintain a satisfied customer base if we want to grow.”

In addition to expanding its customer base, Precision is looking to grow through partnerships. “We would be willing to work with service bureaus that might need more labor when they get overloaded,” Ward said.

According to Ward, the donated software from Fairfax enables Precision Imaging to remain competitive, despite having to implement extra controls. “In a lot of ways, the partnership with Fairfax has been a lifesaver. If we had to pay for capture software, and pay a licensing fee every time we completed a job for an end user, it would really hinder our ability to provide a product that satisfies our customers’ needs.”

As long as its customers’ needs are satisfied, we can assume that Precision will also keep fulfilling the needs of its employees—who are the real beneficiaries of this generous gift from Fairfax.

For more information: **Precision Images**, Alexandria, VA, PH (703) 461-6142, [www.precisionimages.org](http://www.precisionimages.org), e-mail: [lward@ourpeoplework.org](mailto:lward@ourpeoplework.org); **Fairfax Imaging**, Chantilly, VA, PH (703) 802-1220, [www.fairfaximaging.com](http://www.fairfaximaging.com); e-mail: [jeverett@ffximg.com](mailto:jeverett@ffximg.com). ■

### **PRECISION WORKING ON CENSUS PROJECT**

In addition to its primary work converting paper to digital images, about half of Precision Imaging’s staff is currently involved in a special project for the **U.S. Census Bureau**. In 2001, working with **NISH** (formerly the National Industries for the Severely Handicapped), Precision secured a piece of the contract to put 560 million digital images from the 2000 U.S. Census onto microfilm. Congress had ordered the images be archived in a human readable format, and the contract was initially awarded to the **Cerebral Palsy Research Foundation (CPRF)** [see *DIR* 12/21/01].

The CPRF subcontracted outsourcing giant **ACS** to help it with the technical details of the conversion and Precision Imaging to help with the labor. Precision signed a five-year contract to complete approximately half the job. With the help of ACS, the organization installed 12 **Kodak** Archive Writers to handle the filming. The CPRF, which is headquartered in Wichita, KS, is handling the other half of the job. “We are ahead of schedule on the Census project and anticipate completing it in another year-and-a-half to two years,” said Kenneth Crum, document imaging manager for **ServiceSource**.

# Sony Shipping High Density Optical Storage To Partners

A couple weeks after **Plasmon** announced it was shipping UDO (ultra density optical) drives and media, **Sony** followed with its own high-density optical announcement. Earlier this month, Sony announced it was shipping the first generation of its Professional Disc for Data (PDD) drives, media, and libraries to systems integrators and OEMs for evaluation. PDD will be released to general availability in the first quarter of 2004.

PDD is Sony's alternative to UDO. Although it did not have a name at the time, it was first introduced to *DIR* at **AIIM 2003** [see *DIR* 5/9/03]. PDD is based on the work Sony is doing with the Blu-ray Alliance, a group of 10 vendors working with blue laser technology to essentially develop the next generation of today's 120 mm CD/DVD technology.

"PDD media is cartridge-based and very robust," stressed Michael Hall, business development manager for Sony's Component Solutions Business Division. "It is two to five times faster than MO. It is also phase-change media, so it offers true write-once capabilities."

The initial generation of PDD can store 23 GB of data on a single-sided disc. This compares to 30 GB on a double-sided disc of first-generation UDO. PDD discs list for \$45, while UDO lists for \$60, so they are about equal in their cost per GB. Both technologies' drives list for around \$3,000.

Hall notes that because PDD is single-sided, it

offers 53% more data under a drive head at one time than UDO. The main data storage advantage of PDD over UDO, however, may be its anticipated price drop. "We will be leveraging some of the core technology used to produce mass market, blue laser, 120 mm media and drives," said Hall. "Once the infrastructure for mass production of that type of technology ramps up, we expect our prices to drop. That was one of the reasons we chose to pursue PDD instead of UDO, which like MO uses 130 mm media"

Because PDD discs and drives have a different form factor than MO, they cannot be used with existing MO robotics. The leading MO jukebox manufacturers, **HP** and Plasmon, who sell more than 90% of MO jukeboxes, have chosen to support UDO. To make up for this, Sony has introduced its own PDD automation devices. **Asaca** has also announced it would produce PDD jukeboxes.

Hall said the prospect of losing its top two jukebox partners does not faze Sony. "We are finalizing the channel strategy for PDD jukeboxes," he told *DIR*. "We expect to make them available through all the appropriate distribution channels."

Hall added that only 35% of MO drives shipped by Sony end up in jukeboxes anyhow. In addition to support from Asaca, Sony also has announced software support from **Pegasus** and **K-PAR**, specialists in storage and jukebox management software, as well as **SAI**, a developer of desktop software for writing to optical devices.

For more information: **Sony**, San Jose, CA, PH (408) 955-5245; michael.hall@am.sony.com. 

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