

# Document Imaging Report

Business Trends on Converting Paper Processes to Electronic Format

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June 18, 2004

## THIS JUST IN!

### CLERKE LEAVES VERITY

Former **Cardiff** President and CEO Dennis Clerke has left **Verity** less than three months after the search engine vendor acquired the company he co-founded. Clerke guided Cardiff from a start-up in 1990 to \$25-30 million in revenue when it was acquired for approximately \$65 million. At the time, Cardiff reportedly had close to \$15 million in the bank.

The majority of Cardiff's business was generated through sales of its *TeleForm* forms processing line. In 2001, Cardiff launched a PDF-centric e-forms business that led to speculation the company would be acquired by partner and equity investor **Adobe**. Acquisition rumors swirled around Cardiff after co-founder Joseph Larson was killed tragically in a plane crash in 1999.

It came as little surprise that Clerke left Verity—even after being appointed a VP and GM of Verity's content capture business. "Dennis has the quintessential entrepreneurial spirit," remarked Creighton Grose, Verity's senior manager of marketing communications. "He stepped up and helped us through the integration, but I think he is really looking forward to starting something new."

According to Grose, no one has been named to take Clerke's position. "While we still maintain a separate sales staff because content capture has some unique characteristics, we've fully integrated Cardiff's marketing and product development into our core business," said Grose. "In fact, Mark Seamans, the former CTO of Cardiff, has been named senior VP of R&D for the whole company."

We'd like to thank Dennis for his support and contributions to *DIR* over the years and wish him the best of luck in his future plans. ■■

## Captiva Details Growth Plans

WARRENTON, VA – Despite being slammed recently by Wall Street for an attempt to raise money by issuing 2.5 million new shares of common stock, **Captiva** President and CEO Reynolds Bish remains undaunted in his plans to aggressively grow his company. Last week, Bish presented the reasons behind his desire to raise additional capital to a room full of analysts at the Warrenton, VA-headquarters of Captiva partner **IAC**. As the only production user of Captiva's much ballyhooed *Digital Mailroom* application, IAC's headquarters were the perfect site for Bish to discuss Captiva's prospects.



Acquisition remains a key element in the growth strategy of Captiva president and CEO Reynolds Bish.

Bish told the crowd he is comfortable forecasting a 15-20% annual organic growth rate, but added he would like to supplement that through acquisition. He said Captiva has identified a long list of targets with three specific goals in mind:

1. further consolidating the input management space
2. increasing Captiva's coverage in specific geographic or vertical markets
3. adding complementary technology that could improve Captiva's capabilities in areas like processing electronic documents or perfecting data.

Bish cited Captiva's acquisition of **ADP Context** earlier this year as an example in line with the third goal [see *DIR* 2/6/04]. "We are not looking to move into the document management, workflow, or collaboration space," stressed Bish. "We do not want to compete with our ECM partners."

According to Bish, raising additional capital would enable Captiva to be more strategic, rather than opportunistic, in its acquisition plans. "The companies we are targeting have revenue between \$5 million and

\$30 million and are typically either break even or showing a slight profit," said Bish. "We would expect any acquisitions to be accretive within three quarters—mainly through cost reductions and not any unrealistic growth expectations."

In addition to funding potential acquisitions, Bish said additional capital would get Captiva's balance sheet more in line with those of other successful \$70 million companies—although based on Bish's history and desire to acquire, we wonder how long that cash would actually stay there. Finally, Bish said the additional stock volume would enable institutional investors to increase their equity positions and hopefully increase Captiva's analyst coverage.

Bish told the crowd that despite announcing it had pulled its original offering of 2.5 million shares, Captiva had made a filing a day earlier with the SEC for a "shelf offering" of 2.2 million common shares. According to a financial analyst, this means that the paperwork for the offering has been completed and that it is basically ready to go when market conditions are right.

Another analyst told us that one of the reasons that Captiva's stock had not fully recovered was the feeling that Captiva still could go forward with an offering. "The number of Captiva common shares is not that great [approximately 11.4 million] and there is concern that an additional offering would dilute the EPS too much," Steven Kirson of **Astral Securities Research** [www.astralsecurities.com]," told *DIR*.

### **Digital Mailroom Still Finding its Footing**

Bish reiterated his forecasts of \$68-70 million in revenue for Captiva in 2004 as well as his second quarter forecasts of over \$16 million in revenue and a pro forma EPS of \$.08-.09. This revenue will be achieved with tempered expectations for *Digital Mailroom*, which Captiva once expected to be a major driver in 2004.

"I'm fairly confident we can generate \$1 million from *Digital Mailroom* in 2004," said Bish. "Mostly, we will be focusing on getting an install base that we can use for references."

According to Darren Payne, the *Digital Mailroom* product manager, there are currently two pilot installations in addition to Captiva's work with IAC. IAC is primarily a service bureau that utilizes *Digital Mailroom* technology to process approximately a half million pieces of mail per day for several customers, including a large credit card company and the Bush-Cheney re-election campaign.

An interesting evolution of *Digital Mailroom* is the incorporation of technology from European recognition vendors **SWT** and **Paradatec** to classify document images. Captiva originally planned to use technology from **Mohomine** to perform this classification but earlier this year dumped Mohomine in favor of **Autonomy** [see *DIR* 4/9/04]. Now, it seems Autonomy's technology has been relegated to classifying electronically generated documents such as e-mail attachments. According to Payne, while SWT's software

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might not be as sophisticated, it's more cost-effective.

In addition to seeding the market for *Digital Mailroom*, which is mostly a direct sales effort, Captiva has been making headway (pun intended) with channel sales. According to Bish, Captiva expects to sell \$2 million worth in *InputAccel Express (IAX)* this year. *IAX* is the channel-friendly, lower volume application Captiva introduced last year [see *DIR 9/5/03*].

Bish said *IAX* sales are primarily being generated through U.K.-based distributor **Headway** while Captiva builds its North American channel. **Headway** is a long-time **Kofax** partner that had a falling out with Captiva's rival regarding the activities of **Dicom** (Kofax's parent)—another European distributor [see *DIR 9/19/03*].

Bish credited EVP of Field Operations Howard Dratler, a former **Veritas** executive who was hired late last year, with building Captiva's channel. In addition to traditional imaging VARs, this channel includes ECM vendor partners. Over the past year, Captiva has grown its channel support team from three people to seven, including an employee focused solely on **Documentum** and another solely on **IBM**.

"There are some indications that our relationship with Documentum could accelerate as we have become more strategic in its plans," said Bish. "Documentum recently did interviews with its customer base that indicated scanning was more important than it had realized."

Captiva's presentations were supplemented by a tour given by IAC CTO and VP, research and development, Tom Ketcham. IAC has an in-house negative pressure room where envelopes are sorted and opened to protect against bio-hazardous contamination. "To protect ourselves and our customers, we've made that type of security a standard part of our mail processing procedures," said Ketcham.

IAC has actually been in the mail imaging business since 1998 through a relationship with **PayMyBills.com** and **InputAccel**. In 2002, after the nationally publicized anthrax scares, IAC set up a pilot site processing mail for Congress. Today, IAC's mail processing customers include **Prison Fellowship Ministries** and **Chevron**. IAC fuses some of its own technology with *Digital Mailroom*, but Ketcham indicated that as Captiva's application becomes stronger, more of it is being used.

Finally, it seems that at least someone in the

investment community was immediately impressed with Captiva's analyst presentation. The day of the event, June 10, Captiva's stock rose \$.77 to close at \$10.50 per share, with a spike in volume just after the event wrapped up around 12:30 p.m.

For more information: **Captiva Software**, San Diego, CA, PH (858) 320-1000, [www.captivasoftware.com](http://www.captivasoftware.com). ☐

## Kodak Introduces Workgroup Models

This week **Kodak** announced it will become the latest vendor to join the feeding frenzy in the workgroup document scanning market. The long-time high-volume segment leader is introducing two new sheet-fed models rated at 25 ppm and priced below \$1,200. The i30 is a simplex scanner that lists for \$795 and the i40 a duplex that lists for \$1,195. Both have color capabilities.

Kodak joins **Canon**, **HP**, **Panasonic**, **Xerox**, and **Visioneer** as challengers to Fujitsu's long-time dominance in the rapidly growing workgroup space. According to **InfoTrends Research Group**, this space grew by more than 100% last year in terms of units sold. InfoTrends has projected greater than 40% growth for 2004. In contrast, the high- and mid-volume production segments, where Kodak has historically dominated, have been forecasted to grow in the low single digits.

Kodak first entered the workgroup space back in 2001 with the introduction of the i50—a simplex flatbed model with an ADF, rated at 20 ppm. However, as 85% of workgroup scanners sold are duplex, the i40 represents a significant upgrade.

Like the i50, and Kodak's i60 and i80 models, the i30 and i40 are being manufactured for Kodak by Taiwanese OEM partner **Avision**. (The i60 is a duplex version of the i50. Because of its higher price, the i60 actually fits into the departmental segment as defined by InfoTrends. The i80 is also a departmental scanner with flatbed capabilities.)

"We received feedback that our customers and VARs were looking for scanners with lower prices and smaller footprints than our current offerings," said Nancy Sherman, marketing manager, U.S. and Canada, Kodak Commercial Imaging. "We also heard a demand for lower-end scanners that are easy to use right out of the box."

Kodak is hoping to provide this ease of use and differentiate its products by including its

iThresholding technology as a standard feature on the i30 and i40 models. iThresholding is designed to automatically create higher-quality bi-tonal images by using data from grayscale scans. The concept is similar to that of **Kofax**' popular VRS application, which is available for most other workgroup scanners, including the i30 and i40. VRS carries a list price of \$535. In the workgroup segment, only the Bell & Howell Sidekick 1200, the Xerox DocuMate 252, and the HP ScanJet 8290 bundle VRS at no extra charge.

To enable iThresholding, Kodak developed its own TWAIN driver for the i30 and i40. Sherman indicated that in the future the same driver could be implemented on the i50, i60, and i80 models. All of Kodak's production models already offer iThresholding.

The i30 and i40 are also the first Kodak scanners to offer a USB interface. (The i40, i50, and i80 have SCSI interfaces, while Kodak's higher-volume models use FireWire connections.) To enable users to unlock all the features of the i30 and i40, Kodak has packaged a USB 2.0 card as well as cable with the scanner.

In addition to including iThresholding, the i30 and i40 are the first workgroup scanners to advertise color speeds that are rated the same as their bi-tonal speeds. And unlike most of the duplex models in the segment, the i40 can scan dual-sided pages at the same speed as single-sided ones. In both these areas, the Xerox DocuMate 252 probably compares most closely. The DocuMate 252 is also manufactured by Avision and looks very similar to the Kodak models.

Kodak has also joined the PDF parade in the

### **Service Less Important on Lower-End**

**Kodak** is very proud of its service organization, which boasts some 4,000 employees worldwide. However, whereas this organization is considered a competitive advantage in sales of higher-volume scanners, it is somewhat neutralized in the workgroup space. "At the lower-end of the market, scanners are considered to be more like consumables," said Andy Lawrence. "When something breaks, users throw the scanner away and buy a new one. The market is very price sensitive and users are not going to pay a lot for a service agreement. If they are worried about downtime, they can afford a backup scanner."

The industry standard for workgroup scanners seems to be a one-year limited warranty with an option to upgrade to a program that includes advanced exchange. When we spoke two weeks ago, Kodak was still considering its service options for the i30 and i40.

workgroup segment by bundling the *ReadIRIS Pro 8 Corporate Edition* with the i30 and i40. **IRIS** is a



*The Kodak i30 and i40 are the latest introductions into the fast-growing and increasingly crowded workgroup document scanner segment.*

Belgium recognition software developer whose technology is used in Kodak's document capture software application. HP also bundles *ReadIRIS Pro* with its workgroup scanner.

Fujitsu, of course, has a deal with **Adobe** to bundle *Acrobat* throughout its fi-series line, while several vendors bundle **ScanSoft's PaperPort** for PDF output.

Because of their nature, workgroup scanners are often installed in front-office applications, whether it is as part of a distributed application or just a low-volume file cabinet replacement situation. In these environments, PDF creation is viewed as particularly important compared to the back office, where TIFF images are the de facto standard.

"A lot of the features and functionality of scanners in the workgroup segment are similar," observed Andy Lawrence, worldwide marketing manager for Kodak Commercial Imaging. "The war is won based on the total value of the package. This includes how much software and things of that nature you can throw into the mix at the price you can offer."

Based on that view, Fujitsu's relationship with Adobe will probably help it maintain its segment dominance. IRIS may or may not have as good a PDF product as Adobe. The fact is, *Acrobat* has unsurpassed brand recognition, which gives it a big edge.

"Fujitsu established itself as the leader in the workgroup segment long before any other vendors competed there," said Susan Moyse, an analyst with InfoTrends. "They understand the bundling and the features that work in this segment. They also have established a strong channel presence that they support well. Fujitsu's fi-4120C and fi-4220C are definitely the products to beat."

Those are the very products Kodak appears to

be targeting. If users accept iThresholding as a replacement for VRS, then the i40 has a slight price advantage over fi-4120C—as both scanners carry the same list and VRS has a higher list price than *Acrobat Standard*. If users accept *ReadIRIS Pro* over *Acrobat*, that price advantage increases.

In addition to giving Kodak products to better compete against Fujitsu, the i30 and i40 provide the company with a wider range of scanners to target enterprise applications. As distributed scanning becomes more popular, Kodak simply needed lower-end offering to stay competitive in certain applications. Bell & Howell recognized this and introduced the Sidekick at **AIIM** earlier this year [see *DIR* 3/26/04]. Kodak has now followed suit with the i30 and i40, which are slated to begin shipping to Kodak's regular distributors in late July.

For more information: **Kodak Commercial Imaging**, Rochester, NY, PH (585) 726-5035. [www.kodak.com](http://www.kodak.com)

## Kofax Creates Innovative On-Line Store

**Kofax** is going out of its way to keep its two-tier distribution model in tact with the recent launch of its *Capio* e-commerce initiative. *Capio* is a desktop document imaging application released earlier this year [see *DIR* 3/5/04]. Kofax recently announced that *Capio* is now available on-line at [www.capioshop.com](http://www.capioshop.com)

"Before any code was written, we knew that to make *Capio* cost-effective, we had to price it below \$400," said Mike Morper, director of product marketing at Kofax. "A price like that screams for e-commerce. However, we didn't want to just set up shop and start selling *Capio* directly. An action like that would have been contrary to the channel model that has made our company successful for more than 15 years.

"At the same time, we realized that *Capio's* price was going to present a challenge for our resellers who prefer going after bigger ticket *Ascent Capture* sales." To back up these sentiments, Morper showed us an interesting chart tracking the average amount of *Ascent* sales per Kofax reseller, per year. According to the chart, each of Kofax's 800 North American *Ascent* resellers averaged more than \$30,000 in *Ascent* sales in the company's fiscal 2003 (ended June 30). This figure was the result of a steady increase from just over \$11,500 in 1997. In 2002, the average was \$27,700.

"We had to make it worth the time and resources

Vendor, Scanner	Duplex	Bi-tonal 200 dpi	Color 150 dpi	Flatbed	Interface	Bundled Drivers	Bundle Highlights	List Price
Fujitsu fi-4010CU	No	12 ppm	3.3 ppm	Yes	USB	TWAIN	Adobe Acrobat	\$695
Visioneer Strobe XP 450 PDF	No	20 ppm	10 ppm	No	USB 2.0	ISIS & TWAIN	ScanSoft PaperPort Deluxe	\$700
<b>Kodak i30</b>	<b>No</b>	<b>25 ppm</b>	<b>25 ppm</b>	<b>No</b>	<b>USB 2.0</b>	<b>ISIS &amp; TWAIN</b>	<b>USB 2.0 Card, ReadIRIS Pro, iThresholding</b>	<b>\$795</b>
Xerox DocuMate 250	No	22 ppm	10 ppm	No	USB 2.0	ISIS, TWAIN & Image Controls	Kofax VRS, ScanSoft PaperPort Pro	\$800
Fujitsu ScanPartner 15C	No	15 ppm	4 ppm	Yes	SCSI	ISIS & TWAIN	SCSI Card	\$995
Panasonic KV-S2026C	Yes	24ppm/42 ipm	10 ppm/18 ipm	No	SCSI/USB 2.0	ISIS & TWAIN	PaperPort LE	\$995
Xerox DocuMate 252	Yes	25ppm/50 ipm	22 ppm/40 ipm	No	USB 2.0	ISIS & TWAIN	Kofax VRS, ScanSoft PaperPort Pro & OmniPage Pro	\$999
Visioneer 9750 PDF	No	20 ppm	8 ppm	Yes	USB 2.0	ISIS & TWAIN	ScanSoft PaperPort Deluxe	\$1,000
Canon DR-2080C	Yes	20 ppm/40 ipm	10 ppm/20 ipm	No	SCSI/USB 2.0	ISIS & TWAIN		\$1,095
Fujitsu fi-4120C	Yes	25ppm/25 ipm	25ppm/25 ipm	No	SCSI/USB	ISIS & TWAIN	Adobe Acrobat, SCSI Card	\$1,195
<b>Kodak i40</b>	<b>Yes</b>	<b>25ppm/50 ipm</b>	<b>25/50 ipm</b>	<b>No</b>	<b>USB 2.0</b>	<b>ISIS &amp; TWAIN</b>	<b>USB 2.0 Card, ReadIRIS Pro, iThresholding</b>	<b>\$1,195</b>
Xerox DocuMate 520	No	20 ppm	10 ppm	Yes	USB 2.0	ISIS, TWAIN & Image Controls	Kofax VRS, ScanSoft PaperPort Pro	\$1,200
Kodak i50	No	20 ppm	10 ppm	Yes	SCSI	ISIS & TWAIN	Scan Soft PaperPort	\$1,480
HP Scanjet 8290	Yes	25 ppm/16 ipm	16 ppm/5 ipm	Yes	SCSI/USB 2.0	ISIS, TWAIN & Image Controls	SCSI Card, Kofax VRS, NSI OneStep, PaperPort Deluxe, ReadIRIS Pro	\$1,499
Bell & Howell Sidekick 1200	Yes	23ppm/42 ipm	10 ppm/18 ipm	No	SCSI/USB 2.0	Image Controls	Kofax Capio & VRS	\$1,545
ScanPartner 620C	No	20 ppm	10 ppm	Yes	SCSI	ISIS & TWAIN	SCSI Card	\$1,795
Fujitsu fi-4220C	Yes	25ppm/25 ipm	25ppm/25 ipm	Yes	SCSI/USB	ISIS & TWAIN	Adobe Acrobat, SCSI Card	\$1,995

**WORKGROUP LANDSCAPE**  
As defined by InfoTrends Research Group, the workgroup document scanner segment features scanners with a list price of less than \$2,000 and rated scanning speeds of 10-25 ppm. With the emergence of distributed scanning, this segment has taken off. In the past two years, a host of new workgroup scanners have been introduced by vendors seeking a slice of the rapidly growing pie. This is not an inclusive list of all the workgroup scanners on the market. Rather, we've attempted to give you an idea of the scanners we feel Kodak's new i30 and i40 will most likely run up against.

of these resellers to sell a lower-priced solution like *Capio*," said Morper. "So, we set up an infrastructure to enable our resellers to benefit from selling *Capio*, without spending a lot of time promoting it."

www.capioshop.com provides that infrastructure. It is an on-line store that resellers can link to from their Web sites. Kofax handles all the details of the *Capio* transactions. Kofax also has the ability to track which Web sites buyers are linking from, so the appropriate resellers are given credit for sales. "We've also put together marketing materials including Web badges, e-mails, camera ready art for printed materials, and some Webinars that *Capio* resellers can use for promotion," said Morper.

Compensation for *Capio* will be in the form of credit toward future purchases of Kofax products. "We've designed the program on the model of a frequent flier program," Morper told *DIR*. "There are a minimum level of sales that must be met to activate the credit, but once that level is met, the credit can be used toward any Kofax purchase."

Kofax even figured out a way to include the value-added distributors its resellers customarily buy from. When a reseller signs up for the *Capio* program, it is asked to select its preferred distributor. The reseller then accrues its Kofax credit only with that distributor. "This is designed to drive more business to the distributors," said Morper. "We are hoping this will give them incentive to promote *Capio*."

All Kofax resellers are eligible to sign up for the *Capio* program. This includes *Ascent*-certified, as well as *ImageControls*, *Adrenaline*, and *VRS* resellers. Morper acknowledged that *Capio* will likely show up at discount on-line retail houses such as **CDW**. These sites often receive special discounts through Kofax distributor **Tech Data**. According to Morper, Kofax will attempt to protect its more traditional resellers against on-line discounters.

"We will be monitoring the street price and managing our discounts to distributors," said Morper. "Also, we control the price on www.capioshop.com. If we see the price of *Capio* dropping on the street, we will drop our price accordingly. Right now, we see the average street price at about \$299."

[Editor's note: *Capio* lists for just under \$350, but because Kofax is not even charging that price to end users, we're not sure what weight it carries. Also, a Web search revealed www.pagecomputers.com had *Capio* listed for \$254.65 and www.TheNerds.net had it for \$266.02.]

Morper said that for *Capio* sales directly from Kofax

or from shareware sites where no reseller is used, credit will be awarded to resellers on a round-robin or serial basis.

### ***It all Comes Back to Field of Dreams***

Now that Kofax has built the infrastructure for *Capio* distribution, it comes down to that ole' *Field of Dreams* question: Will the customers come? *Capio* began shipping in March through Kofax' traditional distribution channels, and the company doesn't yet have any large sales it can talk about. Competitors have called the initial version of *Capio* pricey and ineffectual.

However, as sales of lower-volume document scanners soar, most experts believe the demand for desktop imaging software will soon follow. "We find that most people doing scanning for the first time are a little surprised that there is more to it than meets the eye," said Morper. "They immediately associate scanning with using a copier. They expect to get a perfect result the first time. They're disappointed when the free app in the box doesn't do what they expected it to, and they find themselves setting up drivers."

Ray Hughes, general manager of Tempe, AZ-based Kofax reseller **Western Office Systems** is hoping *Capio* will help his company reach some new customers. "Kofax's pricing model for *Ascent*, even deployed as a distributed application, can be kind of expensive for an office only scanning 50 documents per day," said Hughes. "It's difficult to justify \$900 worth of software and hardware for that low of a volume."

In addition to *Capio*'s being sold on-line, Morper indicated that Kofax could be signing more bundling deals with scanner vendors. At **AIIM 2004**, **Bell & Howell** announced *Capio* would be included with its new *Sidekick* workgroup and departmental line, which started shipping late last month. Specifically, we asked Morper if there was any potential for an agreement with **Fujitsu** involving the *ScanSnap* desktop document scanner that was featured in our last issue [see *DIR* 6/4/04].


"I don't want to talk about the future, but we've heard that request multiple times, not only from users, but from our channel," said Morper. "There is a good synergy between the products, and it would make sense. As strong as our relationships are with all the scanner manufacturers, it would not be a shock to see our products evolve to the point where we find synergies that can benefit everyone."

The bottom line seems to be that we can expect to see some version of *Capio* bundled in more document scanners in the future. And early on, one

of the main things Kofax has been stressing about *Capio* is that it is only in its first generation. Kofax definitely plans to evolve *Capio*'s functionality as the market dictates. And we think that market is a strong one. The explosive increase in lower-volume scanner sales, coupled with the increased adoption of scanning on digital copiers, virtually guarantees an increase in demand for front-office document image management tools.

**Adobe's Acrobat** is probably the default leader in this area, not because it's a great scanning or document management application, but because end users really like *Acrobat* PDF files. **ScanSoft** has picked up on this and incorporated PDF into its *PaperPort* desktop document imaging application.

In a perfect world, we'd like to see *Capio*'s scanning tools combined with *Acrobat*'s PDF capabilities with possibly some sort of advanced search and retrieval technology thrown in. This just might create the ultimate desktop document management application. However, as Kofax and Adobe do not have an alliance, this is probably a pipe dream. Maybe both companies' tight relationships with Fujitsu will eventually bring them together.

For more information: **Kofax**, Irvine, CA, PH (949) 727-1733, [www.capioshop.com](http://www.capioshop.com). 

## EMC Keeps Building on Centera

**EMC** continues to upgrade its Centera magnetic storage platform, recently adding three new features to its Compliance Edition. EMC also announced Centera-based solutions incorporating software from three major enterprise content management (ECM) vendors. The announcements were made at a recent event held in New York City which featured EMC customer presentations. The storage giant also announced a couple of compliance-related services programs.

"EMC is working to align its offerings with our customers' information lifecycle management (ILM) needs," John Gubernat, EMC's director of global solutions for compliance and ECM, told *DIR* in a pre-event briefing. "We built Centera to address archiving and compliance. We are now helping customers implement it as part of their IT infrastructures in such a way that compliance is unobtrusive to standard business practices."

The Compliance Edition of Centera was first introduced at **AIIM 2003** [see *DIR* 5/9/03]. It added

some retention and security controls to the Centera magnetic WORM storage platform introduced in 2002 [see *DIR* 5/17/02]. In the last year, EMC has shipped over 7 petabytes of the Compliance Edition, which carries a starting price 9% greater than regular Centera. "Regular Centera has value for archival storage," said Gubernat. "It gets you most of the way towards a compliant records management application. The Compliance Edition is specifically designed for highly regulated environments."

New Compliance Edition features include an audited delete option to cover court-ordered deletions of records locked-down under Centera's retention controls. Also, users can now manage documents by class—a feature already available in most advanced records management applications. Finally, EMC has introduced the ability to set default retention periods for documents stored on Centera.

In addition, EMC announced Centera-based compliance solutions which utilize software from **Legato**, **Documentum**, and **Mobius**. As Legato and Documentum are both owned by EMC, their software's incorporation into EMC solutions was not surprising. The Legato solution is focused on e-mail archiving—both in the **SEC**-regulated broker/dealer space and in more general business environments. The Documentum solution is designed to apply compliance controls to document management applications. Storage networking vendor **McData** was cited as using the Documentum-based solution to meet Sarbanes-Oxley requirements.

The Mobius solution is focused on Mobius' specialty market of managing high volumes of mainframe statements and reports. "Mobius has a large banking customer that offers Internet access to statements," said Gubernat. "Its Web site is getting 20,000-30,000 hits per hour, so it needs the performance of magnetic storage. However, because the reports also have to be archived for compliance purposes, the bank needs WORM capabilities."

Gubernat acknowledged that EMC has the capability to provide a host of similar solutions through its more than 100 Centera application integration partnerships. "The new solutions are pre-configured and have been proven to work at customer sites and in our test labs," he said. "They are designed to cut down on sales and deployment time and reduce the risks of the implementation."

Finally, on the services side, EMC has introduced data classification and migration. Data classification involves helping customers determine the appropriate type of storage for their information based on access, security, and archiving requirements. Data migration involves moving data

from media types such as optical and tape to Centera. Gubernat cited the aforementioned Mobius customer as taking advantage of this service.

### Looking for Big Things from UDO

**Pegasus Disk Technology** President and CEO Roy Slicker is wary about admitting it, but in many ways his company is going head to head against EMC's Centera. "We could take our file system technology and apply it to low-cost spinning disk," Slicker told *DIR* in a recent interview regarding the state of the archival storage market. "However, we think optical storage is a more cost-effective platform for archiving. Centera certainly has a role in the archival market—as long as data is still being accessed often [like in the case of the Mobius customer]. However, once that data settles down, optical, either near-line in a jukebox, or even off-line sitting on a shelf, is more cost-effective."

According to Slicker, **Plasmon's** release of UDO (ultra-density optical) is the clincher for optical vs. magnetic. "The blue laser technology used in both UDO and **Sony's** Professional Disc for Data optical drives and media substantially lowers the total cost of ownership from red-laser technology like magneto optical," said Slicker. "And now that users have had a chance to take a long look at Centera and its cost, I think a lot are considering optical."

Jim Wheeler, Pegasus' director, market development, did a white paper comparing the total cost of ownership (TCO) of several types of archival storage, including MO, UDO, magnetic disk, DVD, and LTO tape. He came to the conclusion that, while in higher-volume applications magnetic disk may be cost-competitive with MO, UDO costs can

be close to four times less per GB.

"Everybody is focusing on the rapidly falling cost of magnetic disk storage," Wheeler told *DIR*. "However, people are ignoring the software and maintenance costs associated with systems like Centera. The minimum software cost I've seen for a Centera application is \$84,000. We can offer software for UDO systems for a fraction of that."

Because software maintenance costs are typically based on a percentage of the initial cost, you can see why the TCO of Centera can be estimated so high. So, now that Plasmon has started production shipments of UDO, does that mean EMC should expect Centera sales to take a hit? "EMC has done a great job educating end users on the importance of archival storage," said Slicker. "Along with the emergence of compliance regulations, that education has provided a big boost to our market. Rarely do these types of events coincide so perfectly with the introduction of a new technology like UDO. Although we took a hit initially because Centera reached the market ahead of UDO, I'm very optimistic about our future."

Added Wheeler, "When I was at **Sony** in the heyday of optical storage, optical accounted for 5% of the total storage market. Since then, it has dropped to less than 1%. If it can get back to even 2.5%, the overall storage market has grown so much in past 10 years, it will represent a huge opportunity for Pegasus."

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