

Document Imaging Report

Business Trends on Converting Paper Processes to Electronic Format

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June 3, 2005

THIS JUST IN!

SHOW SURVIVES MOVE TO PHILLY

AIIM/On Demand attendance was down approximately 10% from last year, according to Kerry Gumas, president and CEO of **Questex Media Group**. Preliminary numbers show that "more than 21,000 visitors" attended the event, held last month in Philadelphia. Official attendance for last year's show was 27,723. Gumas expects the 21,000 figure to increase when the final numbers are tallied. He also cited some problems with the data collection system last year. "Every year, we are trying to improve the quality of information we collect," said Gumas. "This year, we are double-verifying our numbers to ensure a more accurate count."

For the second straight year, paid conference attendance was up. This year's number was 2,489. "We have put a lot of work into improving our conference tracks and getting the numbers back to where they were historically for the two conferences," said Gumas.

As reflected by the increased conference numbers, Gumas said he heard anecdotal evidence that the sophistication of attendees was up from years past. "Because Philadelphia is a little more out of the way than New York, I don't think you had as many people stopping in just for an hour or two," he said.

AIIM/On Demand 2006 is scheduled for May 16-18, once again at the **Pennsylvania Convention Center**. "I give Philadelphia high marks for helping us resolve any situations we had, whether with hotel rooms or logistics related to the exhibit hall," he said. "As far as marketing goes, next year, we need to continue to beat the ECM drum, while at the same time increasing our messaging regarding specific problems ECM technologies can solve."

For more information:
<http://www.aiimondemand.com>

Finally, A Maturing Market For Capture

The document capture industry has definitely matured. A few years ago at the annual **AIIM Conference and Expo**, we were talking about the development of all sorts of innovative and intelligent capture technology. At this year's event, we discussed its practical application. Yup, we've come a long way...

So, what type of practical applications did we see? The most impressive may have been **Kofax's** auto-classification module, which leverages technology picked up in acquisitions of Mohomine and Neurascript over the past couple years [see *DIR* 4/25/03 and 11/5/04]]. Of course, there was plenty of talk about the burgeoning invoice processing market, with **ReadSoft**, **AnyDoc**, **I.R.I.S.**, and **ABBYY** all touting mid-market products in this area. While **Captiva** and **Recognition Research, Inc. (RRI)** didn't announce any astounding new products, they each were part of recent acquisitions (Captiva on the acquiring end, RRI being acquired)—another sign of a maturing market. Finally, digital copier vendors continue to spill over into capture, with several demoing previously announced solutions and unveiling a few new twists as well.

Following is an in depth look at each of the topics mentioned in the preceding paragraph:

Kofax Debuts Auto-Separation

Yes, automatic classification of documents has been around for years. But, as Captiva CEO Reynolds Bish puts it when discussing his company's use of the technology acquired with **SWT**, "We've never been able to classify to the extent we can today. Historically, classification has been applied to structured forms. Now, it's possible to take a huge, diversified flood of images and automatically classify them by type. Because the new systems can learn by example, they are more robust and can handle a wider variety of documents than legacy template-based systems."

Yes, SWT's technology is quite impressive. But, Kofax's recently released *Indicius 5.0* promises to take auto-classification a step further. While the product bears the name of the intelligent document recognition (IDR) software Kofax acquired along with Neurascript, it also relies heavily on technology from Mohomine. The Mohomine technology is used for two purposes. First, it is used for text-based analysis for classification. Second, it is an integral part of an intriguing process called auto-separation. Targeted at applications like mortgage and patient record scanning, auto-separation is designed to eliminate the labor and cost associated with placing separator sheets between multiple documents in a file.

"We have one customer in the financial services market that is spending \$100,000 per year just on the consumables—the paper and toner—related to printing separator sheets," said Sameer Samat, Kofax CTO and the co-founder of Mohomine. "They were spending another \$420,000 on labor related to inserting the separators. We worked with them to develop the auto-separation technology, and they have now eliminated those costs. The customer won't allow us to use its name because they view our technology as a competitive advantage."



Sameer Samat, CTO, Kofax.

Kofax uses a patent-pending "two-pass" approach to achieve auto-separation. "On the first pass, we use a waterfall approach for the application of recognition technology on each individual page," said Samat. "For example, first, we might look for a bar code, because that's the simplest and most direct way to identify a document. If a bar code isn't present, we might use some of the image-based classification tools Kofax originally developed for its *Xtrata* application [see *DIR 2/20/04*]. If that doesn't work, we might do some pattern matching and try to identify text in certain fields. Finally, we can apply full-text OCR and the Mohomine text-based classification technology."

As you'd expect, as you move down the waterfall, the processing time for each document slows down a bit. Employing text-based classification takes approximately one second per document.

Samat indicated that this first-pass processing can be customized and tweaked for individual customers. This first pass is also pretty similar to how the SWT technology is advertised to work, with the possible exception of the Mohomine tools being applied in the final step. Of course, Captiva has an agreement with **Autonomy** to provide text-based classification if an application calls for it. According to Samat, it's *Indicius'* second pass that differentiates it from everything else on the market.

"In some situations, identifying the first and last page of a document is not that difficult," said Samat. "However,

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

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3. Forms Processing/OCR/ICR
4. Enterprise Content Management
5. Records Management
6. Document Output
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Vol. 15, No. 11

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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
<http://www.documentimagingreport.com>

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identifying middle pages, especially for documents such as contracts, which all contain different things, can be really tough. On the second pass, we look at all the pages together and consider their context and relationships. Our first pass accuracy is good, but our second pass accuracy is where we start to shine."

Dr. George Harper, the technical director for Neurascript added that a correction and review process has also been painstakingly developed. "We'd like to tell you this is 100% accurate, but we realize it's not," he told *DIR*. "We worked in conjunction with a customer to come up with an interface designed to get users quickly in and out of the correction process."

Indicius 5.0 is available now and is designed to work as a module within Kofax's popular *Ascent Capture* platform. "This is the first time we have really incorporated all our technology in one product," said Samat. "Previously it could all be integrated but was pretty cumbersome to configure and administer."

Kofax representatives indicated that *Indicius 5.0* is being targeted for sale through the company's upper-tier resellers. In addition to mortgage loans and patient charts, Samat cited insurance claim files and paperwork from pharmaceutical clinical trials as possible applications for automatic separation.

A final note on *Indicius 5.0* is reflected in a quote that someone at the show gave us—unfortunately I can't remember who—but it went something like this, "It's kind of ironic that vendors like **IBML** and **Scan-Optics** are advertising scanners that can automatically sort out separator sheets, and then Kofax comes along with this type of technology that eliminates the need for that functionality altogether." Yup, times, they are a changin'.

For more information:
<http://www.kofax.com/products/indicius/>

Bish Discusses Integration Of SWT

Captiva, of course, made its big news last month, when it announced plans to acquire French IDR specialist SWT for \$18 million [see *DIR* 5/20/05]. At AIIM, CEO Reynolds Bish provided a few more details on his plans for the integration of the two companies. "For the most part, everybody will continue doing what they have been doing," he told *DIR*. "From a product perspective, everything will come together over time. From a vendor or end user perspective, nobody needs to worry about products being discontinued or abruptly changed."

SWT's technology, of course, plays a key role in

Captiva's *Digital Mailroom* application, and last year Captiva paid \$400,000 in royalties to SWT. "That figure only would have grown significantly over time," said Bish. "So, right there we will achieve a significant cost savings. On top of that, we now have SWT's full support and will be able to market its product through other distribution channels, such as our established **Documentum** and **IBM** channels." [See *DIR* 4/8/05.]

Bish indicated that by annexing SWT's legacy business in France, which accounted for 85% of



Reynolds Bish,
president and CEO,
Captiva Software.

SWT's \$9 million in 2004 revenue, Captiva will also be satisfying demand for a French presence by its Documentum customer base. "This acquisition will produce both cost savings and revenue gains, which makes it a real home run for us," said Bish. "The hardest part of integrating the two companies will be the accounting and administration. SWT was a relatively small private company, and we are a public company. There is a lot in the

area of formal policy and procedure that we need to upgrade at SWT. We also have to ensure that everything is Sarbanes-Oxley compliant."

While SWT represents the IDR, or newest area, of Captiva's business, Bish is also bullish on Captiva's prospects for the traditional, or structured, forms processing business that represents the company's legacy. "Unlike some of our competitors, our structured forms business was up last year," he told *DIR*. "If you go back five years, to before the Internet bubble burst, the market for traditional forms processing was strong. Well, today everybody that was buying systems five years ago is due to hit an upgrade cycle. There are going to be a lot of opportunities, especially for larger vendors, because larger customers typically want to deal with other large companies."

Bish cited the financial services, government, and health insurance markets as all having candidates for forms processing upgrades. "We see a lot of potential in the health insurance market, especially in light of recent developments at two of our main competitors—**dakota** and **RRI**," said Bish. "The lawsuits involving the Goel brothers [who founded dakota] and **WebMD** [which acquired dakota last year] have created a mess. And **SunGard's** recent acquisition of RRI could change the dynamics there. I'm happy to compete with a huge lumbering organization like SunGard."

For more information:
<http://www.captivasoftware.com>

RRI Now Part Of SunGard

Of course, RRI co-founder and EVP Chris Thompson doesn't see his company's acquisition by SunGard as a negative. In contrast, he is looking forward to working for what he calls, "the biggest ECM company that nobody knows about."

At approximately \$3 billion in annual revenue, SunGard is advertised as the 12th largest software

company in the world. RRI will be enveloped into the company's Workflow Solutions business unit, which was launched in 1995 with the acquisition of document imaging specialist MACESS Corporation. Like RRI, MACESS historically focused on the health insurance market. Over the years, SunGard has resold capture software from Captiva and **Mitek**, but also has installations where RRI's software has been deployed. "We are already on the front end of quite a few SunGard applications," Thompson told *DIR*. "We're looking forward to knocking on the doors of SunGard's customers who are not currently

PELADON SHOWS INNOVATIVE CAPTURE TECHNOLOGY

One of our favorite meetings at AIIM 2005 was with San Diego-based start-up **Peladon Software**. Peladon was founded by former **Mitek** executives, who have licensed their former company's recognition technology and used it to develop a pretty powerful forms processing application.

The names David Pintsov and Noel Flynn should be familiar to those in the North American capture market. Last August, they joined forces with former U.K.-based Mitek partner Phil Bennett. The trio touts Bennett's long list of U.K. customers as using Peladon's technology and also has a North American partnership with **SunGard Workflow Solutions**—yes, the same SunGard that recently bought **RRI**.

In Europe, Bennett said SWT was his company's closest competitor. "We did a lot of high-volume forms projects, working on both structured and semi-structured forms like invoices and purchase orders," he told *DIR*. "One of our biggest accounts was the **Yorkshire Purchasing Association**, which acts as a purchasing agent for all the schools and universities in its region. We've also done a lot of work in the financial services market, processing forms like loan documents and signature cards."

What most intrigued us about Peladon's technology was its

"Character Inspection Module"

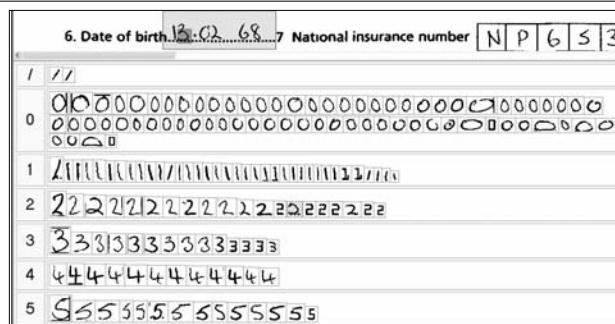
for preventing
high-confidence
character
substitutions.

"Character
recognition
technologies are
all pretty equal,"
said Bennett.

"They all have
better than 95%
accuracy and keep improving by 5%
every generation. Explain that one to
me. However, they do have certain
limitations, and as an application
provider, it's our job to tackle those.

"Most applications do a fairly good
job dealing with correction of low-
confidence characters. However,
most also gloss over the very real
problem of high-confidence
substitutions. These substitutions
result in mistakes in data being
captured and cause users to lose faith
in their applications. As a result, they
end up setting their confidence levels
lower, which slows down their
throughput. Eventually, you are doing
so much manual entry, you might as
well key it all in."

To combat these substitution
mistakes, Peladon has introduced a
module that displays a screen full of
characters that have been
determined to be the same. We saw a
screen showing all the characters
recognized as "a," for example. The
letters are displayed in a way that
makes it easy to compare them
quickly to ensure they are indeed all
"a's."



Peladon's inspection technology displays characters recognized with high confidence in descending order of height.

"We've found that by adding this
extra step, we can improve actual
throughput time considerably," said
Bennett. "A good deal of this
improvement is because it enables
users to set their confidence levels
higher. Other applications we've seen
offer character inspection as part of a
post-capture process; we provide it
before the data leaves our
application—which is the right way to
do it."

In addition to offering this
technology as part of its own
application, Peladon is considering
licensing it to other capture vendors.
The company is also in the process of
developing an auto-classification
engine that can address the needs of
the mid-market.

Finally, Bennett noted that while
Peladon was originally locked into
Mitek's character recognition engine,
it has now evolved its technology to
the point where its software is
recognition vendor independent.

For more information:
<http://www.peladonsoftware.com>

using our technology.”

In 2002, SunGard expanded its imaging offerings into the financial services market with the acquisition of a company called PowerImage. RRI also has experience in that market, with **TIAA-CREF** being one of its marquee customers. SunGard currently partners with San Diego-based **Peladon Software** to provide capture for PowerImage.

Over the past two years, SunGard has added Web Content Management (WCM) and portal, as well as output technology to its Workflow Solutions portfolio through a pair of acquisitions. Thompson seemed particularly excited about the opportunity to work with the Octane8 portal and WCM technology SunGard picked up in 2004 [<http://www.octigon.com>]. Thompson indicated that both he and former RRI President Pat Bixler will stay on with SunGard. “Every employee at RRI was offered a job and has signed on with SunGard,” Thompson concluded. “We will also continue to sell our application independent of SunGard ECM applications.”

The acquisition was announced the week before AIIM. The terms are unavailable, and, because SunGard is currently in the middle of an \$11.3 billion deal to take the company private, the terms might never be released—although we hope to talk with SunGard executives this week.

For more information: <http://www.rinc.com>;
<http://www.workflow.sungard.com>

Invoice Processing Moving Downstream

One hundred invoices per day seems to be the magic number for accomplished invoice processing software vendors like ReadSoft and AnyDoc. However, Belgian-based recognition specialist I.R.I.S. thinks it can get that number down to less than 50 per day. Yes, the automated invoice processing market is moving downstream, and everybody wants a piece of it.

“It’s easy to see why everyone is focusing on the invoice market,” said Bob Fresneda, managing director of ReadSoft’s U.S. operations. “While there are still some good deals in traditional forms, it’s a flat market compared to IDR.”

As invoice processing installations move downstream, the value-added reseller channel is



*Chris Thompson, EVP,
Recognition Research.*

being counted on to step up to the plate. A couple months ago, we detailed ReadSoft’s plans for partnering with resellers to penetrate the **Microsoft** Great Plains install base [see *DIR* 4/8/05]. According to Fresneda, while the majority of ReadSoft’s business still comes from direct sales and integration with ERP packages from **SAP** and **Oracle**, the reseller-driven Great Plains integration is starting to gain some traction.

AnyDoc Re-Building Channel

AnyDoc, which has a rich history of working with resellers, has finally declared its invoice application “reseller ready.” “No two invoice installations are the same,” said Charles Jackson, president of AnyDoc. “It’s not a cookie-cutter application. Before we could comfortably offer our invoices product through resellers, we had to perfect our GUI, which makes the application easier to install and manage.

“We had a lot of resellers asking for the product before it was ready. And we had some leave because we wouldn’t release it to them. But we’ve maintained a good core group of about 60 resellers, 35 of which are trained on *AnyDoc Invoices*. This year, we are going to focus on building our channel, making the product even easier to use, and expanding our *AnyForm* technology into some new markets. We’ve put advanced product development on the back burner for a year.”



*Charles Jackson,
president, AnyDoc
Software.*

After ReadSoft, which boasts some 1,100 worldwide installations of its *Invoices* application (most of which are in Europe), AnyDoc is probably the most accomplished vendor in the market. According to Jackson, the company has more than 30 U.S. installations and eight more in Europe. “That includes explanation of benefit (EOB) processing installations—an application we released last year,” said Jackson. “Currently, we are working on an accounts receivable solution—which we think may represent an even bigger opportunity than the AP-driven invoices market. We also are involved in projects processing insurance documentation for mortgages and freight bills for a transportation company.”

According to Jackson, the ROI for an *AnyDoc Invoices* application can be calculated by the number of FTEs that a customer can redeploy. “If you only have one person doing data entry, then you probably can’t justify an installation,” he said.

"However, if you have two or more, then you can start to see a payback."

At the AIIM show, AnyDoc customer **CTS Cement Manufacturing Corporation** of Cypress, Calif. was awarded an AIIM Best Practices Award in the Shoestring category for implementing an invoice processing solution for less than \$50,000. The installation enabled CTS to move two data entry personnel to the auditing department.

For more information:
<http://www.anydocsoftware.com>

I.R.I.S. Sets The Bar Lower

Belgian recognition specialist I.R.I.S. believes it can bring invoice processing even further downstream. "We've made our application available at a price designed to reach a segment of the market not yet being addressed," said Bertrand Fontaine, sales director of I.R.I.S. office products and technologies. "That is the install base of \$2,000 accounting

packages. We've made a package available that can process 1,000 invoices per month for a list price of 2,000 Euros. It can be used to automatically capture indexing or header data. We have also set up a key entry screen to facilitate line item capture. "

I.R.I.S., which has a U.S. office in Delray Beach, FL, is looking to develop a North American channel of VARs and ISVs to resell *I.R.I.S. Capture for Invoices*. Eventually, the company plans to integrate its invoice processing technology into its I.R.I.S. developers' toolkit, which accounts for the majority of the company's \$60 million in annual revenue.

For more information: <http://www.irislink.com>

What A Difference A Year Makes

Digital copier capture market leader **eCopy** seemed a bit hung over at AIIM, probably from its highly successful Paper Connection event a month earlier [see *DIR* 4/22/05]. "We basically have nothing

SCANTRON DEBUTS NEW CAPTURE APP

After years of partnering successfully with Cardiff, **Scantron** has decided to release its own forms processing application. Demoed at the recent AIIM show, *Cognition* is being officially announced this month. It is built on **ABBYY's FineReader** recognition engine and *FormReader* software developer's kit (SDK).

Scantron, of course, is the \$115 million OMR giant that is best known for its work with test-scoring systems. "We have a 90% market share in the education space," said Mark Espinola, president of Scantron's Data Collection Division. "However, roughly 60% of Fortune 500 companies also use our OMR technology. At one time, I calculated that we had placed 100,000 OMR scanners."

Scantron originally began offering image-based forms processing to provide its customers with a digital option. In 2001, the company purchased Cardiff reseller ImTran and began selling the *TeleForm* solution nationwide [see *DIR* 2/7/03]. However, almost two years ago, Espinola said Scantron began considering its own application. "We

wanted to build something that fit with our future plans," he told *DIR*. "We wanted to drive our own destiny."

"Initially, we are looking to come to market with something that will be competitive with other forms processing products. But, we also want to have a product especially designed to enable our analog OMR customers to stair-step into the digital world. One of the advantages of *Cognition* is that it will allow those customers to continue using their existing forms."

Scantron has licensed ABBYY's *FineReader* technology for OCR, ICR, OMR, and bar code recognition, as well as some of the elements of the *FormReader* SDK. We asked Espinola if Scantron had any plans to incorporate ABBYY's *FlexiCapture* unstructured forms processing technology. "Right now, we have our hands full launching the initial version of *Cognition*," he told *DIR*. "But we do see a lot of value in *FlexiCapture* in the future. We are committed to becoming a leader in this market."

"Scantron has been our most collaborative ISV partner to date,"

said Dean Tang, president of ABBYY USA. "There have been a lot of resources put behind this partnership on both sides. It has helped reinforce our decision to offer higher end components and pursue a more collaborative path with our partners."

Espinola acknowledged that Scantron looked at several vendors before deciding on ABBYY. When *DIR* heard rumors that Scantron was looking for a new forms partner, we suggested it might possibly team up with **Mitek**, which has a close partnership with Scantron parent **John Harland** [see *DIR* 8/6/04]. "We had already started working with ABBYY before Harland Financial Solutions got in contact with Mitek," Espinola told *DIR*.

Espinola added that Scantron no longer has any relationship with **Verity**, which acquired Cardiff last year [see *DIR* 2/20/04]. Scantron actually started shipping *Cognition* in January and was running it for six months previously in its internal service bureau.

For more information:
<http://www.scantron.com>

new to announce," was their big news.

Of course, eCopy's partners were all over the show floor, more than happy to demo their integrations with *ShareScan OP 3.0*, scheduled to begin shipping this month. Since Paper Connection, eCopy has been busy hammering out distribution agreements with these partners. As reported earlier, both **Toshiba** and **Sharp** have agreed to act as distributors to their North American channels. eCopy's agreement with **HP** is still being finalized, and they may also choose the distribution route.

Ricoh is more problematic. One industry analyst said he didn't even see an eCopy demo in the Ricoh booth. On top of that, at AIIM, Ricoh announced an alliance with eCopy competitor **Omtool**. None of this is too surprising. Ricoh U.S. representatives, who are also responsible for the company's own-developed *GlobalScan* capture application, did not seem overly excited about selling *ShareScan* when we spoke with them at Paper Connection.

"We will make *ShareScan* available to Ricoh dealers if we have to sell it to them ourselves," Bill DeStafanis, director, product management for eCopy, told *DIR*.

Things didn't appear too rosy for eCopy in its relationship with Canon USA either. At a press reception held at the show, *ShareScan* was seriously downplayed compared to years past. Instead, Chicago-based, legal services application specialist **Ribstone** was given a spot on the dais. Of course, legal services is eCopy's biggest vertical, and in many ways Ribstone's application overlaps with eCopy's.

Also, Tod Pike, senior VP and general manager, sales, marketing and administration, for Canon USA's Imaging Systems Group, seems to have changed his tune regarding Canon's willingness to work with eCopy competitors. Whereas he had previously stated that such a strategy was not being considered, at the AIIM reception he said, "While we haven't reached that point yet, it's something we would consider down the road." Pike also made a point of saying, "Canon's competitive *Universal Send* product greatly outsells *ShareScan*."

On the dealer front, eCopy let us know that it will be making its software available directly to both **Danka** and **IKON**—for hardware from vendors other than Canon. Apparently, eCopy's contract with Canon does not allow for direct sales to Canon channels. At Paper Connection, IKON

seemed very excited about the possibility of cutting out Canon as a middleman. Perhaps, somewhat as a response to the inability to do so, at AIIM, IKON announced it had signed an OEM agreement with eCopy competitor **Notable Solutions, Inc. (NSi)**.

IKON will resell NSi's *AutoStore* capture software as the main component of its *DocAccel* application. NSi already was a tier-one partner of IKON. "*AutoStore* has some very strong processing capabilities, which we will leverage to create vertical solutions," said Gregg Groenemann, director of marketing for IKON Enterprise Services. "The first market we are going after is legal services. To do that, we will be incorporating into *AutoStore* some bates stamping technology, which we have an exclusive license for."

"Being able to add exclusive technology to the *AutoStore* platform represents the type of competitive advantage a partner can gain through an OEM relationship," commented Ali Tehranchi, president and CEO of NSi. "Because of IKON's major commitment to NSi, they also are receiving a special pricing model."

While legal services is a natural vertical for a digital copier dealer, IKON has also set its sights on developing a *DocAccel* application targeted specifically at the health care and medical records

IMAGING A CASH COW FOR SCANSOFT

ScanSoft has no plans to spin-off its document imaging business following the recent acquisition of speech recognition specialist **Nuance**. "I can officially and unequivocally tell you that our imaging business is not for sale," said John Shagoury, president of ScanSoft's productivity application division. "Imaging is a very profitable business for ScanSoft, and it is a growing business. We continue to invest in it and launch new versions of our imaging products. Late last year, we launched *PaperPort 10* and that has done phenomenally well. We also recently launched version 3 of our PDF family and are enjoying success in that market.

"We continue to increase our imaging partners. We have OEM agreements with just about every major hardware vendor and last year improved our relationships with **HP** and **Dell**. Finally, we are by far the strongest imaging software player in the retail space and that strength helps us with the marketing of our retail speech recognition products. While there may not be a lot of technical synergies, there are definitely some marketing synergies between the two businesses."

One of the keys to what Shagoury said about the imaging business may be its profitability. As both Nuance and ScanSoft lost money last year, one can only assume that the speech recognition business is currently not profitable. So, imaging would appear to represent a cash cow for ScanSoft.

For more information: <http://www.scansoft.com>; <http://www.nuance.com>

space—another vertical with a large install base of digital copiers.

It's worth noting that in the IKON booth, NSi was proudly showing a version of *AutoStore* integrated with a Ricoh Aficio digital copier using Ricoh's Java-based embedded software architecture platform. We believe NSi is the first capture vendor to achieve such integration. It enables *AutoStore* to be controlled through the Aficio touch screen. Canon's MEAP platform offers similar integration capabilities. If NSi ever gets the code for MEAP, it could put eCopy's relationship with its top reseller IKON in serious jeopardy. NSi would then have embedded capture capabilities in all three of IKON's major hardware lines.

Changes For The Good

Yes, eCopy's world has changed a lot in the last year. However, despite all the negatives we just wrote about, the general consensus is that the overall change has been for the good. As an equity investor, even Canon admits that eCopy's decision to open up its technology to competing hardware vendors was correct—both for the growth of eCopy and the digital copier market. To be fully integrated as a peripheral in the IT picture, digital copiers require some sort of standardized middleware, and it's eCopy's vision to fulfill that need.

As digital copiers move further into high tech, they will present some interesting challenges for scanner vendors. With the higher-speed production scanner markets relatively flat, vendors are counting on projected growth in the sub-\$6,000 workgroup and departmental segments to drive revenue. This is the same segment that digital copiers serve.

Granted, to date, increasing adoption of scanning on digital copiers has not had an apparent negative impact on scanner sales. Scott Francis, director of product marketing for **FCPA's** Imaging Product Group, likes to say that, because of the poor job most digital copiers do with scanning, they actually serve as a great stepping stone to document scanner sales. We agree that many digital copier capture applications have been clunky and difficult to use, and that copiers' feeding mechanics, which typically involve flipping paper to create duplex scans, are several years behind the feeders on most document scanners.

However, digital copier vendors have a lot of money. And they are putting up a front, at least, that scanning is very important to their future. If you put these two things together, it could spell danger.

And eCopy has already solved the ease-of-use issue. Even though its success so far has been primarily in scan-to-distribution and the legal services applications, not two of the biggest markets for document scanners, it is eCopy's goal to expand its business into more traditional ECM markets. Competitors like NSi seem prepared to follow suit. We're not saying digital copiers are going to eliminate the need for document scanners, but we do think scanner vendors need to pay close attention to this evolving subset of the capture space.

For more information: <http://www.ecopy.com>;
http://www.ikon.com/services/professional_services/
<http://www.nsius.com>

More on AIIM to come next issue...

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