

# Document Imaging Report

Business Trends on Converting Paper Processes to Electronic Format

4003 Wood Street ● Erie, PA 16509 ● PH (814) 866-2247 ● FX (800) 507-8981 ● <http://www.documentimagingreport.com>

July 22, 2005

## THIS JUST IN!

### HSA TO HOST CAPTURE CONFERENCE

**Harvey Spencer Associates (HSA)** has scheduled its first Document Capture Conference for next month in Glen Cove on Long Island. The event promises to bring together some of the best and brightest minds in the capture software industry for a discussion and analysis of emerging trends in the market. The one-day conference is being held Thursday, Sept. 8, at the **Harrison Conference Center**.

"Our target audience is capture software vendors," said Dave Wood, who is promoting the event for HSA. "We also expect a smattering of representatives from the large scanner and digital copier vendors, as well as some of the large integrators in the industry."

The schedule calls for seven presentations, followed by a cocktail hour and dinner. Presenters are still being finalized. More information can be found at <http://www.documentcapture2005.com>.

"At the event, HSA will be discussing its market research in the areas of market size, global penetration, technical trends, and segmentation," Wood told *DIR*. "We will also look at IT megatrends that are steering the industry. This includes increased adoption of check imaging, enterprise search, and PDF. We think it's important that our attendees understand events occurring outside the industry that will affect their businesses."

Cost to attend is \$1,595 for the first attendee from a company, and \$1,195 for the second. Discounts are available for subscribers to HSA's information and analyst services. Attendance is limited to approximately 75 people.

For more information: [edempsey@nc.rr.com](mailto:edempsey@nc.rr.com); (910) 864-2044.

## Captiva Strives Toward Enterprise-Wide App

SAN DIEGO—As **Captiva Software** continues to grow, so does its annual conference. Two hundred-and-fifty people, representing a combination of Captiva resellers, partners, customers, prospects, and investors attended Capture 2005 held last week at the **Lowes Coronado Bay Resort**. The event featured five conference tracks, a partner exhibition, a dinner cruise, and plenty of knowledge exchange about the document imaging market.

The theme seemed to be enterprise input management (EIM), or the transition of document scanning from a departmental initiative to a corporate-wide mandate. Captiva VP of Enterprise Solutions Blaine Owens said EIM is aimed at eliminating the silos typical of today's input processes. "Many times, these silos are defined by the types of documents being captured—e-mail, paper, or electronic documents," he said. "They also can be defined by the lines of business and applications with which documents are associated."

"Our goal is to have an input application diverse enough to capture documents from any source or media type and then be able to submit documents or captured data automatically into appropriate workflows. To do this, our software needs to be spread across several departments and connect with a multitude of applications. In a true EIM system, there should be integration between the capture application, data-driven applications like ERP systems, and enterprise content management systems."

### Compliance Drives Strategic Thinking

According to Jim Vickers, Captiva's chief marketing officer, the market is just starting to embrace enterprise-wide capture. "Even though capture has been around for awhile, adoption by the masses is still in its early stages," Vickers told *DIR*. "You'd be surprised at how many big companies attending this event still rely on homegrown solutions for capture and enterprise content management (ECM). In many

cases, these systems have developed as little pockets of technology within large organizations.

“Recently, concerns about Sarbanes-Oxley and regulatory compliance have forced document management problems to the forefront. It’s no longer something businesses can worry about later. As a result, we are starting to see more strategic purchases of capture software. This trend has increased our number of sales, as businesses move from homegrown to more standardized, commercially available solutions. We’ve also seen an increase in the size of our deals, as our installations spread across more departments.

**“Capture might be the most critical part of ECM. If you get capture wrong, you get the whole process wrong.”**

**— ECM Analyst Alan Pelz-Sharpe**

“Historically, we have dealt primarily with line-of-business managers. They are typically so focused on their departments that if you ask them if anyone else in the enterprise can use capture, you get a blank look back. After a couple of seconds, they may answer, ‘Yeah, I guess.’ To get beyond this, we are starting to engage many more chief information officers, and IT is really getting involved in capture purchases. In the past, IT was rarely involved.”

### **Proof in the Pudding**

*DIR* had a chance to catch up with Captiva customer **ESI** at the event. Dallas-based ESI recently spent three-quarters of a million dollars on an installation that includes Captiva’s *InputAccel*, *Digital Mailroom*, and *Claims Editor Pro* software. The spokesperson for the system is VP of Information Systems Jay Lopez.

ESI is an example of a customer that purchased Captiva’s software to replace a home-grown, OCR-based system. “We started running into some capacity limitations with our legacy system,” Lopez told *DIR*. “We came to the conclusion that we didn’t want software development to be an organizational focus. The amount we spent with Captiva is much less than it would have cost us to develop a similar application ourselves. We decided to go with a tool that someone else is spending millions of dollars a year developing.”

Basically, ESI functions as a collection agency for hospitals. It focuses on recovering money in complex billing situations. This involves capturing information from patient encounter forms and using the data to file claims. “Our business was launched to help hospitals recover money for services they were previously uncompensated for,” said Lopez. “We do this by using patient encounter information to determine the sort of compensation or aid the hospital is eligible for and then

## **Document Imaging Report**

Business Trends On Converting Paper Processes To Electronic Format

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

Areas we cover include:

1. Document Capture
2. Image Processing
3. Forms Processing/OCR/ICR
4. Enterprise Content Management
5. Records Management
6. Document Output
7. Storage

*DIR* brings you the inside story behind the deals and decisions that affect your business.

### **Vol. 15, No. 14**

**Editor:** Ralph Gammon  
4003 Wood Street  
Erie, PA 16509  
PH (814) 866-2247  
FX (800) 507-8981  
ralphg@documentimagingreport.com



### **Managing Editor:**

Rick Morgan  
PH (814) 866-1146  
rickm@scandcr.com

### **Publisher and Circulation Manager**

Larry Roberts  
RMG Enterprises, Inc.  
5905 Beacon Hill Lane  
Erie, PA 16509  
PH (412) 480-5116  
FX (412) 291-1352  
larry@rmgenterprises.com

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

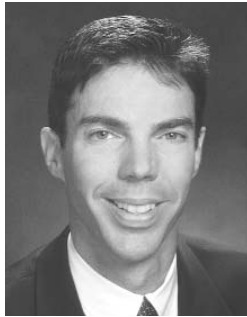
**RMG Enterprises, Inc.**  
5905 Beacon Hill Lane  
Erie, PA 16509  
PH (412) 480-5116  
<http://www.documentimagingreport.com>

**Copyright** © 2005 by RMG Enterprises, Inc. Federal copyright law prohibits unauthorized reproduction by any means including photocopying or facsimile distribution of this copyrighted newsletter. Such copyright infringement is subject to fines of up to \$25,000. Because subscriptions are our main source of income, newsletter publishers take copyright violations seriously. Some publishers have prosecuted and won enormous settlements for infringement. To encourage you to adhere to this law, we make multiple-copy subscriptions available at a substantially reduced price.

**Subscriptions:** \$597 (electronic) or \$670 (paper) per year.

filing for it. We manage the entire revenue cycle of the claim. In our first year of operation, we helped our first customer recover \$100 million. In our history, we have recovered more than \$35 billion.”

According to Lopez, patient encounter forms consist of a combination of stereotypical doctor’s handwriting and poorly marked check boxes. “Typically, automatic recognition can only be used to capture some basic patient information,” he said. “To capture the check box information, we are leveraging Captiva’s key-from-image module. We also have one customer that encodes information in a bar code, so we are flexible.”



*Jim Vickers, Chief Marketing Officer, Captiva.*

Before the captured information is submitted to a paying organization, ESI runs it through *Claims Editor Pro*, which is based on the technology Captiva acquired last year when it bought the Context business unit from outsourcing giant **ADP** [see *DIR* 2/6/04]. In fact, a former Context salesperson was instrumental in closing the deal with ESI. “That is exactly the type of synergy we envisioned when we acquired Context,” Captiva’s Vickers told *DIR*. “We are just starting to see some increased traction in the healthcare provider market, and the vertical expertise we gained with Context is helping drive that.”

Lopez concluded by saying ESI’s goal is to eventually take over the patient registry functions at some of its customer sites. “The front-desk employees at hospitals are typically so swamped that they don’t do a good job getting all the information they need to run an efficient billing operation,” said Lopez. “That information can be very hard to track down after the patient leaves. Trying to follow-up results in a lot of expense and lost revenue for hospitals.”

### **Capture Determines ECM Quality**

The need for accurate data capture was another theme which recurred throughout the conference. ECM market analyst Alan Pelz-Sharpe (best known for his work with **Ovum**, and now with **Wipro**), who gave the second day keynote, summed up the issue very neatly. “Capture might be the most critical part of ECM,” he told the crowd. “If you get capture wrong, you get the whole process wrong.

“The further a document moves along in its lifecycle, the more problems compound. If you think

a misfiled document causes problems on the departmental level, think of what can happen five years down the road after the document has been misfiled in an enterprise archiving system.”

Pelz-Sharpe related the story of one of his former employer’s oil riggers that had an accident in the North Sea. “We couldn’t figure out how to stop it from leaking oil immediately because the documentation for the rigger had been misfiled,” he said. “When doing capture, it’s important to think locally, but realize your actions could have a global affect.”

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

## **What’s Next For PDF/A?**

### **Now that ISO standard has been finalized, efforts toward adoption begin.**

The PDF/A document archiving format has been ratified as an ISO standard, but now the real work begins according to Melonie Warfel, **Adobe’s** director of worldwide standards. “So many standards get developed and published by ISO, but are never utilized because there isn’t any proper guidance,” Warfel told *DIR*. “To ensure PDF/A is adopted, we need to develop items like application notes, FAQs, and a Web site to help people implement PDF/A-based solutions.”

The standard was unanimously approved by an ISO committee on May 23 and should be published in its final form by this fall. “Because the vote was unanimous, it will go straight to publication,” said Warfel. “It will take a couple months to work out some details, but no technical changes will be made. Countries like China, France, Germany, Italy, Japan, and the Russian Federation all approved without comment. Sweden, the Ukraine, the U.K., and the U.S. each added some commentary.”

It’s easy to understand why Adobe is excited about PDF/A. It is the first real attempt we are aware of to come up with a standardized format for permanent electronic storage of documents. Most electronic document file formats are either application-specific or transaction-oriented. Falling into this second category are formats like TIFF, ASCII, and XML.

Adobe, of course, controls the PDF format, which is the basis for PDF/A. So, logically, Adobe is in a position to benefit from widespread acceptance of PDF/A. With the emergence of federal regulations governing document archiving, as well as increased

attention being given to the topic by non-regulated businesses, the potential for widespread acceptance is definitely at hand.

“We have many organizations looking at how to utilize the standard,” said Warfel. “This includes the **U.S. Courts, NARA** (National Archives and Records Administration), and the **U.S. Patent and Trademark Office**. We expect these organizations to start coming up with guidelines on how PDF/A files should be submitted to directly meet their needs.”

Some of these guidelines might include specific meta data requirements. It's important to note that the PDF/A standard includes support for XMP, an XML-based standard that will enable sharing of PDF/A meta data among applications. There are also two levels of PDF/A that end users can choose from—A and B. “Level A creates a tagged PDF, which carries over the structure of a document when displaying it in different formats,” said Warfel. “This is especially important in government applications that require compliance with Section 508 [of the U.S. Rehabilitation Act.]”



*Melonie Warfel, director of worldwide standards, Adobe.*

### **A User Perspective**

*DIR* caught up with end user Geof Huth, manager, records archive services for the **New York State Archives**. He discussed with us his plans for implementation of PDF/A. [*Huth recently presented on PDF/A at an ARMA Long Island chapter meeting.*] “We’ve decided, at least tentatively, that we are going to start using the general PDF format for archiving,” said Huth. “We are going to utilize a very simple version and not put in anything too complicated. Once there is a usable version of PDF/A available, we plan to adopt it.”

Huth cited two main reasons for the choice of PDF for archiving. “With PDF, it’s fairly easy and simple to capture the look and feel of a document,” he said. “This is becoming increasingly important as a lot of today’s electronic documents are pretty heavily formatted. If you save those documents in a text-only based format such as ASCII, you lose that formatting, which can be important to their meaning. Also, a PDF is not a dead image like a TIFF. PDFs maintain the ability to be searched like native electronic document formats.”

Huth noted that the state will not use PDF to archive complex documents containing information

elements such as java scripts and video. It will also not use PDF for paper documents or images. “We typically retain paper documents in their original format, or on microfilm,” he said. “We may scan and convert them to PDF if they are fragile or high-access documents. For example, we recently scanned a bunch of documents pertaining to the Civil War. Typically though, paper is an efficient archiving medium. We have plenty of space, and paper requires very little intervention as long as it is kept in temperature and humidity controlled areas.

“As far as images go, we see no advantage in converting TIFFs or JPEGs to PDFs. Both formats have been around awhile and have proven they have some legs.” [*It’s worth noting that since PDF/A has the capability to encapsulate TIFF and JPEG images, technically these images could always be converted to PDF/A files and viewed with a PDF reader at any point in the future.*]

### **PDF 1.6 Next Stop On Roadmap**

The first version of PDF/A is based on PDF 1.4, which means its files can definitely be read with *Adobe Reader* version 5.0 or higher. [*Warfel said Adobe hadn’t tested anything below 5.0*] As far as document imaging goes, 1.4 supports JBIG2 compression of text, but nowhere in the PDF/A draft is JBIG2 specifically addressed. The draft does say, however, “a conforming file may include any valid PDF 1.4 feature that is not explicitly forbidden by this part of ISO 19005 [*the PDF/A standard number*].”

“PDF/A is a restricted version of the PDF format,” said Warfel. “We restricted it to ensure we can render reliable representations of documents in the future. The PDF format allows for a lot of things, but users may not want some of that flexibility in their archiving format. For example, PDF/A does not allow encryption or password protection, which are part of PDF. PDF/A also requires that fonts be embedded in the file.”

According to Warfel, version 2 of PDF/A will be based on PDF 1.6 and will include additional functionality in the areas of imaging, complex documents, and digital signatures. “We’ve received guidance, especially from the **Library of Congress**, to include JPEG 2000, which is incorporated in PDF 1.6,” said Warfel “There is also a lot of talk about writing application notes on how to incorporate digital signatures in PDF/A. The initial version neither includes nor disallows digital signatures. The feedback we’ve received is that the user community wants more guidance on digital signatures for their archived files. PDF 1.6 provides a lot more functionality around digital signatures.

“PDF 1.6 also has the ability to include layers,

which is important when dealing with engineering drawings. Working with 1.6 covers the PDF/E (engineering) standard we currently have in development.”

Warfel estimated the second version PDF/A would be approved in two years. The first version was in development for three years after the initiative was launched in 2002 [see *DIR* 9/20/02]. “We have now established a solid base,” said Warfel.

### **Applications, Guidelines Needed To Drive Adoption**

Adobe has plans to incorporate the current version of PDF/A in its market leading *Acrobat* line of PDF creation products. *Acrobat 7 Professional* already supports the draft version of the standard. Warfel indicated Adobe is working on improving its PDF/A functionality. Adobe will also begin working with end users to help them come up with policies and procedures for creating acceptable PDF/A documents for permanent storage.

The two example software development guidelines for creating PDF/A files that are listed in the draft of the PDF/A standard both pertain to document imaging applications:

- “Writers of conforming files should not use lossy compression, subsampling, downsampling, or any other process that either alters the content or degrades the quality of source data in the conforming file.”

- “Software should not substitute searchable text, based on optical character recognition, for the original scanned text within the bit-mapped image of documents that are scanned to conforming files from paper or converted to conforming files from image formats.”

Warfel said other guidance could be provided in areas such as how to incorporate pull-down lists utilized with electronic forms being archived. Agencies like the New York State Archives are also wrestling with hardware requirements, which are left out of the PDF/A standard. Huth said the New York State Archives is currently accepting CD and DVD WORM discs and soon expects to expand that to include specific types of WORM tape.

### **Market Opportunity Is At Hand**

We should probably conclude by saying that Adobe will definitely not be the only

software vendor competing in the PDF/A market. There are several hundred commercially available PDF creation applications, and there is no reason to believe that most of them won't incorporate PDF/A. PDF/A is, after all, an openly published standard. And unlike regular PDF, which is completely controlled by Adobe, PDF/A needs approval by a committee, which Adobe's PDF competitors are free to get involved with.

There are also alternatives to PDF/A—especially in the area of scanned images. After all, PDF was not specifically designed with document scanning in mind, while formats like DjVu and JPEG 2000, Part 6 were. In fact, the **Irish Local Government Computer Services** organization recently standardized on **LizardTech's** DjVu application, and LizardTech is attempting to market its software to other state and local government organizations with archiving responsibilities. To help make the

### **IS LOSSLESS REALLY BEST PRACTICE?**

JBIG2 specialist **CVision** isn't too thrilled about the recommendations surrounding image capture in the draft of the PDF/A standard. According to Ari Gross, president and CTO of CVision, the call for the use of lossless compression precludes the use not only of JBIG2, but also basic IP functionality, such as deskewing and despeckling. “There are a lot of issues surrounding the creation of PDFs, but using good JBIG2 compression is not one of them,” he told *DIR* at the recent Capture 2005 conference. “The only data you lose with good JBIG2 is some of the noise around the letters.” [Gross went on to show us how JBIG2 compression can actually be used to improve the accuracy of OCR results].

**Adobe's** response was to comment that the software development guidelines in the spec are not rules set in stone. “There are several different image compression formats available in PDF 1.4 and any of those can be used in PDF/A, unless specifically restricted by the standard,” said Scott Foshee, a senior computer scientist with Adobe. “PDF/A is very much like PDF in that it presents a lot of options. The power is really in the hands of application vendors and end users to decide which options they want to use. The PDF/A standard ensures that the reader will be able to interpret whichever ones they choose.”

Foshee indicated that he expects committees within different vertical markets to come up with their own acceptable versions of PDF/A. “For some markets, lossy compression might be fine,” he said. “Others, like the medical market, might want to be more protective against lawsuits and only accept lossless compression. Of course, lossless and lossy can mean different things to different people. A compression software developer's interpretation of lossless might be different than an average end user's. If JBIG2 compression preserves everything that's there, you could consider it to be visually lossless, as compared to numerically lossless.”

For more information: <http://www.civisiontech.com>;  
<http://www.adobe.com>.

proprietary DjVu format more palpable for long-term storage, LizardTech recently announced support for an Open Source Java-based DjVu viewer.

Germany-based **LuraTech** is currently marketing a JPEG 2000, Part 6 application, which creates files in a .JPM format. .JPM and JPEG 2000 are both based on open standards. The Library of Congress has experimented with products from both LizardTech and LuraTech.

The war for document archiving market share is far from over with the ratification of PDF/A. In fact, it is just beginning. Granted, Adobe has quite a bit of marketing clout and mindshare over its competitors— with its billions in revenue and large install base of free PDF readers. We're not going to begrudge the fine job Adobe did promoting the adoption of PDF and then driving the creation of a much needed electronic document archiving standard.

We will say there appears to be room for more than one solution in the electronic archiving space. Many organizations like the New York State Archives, for example, look at paper and electronically generated documents in separate lights, and maybe PDF isn't always the best choice for scanned documents. However, it is also safe to say that Adobe is definitely not asleep at the wheel when it comes to scanning, and their vision of a unified world of images and electronic documents being stored in a single format does sound pretty attractive.

For more information:  
<http://www.aiim.org/standards.asp?id=25013>;  
<http://www.digitalpreservation.gov/formats/fdd/fdd000125.shtml>

## Imaging: A Safer Archiving Alternative For E-Docs

Remember when that classified report from Iraq was posted on the Web and restricted information was inadvertently made available? At the time, we ran a story detailing problems with the redaction of electronic documents. One of the suggested solutions was imaging files to secure the information before posting them [see *DIR* 5/6/05].

It seems concern over the vulnerability of electronic documents isn't restricted to redaction applications. In fact, document capture software specialist **Captovation** has large customers that have implemented corporate policies calling for the imaging of all electronic documents before they are

released to ECM systems. "We have some insurance customers that have very long retention policies," said Ken Peterka, president and CEO of Captovation. "Their records management policies are typically event driven, rather than date driven. That means a file might not be touched until a major event, such as a death, occurs. When they go to access that document, 30 or 50 years after it has been created, they want to be sure they can read it. They just don't have that kind of confidence in electronic file formats."



Ken Peterka, president and CEO, Captovation.

Peterka cited requests from financial services and insurance giant **ING Group** as driving Captovation's development direction. "We have had file-to-image functionality in our product for awhile, but we have really upgraded it in our latest version," said Peterka. (*Capture 5.0*, which represents a new name for Captovation's flagship software formerly known as *eScan*, was announced at **AIIM 2005**.) "We've introduced a method of converting files to images through a virtual print processor. The only requirement is that the file's native application is installed on the same server where the image conversion is being done."

According to Peterka, the company looked at utilizing available file conversion technology such as **Stellent's Outside In**, but decided existing products were not consistently accurate enough in their file rendering to be used in archiving applications. "We're talking about applications in which our customers are getting rid of the originals," said Peterka. "We've also incorporated features like the ability to automatically capture indexing fields from documents being imaged. This could include the 'To' and 'From' fields on an e-mail message, for example. We can also do full-text indexing and offer output of PDFs or TIFFs."

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

### FORMER SYMBUS OFFICES CLOSED

Last month, **Captiva** closed its Waltham, MA development facility. According to CEO Reynolds Bish, the closing is directly related to the recent **SWT** acquisition and the company's efforts to eliminate redundancies. "The Waltham team focused on recognition and image processing technologies," Bish told *DIR*. "Their work was redundant with a lot of what the SWT development team does."

Waltham represented the former headquarters of automatic recognition specialist Symbus, which Bish's TextWare Corporation merged with in 1997 [see *DIR* 9/17/97].

# Services Playing Bigger Role At IKON

**Perot Systems, Raytheon, Oracle, EMC**—these are just a few of the companies ranked behind **IKON** in the recently published 2005 *VARBusiness* 500 list of top solution providers in North America. Yes, this is the same IKON that doubles as one of North America's largest digital copier dealers. IKON's lofty ranking among such IT luminaries is indicative of how far both the digital copier market and IKON have come in recent years.

IKON's rank is based on the \$2.2 billion in revenue generated by the company's Enterprise Services business in its fiscal 2004 (ended Sept. 30). The company's overall 2004 revenue was \$4.6 billion. IKON Enterprise Services consists of a combination of consulting, integration, outsourcing, and support. The group is run by former **T/R Systems** president and CEO Michael Kohlsdorf, who recently took a few minutes to discuss his business plan with *DIR*.

"We want everybody to know we are evolving from a distributor, to a VAR, to ultimately a solutions integrator," Kohlsdorf told *DIR*. "When we reach the point where we can suggest to our hardware partners specific pieces of software that we'd like embedded under a private label to us, than you can call us a solutions integrator. Not being a manufacturer, we view that as about as high on the food chain as we can get. We're not quite there yet, but we're close."

Kohlsdorf was hired in May 2004 after T-R Systems was sold to IKON partner **EFI**. Shortly thereafter, he initiated a major restructuring. Enterprise Services, like most of IKON, had been acquired piecemeal over the years. "We had too many areas operating as independent silos," he said. "We have started to run everything centrally, so our customers see a single organization they can hold accountable."

In the area of document imaging, this reorganization included a consolidation within IKON's Legal Document Services (LDS) business unit. LDS was reduced from 82 document production facilities to 65. IKON has also standardized throughout these facilities on a capture process known as PremiumScan Plus. "It's an internally developed system that enables one person to monitor the flow of documents at a number of scan stations," said Kohlsdorf. "We've reduced our bottlenecks, which has improved productivity. The result is lowered costs and higher margins."

LDS represents a \$170 million business for IKON. "In addition to LDS, 25% of our \$580 million in

annual revenue from on-site management comes from the legal market," said Kohlsdorf. "With \$300 million in revenue in legal services, we are one of the largest players in the market."

IKON has also targeted the legal market with the *DocAccel* capture application it announced at **AIIM 2005** [see *DIR* 6/3/05]. "Ultimately, the legal vertical is not our biggest opportunity," said Kohlsdorf.



*Michael Kohlsdorf, senior VP, IKON Enterprise Services.*

"However, it is the market in which we have the strongest foothold. We'd be foolish not to protect ourselves by ensuring we have leading technology in this area and building on our established success. We are also looking at other verticals in which we can leverage the footprint we've established in legal."

According to Kohlsdorf, IKON is just starting to attack the healthcare vertical. In that space, IKON will initially leverage some of its output skills and technology. "Most of the healthcare opportunities we're looking at require expertise in forms and variable output from mainframes, along with document workflows," he told *DIR*.

While IKON seeks to expand its service offerings in targeted areas, Kohlsdorf has also overseen IKON's divestiture in two areas that were viewed as unprofitable. One was general document scanning, printing, and copying—known as BDS (business document services). "It was a commodity business that was price-sensitive with low margins," Kohlsdorf told *DIR*. "BDS was losing money from the day we started it, and we saw an immediate performance improvement when we dropped it." IKON exited the computer networking business for similar reasons.

According to Kohlsdorf, the remaining groups within Enterprise Services are all profitable. This includes a fast growing document assessment practice that promises to "optimize an organization's document workflow and offer suggestions to automate that workflow." Unlike **Xerox**, which focuses its assessment business primarily on document output [see *DIR* 7/19/02], IKON has chosen to initially focus on the capture and archiving side of document management.

"We are doing hundreds of assessments per year," said Kohlsdorf. "We have done them for some very large corporations and come up with plans for savings tens of millions of dollars per year. Even

though there is some drag involving hardware and software to implement the plans outlined by assessments, our national consulting group stands as a profit center on its own.”

According to Kohlsdorf, document scanning assessments typically represent higher margin opportunities than output assessments. “Output is not typically as sophisticated as document lifecycle management,” he told *DIR*. “Also, we have some incredible expertise in document imaging that we acquired when we purchased Canada’s leading **IBM Content Manager** reseller a couple years ago. As a standalone business, that entity was pursuing a \$10 million per year market. We are now leveraging that expertise throughout our organization and have created a Capture Center of Excellence. It is based in Toronto but influences the whole company.”

The Capture Center of Excellence has also been responsible for helping IKON assemble an impressive document imaging portfolio. This includes products from **eCopy, EFI, NSi, Kofax, EMC/Documentum, Westbrook, and LaserFiche**. “We’ve tried to pick a combination of products that represent industry leaders, such as Documentum, as well as small companies that have potentially disruptive technology, such as NSi,” said Kohlsdorf. “In addition, we have made geographical considerations, such as maintaining LaserFiche as a vendor to our Canadian operations because of the historical success IKON Canada has had with their product. Obviously, we can’t offer every product on the market, but we think we’ve assembled a broad enough portfolio that a CIO can’t poke holes in our document lifecycle management offering.”

It’s been our opinion that IKON is possibly offering too many products, as most document imaging resellers prefer to focus on one or two. “One of the reasons for offering so many seemingly competitive products is to hedge our bets,” said Kohlsdorf. “We simply aren’t good enough to say who is going to be the market leader in two to three years, so we want to make sure we’re covered.”

Kohlsdorf added that because of IKON’s unique position as a reseller of large numbers of digital copiers, it can make both high- and lower-volume document imaging sales profitable. “Because of our sales volume, we have tremendous leverage with vendors,” he told *DIR*. “For us, a \$25,000 solution sale can be profitable. At the same time, we have very large customers that require corporate-wide document management systems. It’s very important that we have a scalable offering.”

Kohlsdorf concluded by stressing that, while IKON is not abandoning the hardware business on which it has built its legacy, it is clearly looking for growth in higher margin areas like services. “For the most part, hardware is commodity-like and price-sensitive,” he said. “We think the solutions we can wrap around our hardware will differentiate us. It is very compelling for our customers to receive a proposal for a combination of hardware and software that fulfills the requirements of an assessment that details how that customer can save millions of G&A dollars. Our hardware and software are inextricably linked.”

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

## Subscription Order Form for RMG Enterprises, Inc.

5905 Beacon Hill Lane • Erie, PA 16509 • Phone (412) 480-5116 • Fax (412) 291-1352 • <http://www.documentimagingreport.com>

### Document Imaging Report

Business Trends on Converting Paper Processes to Electronic Format

### Mass Storage News

Opportunities and Trends in Data Storage and Retrieval

### SCAN: The DATA CAPTURE Report

Premier Management & Marketing Newsletter of Automatic Data Capture

#### 1 year (24 issues)

- electronic copy @\$597  
 paper copy @\$670

- electronic copy @\$597  
 paper copy @\$670

- electronic copy @\$597  
 paper copy @\$670



Name \_\_\_\_\_ Title \_\_\_\_\_

Company \_\_\_\_\_

Street \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Phone (\_\_\_\_) \_\_\_\_\_ Fax (\_\_\_\_) \_\_\_\_\_

E-Mail \_\_\_\_\_

Please  enter /  renew the following subscription.  
 (Add \$33 on all orders outside of Canada and the United States.)

**Payment Enclosed** (Remit to: RMG Enterprises, Inc., 5905 Beacon Hill Lane, Erie, PA 16509)

**Charge My Credit Card** (Charge will appear as RMG Enterprises.)  
 \_\_\_\_\_ AmEx \_\_\_\_\_ Visa \_\_\_\_\_ MC \_\_\_\_\_ Discover \_\_\_\_\_  
 \_\_\_\_\_ card number \_\_\_\_\_ expire date

**Bill My Organization** (Purchase order # optional.) \_\_\_\_\_