

# Document Imaging Report

Business Trends on Converting Paper Processes to Electronic Format

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August 3, 2007

## THIS JUST IN!

### SCANNER MARKET GROWTH SLOWS

Document scanner market analyst Susan Moyses has completed a report detailing North American hardware shipments in 2006 and forecasting growth through 2010. Like the preliminary numbers we saw from her former employer **InfoTrends**, Moyses's figures indicate a sharp slowdown in workgroup scanner sales. For 2006, Moyses reports that the overall document scanner market grew by 19% in terms of units shipped, and that the workgroup segment grew by the same percentage.

"The workgroup segment [scanners rated at 25 ppm and below, with a list price below \$2,000] makes up 80% of total units shipped, so its growth rate has a large effect on the market as a whole," noted Moyses, the principal at **Moyses Technology Consulting**. "Over the previous three years, the workgroup segment really showed some banner growth. In 2005, for example, it grew 75%, and the overall market growth was 59%.

"In those three years, the workgroup market tripled its size. However, as a market's size increases, it becomes more difficult to sustain such high growth rates. In addition, recently we've seen vendors move a lot of their focus to network scanning devices, which fall in the departmental (\$2,000-\$6,000) segment. As a result, I think you'll see a significant uptick in the growth rate of the departmental segment over the next five years."

That's not to say Moyses is projecting the workgroup segment will wither and die. "I still expect workgroup sales to show strong growth, but I expect the departmental segment to grow even faster," said Moyses. "Through 2011, I have the workgroup segment growing 20-30% per

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## Dicom Seeking New CEO

### *Klatell to step down after two years on the job.*

The **Dicom Group** is looking for a new CEO. Nearly two years after being brought in to guide the organization through post-M&A stress syndrome, Rob Klatell is moving on. The Dicom board of directors and Klatell have agreed it is time to look for a CEO better suited to running the company as it reinvents itself from a product vendor to a software solutions provider.

"We came to the conclusion that Dicom needs an executive with greater software solutions experience than anybody currently on board," Klatell told *DIR*. "We also concluded that the only way to get an executive with the right experience and talent is to offer him or her the top spot. We have hired an executive search firm to begin looking for a new CEO. Under the rules of the London Stock Exchange, once we do that, we have to make our decision public.



**Rob Klatell, CEO,**  
*Dicom Group.*

"Do I think I could do the job and execute successfully on our new strategy as CEO? Certainly. Do I honestly believe there are people that could do it better? Yes. The ideal CEO's experience going forward is slightly different than mine. Part of my duty to shareholders is to reduce our risk and better ensure success; therefore, it's my job to help Dicom find the best leader as it moves on to the next stage in its evolution."

### **Klatell's accomplishments**

Klatell was hired in late 2005, in the wake of a quarterly shortfall and the acquisition of Captiva (the top rival of Dicom's Kofax image capture business) by storage giant **EMC**—which had also considered acquiring Kofax. Prior to joining Dicom, Klatell spent more than 30 years at hardware components distributor **Arrow Electronics** [see *DIR* 12/16/05]. At Arrow, Klatell was credited as being "instrumental in an acquisition strategy that resulted in more than 50 successful mergers, joint ventures, and strategic partnerships...."

At Dicom, Klatell's job was not so much active M&A, as it was better integrating a \$400 million company coming off a series of acquisitions. "A little over two years ago, the board and I agreed Dicom needed a seasoned international executive and business leader with experience bringing entrepreneurial companies together to fit the mold of a corporate entity," said Klatell.

When Klatell joined Dicom, he didn't plan on staying for any specific period of time. "We've made a lot of progress toward some of the goals I set for my tenure," he said. "This includes taking a collection of acquired companies run in an entrepreneurial style and knitting them into a more coherent organization; bringing more of a market-driven focus to the organization, and introducing our intelligent capture and exchange (ICE) suite [see *DIR* 12/15/06].

"We've also done a product re-branding [see *DIR* 5/4/07], which is important as we set the stage to move on to the next level. We've brought in a global head of human resources for the first time. We've done a re-org in EMEA to increase our focus on selling software and solutions. We've made strategic changes in Asia. We continue to push forward our development efforts in the United States and have introduced a new, more agile method for developing product. We've also put a great deal of time into improving our relationships with our partners.

"That's just off the top of my head. Overall, we have put a strategy in place to help us evolve into a solutions-centric organization. I take great pride in the position our company is currently in. We are now ready to take the next step, which is to execute on our new strategy."

### **Dicom's challenges**

Of course, Klatell's tenure was not without some bumps in the road, including a disappointing third quarter (first calendar quarter) for 2007. In fact, since April, when Dicom pre-announced it would be missing its third-quarter projections, the company's publicly traded stock shares have lost about a third of their value. "The third quarter was disappointing, and our yearly numbers are going to be on the lower-end of expectations," admitted Klatell. "But, my retirement has nothing to do with financials or share prices. It has to do with our need to move forward in a way that ensures success."

Dicom's falling share price is a good indicator of some of the challenges that the new CEO will face. Last issue, we ran an article detailing how Dicom plans to make the transition from king of the hill in batch capture, a market which is beginning to mature and slow down, to a leader in the more rapidly accelerating transactional capture space [see *DIR* 7/20/07]. Even if Dicom successfully accomplishes this mission, it still owns a rather large, lower-margin European hardware distribution business that may or may not fit into the software solutions picture.

In addition, Dicom has been hit harder than many of its

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### **Vol. 17, No. 15**

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

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Erie, PA 16509

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<http://www.documentimagingreport.com>

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peers on the London exchange by the recent decline of the U.S. dollar. The majority of its higher-margin Kofax sales come in the United States, and their boost to the company's top and bottom line is not as great as it has been in the past.

### **Candidate qualifications**

We asked Klatell what type of person Dicom is looking for to lead it into its next life as a software solutions provider, and if that person might ideally come from a company that is already operating under the business model Dicom is aspiring to. "We are definitely looking outside the organization, but we haven't built our strategy on the basis of anyone else's model," Klatell replied. "The real answer is to get an executive with the right balance of skills and experience, not someone from a particular company.

"We are certainly looking for someone with experience in software. Of course, everybody says they're solutions-oriented. This makes it hard to agree on a definition of 'solutions.' That said, someone who has sold software into businesses, to help improve processes in one way or another, would be a logical choice."

Klatell stressed that Dicom is not in any hurry to hire a CEO, and that he will continue to actively carry out his CEO duties. "I will not be a lame duck," he said. "We currently have a very capable management team running the business, even with a CEO that is not very experienced in software. And we continue to generate cash.

"We have the same goal as anyone looking for a new CEO. We'd like to hire someone as quickly as possible. That takes away some of the nagging uncertainties people have. After we do hire a CEO, it is my plan to retire from my position on the board. I do not think it's healthy for an ex-CEO to stay on as a non-executive director."

### **Some potential names**

So, who are some of the early candidates Dicom is considering? Of course, Dicom is not commenting on specific individuals, but that doesn't mean we aren't free to speculate. Here are some interesting prospects:

a) **Reynolds Bish** — This would be a huge coup for Bish, who was public enemy number one at

Kofax a few years back. Bish's incredible turnaround of Captiva Software has been well documented [see *DIR* 6/16/06], and quite frankly, Dicom shareholders would love someone who could inject some life into their shares. Bish certainly increased the value of the previously moribund ActionPoint stock after he took over and changed the name to Captiva. Of course, selling out to EMC at somewhere north of three times revenue with your rival reportedly waiting in the wings wasn't such a bad deal for Captiva shareholders either.

That said, Bish surely still has some detractors at Dicom, even in light of recent re-orgs that have created a revamped power structure. In addition, Bish likely lacks the international experience Dicom is

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**— Rob Klatell, Dicom Group**

looking for, as his acquisition of French ISV SWT [see *DIR* 5/20/05] occurred very late in his career at Captiva—less than a year before the company was sold.

b.) **An ex-IBMer**— This seems the most likely scenario, as Greg Lock, who was appointed chairman of Dicom in March, worked at IBM for 16 years. And when it comes to providing software solutions, IBM, and its Global Services business, is one of the first names we think of. An ex-IBMer could also potentially set up an acquisition by IBM, which is a major partner of Kofax's, and has long been rumored to have an interest in acquiring the Kofax Ascent technology.

The drawback to this theory is that Lock is from the U.K., and we don't think a U.K.-based CEO would work well for Dicom. Klatell's New York-area home base was viewed as a centrally located stopover, and London could also be viewed that way, but at this stage of the game, we think Dicom needs a CEO based at one of the company's two power centers—southern California or Switzerland/Austria. Of course, Lock did have worldwide responsibilities at IBM, so, he certainly has non-U.K. Big Blue connections.

c) **Martyn Christian or Lee Roberts**—These FileNet executives now also qualify as IBMers, especially Roberts, who worked for 20 years at IBM before joining FileNet in 1997 [reportedly with an eye on selling the company to IBM, which finally occurred last year, albeit almost 10 years after Roberts was hired]. Both have global experience, although maybe not as much as Dicom would like, and both know how to sell a company to IBM. Of course, both come very much from Dicom's core market, and

perhaps Dicom wants to go outside the box a bit with its new hire.

d.) **David Silver**— This is a joke obviously, but let's at least give some credit where it is due. It was Silver's vision, with the help of his VP of marketing Kevin Drum, to transition Kofax from a hardware to a software provider in the first place. Of course, Silver also made the decision in 1999 to sell out for \$70 million, which disqualifies him for consideration as the new CEO. Yes, over the years, Dicom has brought some benefits to Kofax, including global reach and infrastructure, but Kofax is the technology leader within Dicom and whoever is the new CEO will need a good handle on the Kofax technology.

### ***The opportunity***

We're sure many people are interested in the position of Dicom CEO. Dicom is a \$450 million company that has shown consistent profitability and growth. It also owns market leading technology in the relatively high-growth document capture segment.

The main challenge, which we've outlined, is increasing the company's growth and profitability in a changing market landscape, while also completing a transition away from lower-margin businesses. Klatell began this transition with the divestiture of Dicom's **Samsung** distributorship [see *DIR* 3/17/06]. Since then, however, Dicom seems like it's been stuck in a re-org mode. It needs a CEO that can effectively execute on the strategy Klatell helped lay out.

Working in the new CEO's favor is the fact that Klatell's departure will break one more link to Dicom's hardware-centric past. Klatell was brought in under the chairmanship of Otto Schmid, a Dicom co-founder. Schmid has since retired, giving up his position to Lock. Schmid's co-founding partner, Otto Von Büren, left Dicom when Klatell was hired. Former Kofax CEO Rick Murphy also recently retired. So, the new CEO will be starting with a relatively fresh management team, which should work to his or her advantage as they attempt to mold the company to fit their vision.

If this vision proves solid, the rewards could be great. As market capitalization and subsequent acquisition prices have shown in the cases of companies like Captiva, FileNet, and even most recently, **Hyland**, it is possible for imaging software leaders to gain valuation of more than three times revenue. We're sure Dicom's investors are expecting no less. We also expect any new CEO to be strongly compensated if they can achieve the financial goals set out for them.

As we said, it appears many of the pieces for success at Dicom are in place, and now the gauntlet has been thrown down. It will be interesting to see who accepts the challenge, and even more interesting to see if he or she can succeed and fulfill the potential of this worldwide capture leader.

For more information:

[http://www.documentimagingreport.com/Klatell\\_retires.1625.0.html](http://www.documentimagingreport.com/Klatell_retires.1625.0.html)  
<http://www.dicomgroup.com/>

## **Improved Speed, Accuracy Highlight *OmniPage* Upgrades**

### ***Version 16 supports digital cameras and output to new Office formats.***

**Nuance** continues to push the envelope as to what is possible with commercially available OCR. With this week's release of *OmniPage 16 Professional*, Nuance has introduced several new and upgraded features. These include improved speed and accuracy, compatibility with digital cameras, simpler workflow, upgraded e-forms, redaction, and output to the latest **Microsoft Office** formats.

"The use of scan-enabled devices is more widespread today than even before," said Jeff Segarra, senior product manager for Nuance. "The use of electronic documents is growing exponentially, but paper is not going away. In fact, its use is increasing modestly. It's our opinion that people are adopting scanning to convert paper documents into the electronic formats they are now so comfortable working with.

"If users' OCR conversion is not accurate, however, they end up spending a lot of time reformatting their scanned documents to create something they can use. Combining information from a number of analyst sources, we've determined that an organization of 1,000 users can spend more than \$5.5 million annually reformatting documents.

"To reduce these costs, in *OmniPage 16*, we've introduced features like improved table layout accuracy, a more intelligent editor and correction mode, and page format learning. With OCR, we've already achieved close to 100% accuracy on recognized fonts. We've now increased our overall document accuracy by up to 27%."

### ***The need for speed***

According to Segarra, with *OmniPage 15*, Nuance achieved a speed breakthrough by introducing

multithreading. "We've designed *OmniPage 16* to take full advantage of the dual core processing technology in newer PCs," he said. "Users always want their OCR to run faster. *OmniPage 16* runs 46% faster on a dual-core machine than *OmniPage 15*. If you upgrade from a single-core machine running 15, to a dual core with 16, you'll see 90% improvement."

Nuance has also made it simpler for users to get scanned documents into the formats and destinations they want. "Formerly, users had to go through multiple dialogue boxes and steps to set up automated workflows; we've reduced that to a single dialogue box," said Segarra. "*OmniPage* workflows can be initiated with "one button" scanning from certain hardware devices, or the *OmniPage* software interface. We also introduced the ability to create bar-coded cover sheets that can determine formats and destinations of scans."

### **Support of open Office formats**

Regarding formats, ScanSoft has introduced the ability to output documents in formats that comply with the Ecma Open XML specs introduced with *Office 2007*. The XPS viewing and archiving format is also supported. "Microsoft went through a lot of trouble to create these new formats, and they co-developed our output filters with us," said Segarra. "In addition to being open [which makes them compliant with some recent government mandates], the new formats create smaller file sizes and are easier to recover if your computer crashes."

Nuance has also introduced improvements exclusive to the Professional Version of *OmniPage*, which lists for \$499, compared to \$150 for Standard. *OmniPage 16 Professional* includes *PaperPort 11*. This marks the first time Nuance has bundled together its popular desktop OCR and document management applications. Also, exclusive to Professional, Nuance has introduced the ability to mark-up text, either for highlighting or redaction purposes.

Finally, Professional 16 includes the ability to automatically extract data from PDF forms created with either Nuance applications or **Adobe Acrobat**. Data can be captured from forms completed and submitted electronically, or those submitted on paper and scanned. The data can be exported to a .csv file.

### **Digital camera support**

*OmniPage 16* addresses mobile scanning with the introduction of 3DC technology aimed at images from digital cameras. "Historically, the problem with applying OCR to images from cameras is that you are using 2-D technology on 3-D images," said Segarra. "Unfortunately, a computer sees all the

bends, wiggles, and curves associated with 3-D images. With 3DC, we apply special correction technology to compensate for the skew and waves of 3-D images.

"Initially, our application is aimed at digital cameras, but we are working on extending it to mobile phones. The problem isn't so much the resolution you get with phones, but the optics they use. The optics in phones are designed for objects like people and trees. Letters on pages are typically so blurry that applying OCR is impossible. You can recognize them somewhat if they are in context, such as they'd appear on a business card, but trying to apply full-page OCR is a bigger challenge."

Apparently, *OmniPage 16* will work on images captured with 2 megapixel or higher camera phones, if the character point sizes are 18 or greater. "We really see *OmniPage 16* as applicable for someone like a claims adjuster who is taking a picture of a car and has documentation he wants to capture," said Segarra. "In this case, a digital camera could replace a mobile scanner."

### **Staying ahead of the game**

Nuance's continued improvements to *OmniPage* are just another reason why the company did not seem worried when **Google** announced it was launching an open source OCR development effort [see *DIR 4/20/07*]. We love the direction Nuance is heading with mobile scanning capabilities, for example. And, what's not to like about speed and accuracy improvements in an application that's already near, or at the top of the market in both these areas already.

According to Segarra, Nuance's retail OCR

### **NUANCE CONSIDERING SERVER-BASED APP**

Throughout its history, ScanSoft, now the Imaging Solutions division of **Nuance Communications**, has specialized in desktop applications. With the current buzz around services-based computing, we asked Jeff Segarra, a senior product manager for Nuance, if the company has any plans to introduce a server-based version of *OmniPage*. "With a server-based application, you might have hundreds of people accessing your technology at the same time," he said. "So, being able to do things like multithreading and parallel processing is vital. Those are technologies we are now working on.

"We are constantly evaluating how customers want to use our technology and how we can help them increase their productivity. The way people want to do recognition is changing; if a server-based application addresses these changes, it is probably something we will introduce."

business continues to grow at about 7% annually, with its recognition toolkit business growing at a "much faster rate." Part of this growth has to do with increasing adoption of the Professional version of the technology. "More than 40% of our *OmniPage* sales are now Professional, and that percentage is rising," said Segarra.

*OmniPage 16* will be available in early August.

For more information:

<http://www.nuance.com/omnipage/>

## Artsyl Wins Distributed App

Automated data capture systems integration specialist **Artsyl Technologies** recently won a huge distributed capture installation with **World Vision**, an international humanitarian organization. The application is projected to cover some 1,250 sites worldwide, capturing data from hand-printed forms. Artsyl, a Bay-area based start-up, beat out two more-established forms processing software developers to win the contract with World Vision.

"The key to this project is making everything dirt simple," said Chris Riley, VP of business development for Artsyl. "What distinguished us was our ability to centrally manage what really are a series of individual installations. For example, we've set up a Web portal that enables each site to procure its individual application online. They complete a questionnaire that determines the type of scanner and forms the site requires, as well as the language their software should be written in.

"They then download the software, or a CD is shipped to them with their scanner. Their application software includes the scanner drivers, which are integrated with the 'Smart Touch' functionality of the Kodak scanners we are using. Different numbered buttons are used to kick off the scanning process for different forms. We are able to centrally track statistics like how many forms are being processed at each site or even if a scanner pad is being worn out."

World Vision's forms are related to children in situations where there is poverty and injustice. The organization has more than three million children in its database. "There are at least two forms related to each child that need to be updated annually," said Riley. "So, you are talking about at least six million total forms per year."

Currently, volunteers are manually entering data into PCs at each site. "I think everyone who bid on this application tried to pitch World Vision on a

centralized capture system," said Riley. "However, it is World Vision's position that it can't trust the various mail services to get its forms from the branch offices to a centralized scanning site. Because of similar problems with establishing consistent Internet connects, a Web-based capture application was out of the question.

"We ended up leveraging the **ABBYY** OCR/ICR engine to create a forms processing application that will be installed on a PC at each site. The data extraction and verification is done locally, and only the verified data is transferred via the Internet to World Vision's headquarters. Because of bandwidth issues, images are stored locally."

Artsyl has redesigned World Vision's forms and, employing constrained handprint techniques, has been able to achieve character level certainty of 85-95%. "One requirement of the application is that only information that has changed from a child's previous year's form, is to be updated in the database," said Riley. "We are leveraging the database to create forms that are partially pre-filled. Then, using a combination of bar codes and OCR, we match the form data against pre-existing data and determine which data is new."

According to Riley, one reason Artsyl chose Kodak scanners, primarily the workgroup i1220 model, is because of the vendor's worldwide service and support. "When you are dealing with a lot of third-world countries in remote locations, strong support is vital," he said. "We are very proud that we were the only non-public company among the three finalists and were awarded this contract. And, we are happy to have such a large, high-profile deal. However, we also realize that making this deal profitable for us depends on our ability to effectively and economically maintain it."

When we spoke with Riley last month, Artsyl was preparing to enter beta testing.

For more information: <http://www.artsyltech.com/>  
<http://www.worldvision.org/worldvision/master.nsf/home/>

## Customs Invoice Specialist Ramping Up

**Applied Docs**, an Ottawa-based systems integrator, has landed its first major logistics customer. Applied Docs first discussed with *DIR* its unique solution for processing customs invoices in the fall of 2005 [see *DIR 11/18/05*]. Last month, it announced that **Kuehne + Nagel**, one of the largest logistics companies in the world, will be purchasing a system for processing documents for goods coming

across the Canadian border.

“Customs invoices are very complex; they are much different than a regular invoice,” explained Keith Trafford, VP of operations for Applied Docs. “With a regular invoice, most of the time, users are capturing header data like the invoice number, the total, and the taxes. This is typically all an accounts payable department is worried about. In some cases, users are doing line items, but that’s the exception.

“With customs invoices, you are always doing line items, because customs officials have to know exactly how much of what item is going into their country, and how much each item costs. In addition to the regular header information, you have to capture data like the country of origin and weight—this information can flow over several lines and be very randomly organized.

“We have developed a set of rules and logic that enables our software to adapt easily to the uniqueness of invoices coming from different vendors. Out of the gate, after feeding the system some samples, we can capture 80% of the variable information on a customs invoice. We had a competitor come in and show only a 15% success rate. Our system is designed so that an operator doing normal data entry helps train the application.”

According to a quote from the project manager at Kuehne + Nagel, the Applied Docs solution has improved data entry productivity by four times. “In other words, one operator is now doing the work of five,” said Trafford. “And, Kuehne + Nagel has not fully integrated our software with their internal applications. They estimate that with tighter integration, they could see increased productivity of 10 times.”

Interestingly, the Kuehne + Nagel application doesn’t specifically address the sweet spot that Applied Docs originally envisioned. When we first talked, they saw huge opportunity processing documentation for goods being shipped into the United States. This is because since Oct. 2004, the United States has required that all customs invoice data be submitted before a truck is allowed to cross the border. Previously, shippers had 10 days following the crossing to submit their complete data.

“At this moment, we are only working with Kuehne + Nagel’s Canadian operations,” said Claude Paquin, CEO of Applied Docs. “They do not have the same security requirements as the United States, but will, starting next year. Also, the current plan is to expand our software to cover the U.S. operations. In addition, we are talking to a couple logistics companies, that we hope to bring on board later this

year, that are looking at deploying our software on both sides of the border. Our technology is really applicable at any border site in the world.”

Paquin noted that the ramp up from beta to production for Applied Docs has been a bit longer than he expected. “We’re dealing with large companies and the sales cycles can be very long,” he said. “Kuehne + Nagel is our first major customer, and we have worked closely with them to overcome all the challenges associated with this type of application. Our goal is for our software to be 90% ready to go out-of-the-box with future installations. We are a small company and don’t have the infrastructure to provide large amounts of IT support for multiple customers.”

Applied Docs has built its customs invoice application on the back of Datacap’s *TaskMaster* software. “Currently, our clients are typically sending us PDF files that we run through our software,” said Paquin, “but we are working with some document scanners as well. Also, we plan to launch a hosted version of our application later this summer.”

For more information: <http://www.applieddocs.com>  
<http://www.datacap.com>

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## **MOYSE, FROM PAGE 1**

year, with the departmental segment growing 25-35%. Of course, the success of the departmental segment hinges on the success of recently introduced network scanning devices.”

### ***Cultivating a new channel***

It’s Moyses’ view that digital copier dealers are the key to unlocking future growth in the scanner market, and that network devices may be the WD-40 needed to loosen things up. “Document scanner sales have always been restricted by the narrowness of the market and channel,” said Moyses. “Historically, only certain types of companies, in markets like banking or insurance, have purchased scanners, and they’ve only been available through certain types of resellers.

“As the mainstream market becomes more aware of the benefits of document imaging, it is opening up new opportunities. The problem is that scanner vendors haven’t developed the channels to take full advantage of these opportunities. Their current channels do not have the footprint or the connections that the digital copier channel has in corporate America. With their new network scanners, vendors have at least acknowledged they needed a new product design to better reach copier dealers.”

Interestingly, Moyses does not view digital copiers as responsible for the decline in the growth rate of workgroup scanners. "There has been tons of growth in the rate of people adding scanning to their digital copiers," she acknowledged. "However, I don't see digital copiers as competing head-to-head with document scanners. MFPs are great ad hoc capture devices for people doing scanning once or twice per week. But, as soon as you start dealing with any volume, you need to upgrade to a dedicated scanner. Because of the way scanning breeds more scanning, I think MFP scanning is helping grow the market for single-function scanning devices.

"The analogy I like to use is that MFPs didn't kill the market for single function printers, did they? The workgroup scanner market is still growing, and there are more than 300,000 units being shipped annually. A lot of these are going into new environments. I actually think that as scanner vendors continue to develop their reach into the digital copier channel, it will help the workgroup segment rebound, as dealers learn to better recognize opportunities for dedicated scanners."

### **Production market not dead**

While the workgroup and departmental segments are the sexy growth segments in the scanner market, the production (\$6,000-above) segments are still relatively healthy, especially the low-volume production (LVP) (\$6,000-\$12,000) segment. "The LVP segment had a very good year in 2006 with 16% growth," said Moyses. LVP has been a fairly, consistently strong space, and I see it growing 10%-15% annually going forward."

Moyse noted that North American sales of mid-volume and high-volume production scanners are flat/growing slightly and declining, respectively. "Unit sales in these segments are hurt by the fact that these scanners are built to last a long time," she said. "Whereas workgroup scanners are expected to last a couple years before you throw them out, a higher-volume production scanner can last 10 or more years. The caveat regarding this is whereas users typically don't buy service contracts for workgroup models, services related to higher-volume scanners can be lucrative. This makes it a profitable segment for vendors that play there."

Moyse agreed with our assessment that developing markets, which are several years behind North America in terms of document imaging technology and adoption, represent growth opportunities for higher volume scanner sales. 2006 marked the first time Moyses collected international data from vendors.

"While the U.S., western Europe, and Japan still represent the top three geographic markets, respectively, eastern Europe, the Middle East, China, and India are definitely up-and-coming," she said. "In my future reports, I hope to do more with worldwide data."

In addition to analyzing scanner market growth by segments, in her report Moyses breaks down vendor share in each segment.

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