Document Imaging Report

Business Trends on Converting Paper Processes to Electronic Format

September 24, 2010

One of the messages Harvey Spencer tried to get across at his recent Document Capture Conference was that there is going to continue to be significant growth in the transaction processing space. Basically, Spencer suggested that vendors focus on capturing data and documents as part of complex business processes—rather than focusing on batch capture and scan-to-desktop applications. Apparently, **Nuance** and **Canon** heard his message loud and clear—as their recent preview of eCopy ShareScan 5.0 at the Canon Expo in New York City clearly advocated transaction-centric capture.

"In effect, we wanted Canon Expo to serve as the coming out party for ShareScan 5.0," said Greg Ryan, director of alliances and services marketing for Canon USA. "Version 5.0 elevates ShareScan beyond basic document distribution. It offers new Extenders with functionality like scanning to Microsoft Office, being able to automatically highlight and redact keywords, and forms processing.

"In its heyday, ShareScan was a great solution for scanning to e-mail or to a network folder. Now that type of functionality is embedded on most MFP devices out of the box. Our market is evolving beyond the basics.

"For example, a user might have an invoice they want to scan, do something with, and then send to a back-end system. Yes, there have been back-end Connectors to ShareScan for a long time. However, the market is evolving even beyond that. There

The Emergence of Enterprise Capture

GLEN COVE, NY—As the document capture software market matures, implementations are evolving from departmental to enterprise in scale. This was the main message that came out of **Harvey Spencer Associates'** recent annual Document Capture conference. The day-long event featured nine speakers and a couple of panel presentations, as well as plenty of networking among the 85 attendees.

"Capture is a maturing market where software is increasingly being deployed as part of a larger solution," Spencer told the international audience assembled at the Glen Cove Mansion. "Enterprise capture is basically a common solution that feeds multiple departments. Technological developments like improved MFP capture, better infrastructures, and advanced recognition have helped set the stage.

"In addition, continuing pressures on organizations to keep costs down make this the ideal time for the emergence of enterprise capture. As the economy bounces back, businesses are going to be more willing to invest in proven automation technology, like document capture, around which they can control costs—than hiring more people."

Spencer stressed that one key to successful enterprise capture is introducing intelligence at the beginning of a process. "Users should be able to understand documents immediately, no matter what they are or where they are received," he said. "This can be accomplished by using transactional capture technologies, both in batch and ad hoc applications. Anyone in the capture market has to get into ad hoc transactional capture." [This involves intelligent in-process capture from devices like MFPs, mobile phones, and desktop scanners].

The branch capture opportunity

One market where enterprise capture is about to explode is banking, according to Darrell Royal, recently of the consulting firm Grove Hill Solutions. More recently Royal joined ECM SI **Imagine Solutions**. It's Royal's opinion that the adoption of Check 21 and other

factors will drive increased distributed capture at branch banks—to complement the centralized applications most banks already have.

"We are at an inflection point around enterprise capture opportunities in the banking industry," Royal told the crowd at the HSA conference. "Changing business dynamics are creating these opportunities. These include branch check capture, increased bandwidth, improved capture technology (including on MFPs), and compliance moving to the forefront of bank managers' minds."

Royal said the cost justification for branch capture lies in the elimination of courier runs. "Historically, banks did three pick-ups per day at their branches to transfer checks," he said. "With the adoption of Check 21, check imaging is being done at the branches, so those runs are being eliminated. Many banks are now doing just one courier run per day, and it's dedicated to documents.

"This run costs a branch approximately $10,000 per year. For an investment of $5,000 in capture hardware and software, it can be eliminated, and you have a six-month ROI. Capture also improves compliance and customer service, as you now have a digital record of every document that comes into a branch. This is a big advantage, especially related to mortgages, where there has been some really bad publicity surrounding misplaced paperwork."

Royal added that the branch banking market is easily definable. "Contrary to what some people believe, the number of branch banks continues to expand," he said. "Banks believe there is a strong correlation between branches and deposit gathering, especially for SMB customers.

"We know that 60% of U.S. branches (a total of 60,000) are owned by the top 140 banks in the country. And the next 250 banks own another 9,000 branches—an average of 37 per bank. That's still large enough for automation through distributed capture to have a strong payback.

"One thing to keep in mind when selling capture to branches is to not try and boil the ocean. Even though imaging technology can certainly do a lot of things, start with something simple and easily definable, like courier elimination. Once you achieve that, it's more plausible to move on to more complex processes."

For more information: http://www.imaginesolutions.com/

The next level of invoice processing

Enterprise implementations are not the only growth area for document capture software. According to Spencer, in 2009, the market for invoice capture continued to grow—a trend which was confirmed by our experiences at this spring's **IAPP-TAWPI** Fusion event [see _DIR_ 5/21/10].

In our opinion, one key to invoice capture's "crossing the

chasm" a few years ago was its integration with ERP systems, such as **SAP** R/3. At Spencer's conference, one of the pioneers of this ERP integration, Markus Ament, discussed what he sees as the next level of invoice processing. Ament, who was a co-founder of Ebydos, an SAP workflow specialist acquired by **ReadSoft**, recently launched a SaaS business that focuses on dynamic discounting.

Dynamic discounting is designed to eliminate a disconnect between suppliers and buyers. "Dynamic discounting takes banks out of the purchasing equation," said Ament. "It basically enables suppliers and buyers to finance transactions themselves."

According to Ament, the most common arrangement today is that suppliers offer a 10% discount if buyers pay within 10 days of an invoice date. "If the invoice is paid on the 11th day, the buyer receives no discount," he said. "So, if a buyer knows it is not going to get a discount, it will often hold its payment until the 30th day to maximize the interest it is receiving from its bank.

"The problem is that this often requires the supplier to finance its business in other ways while awaiting payment. Based on today's interest rates, the buyer might be earning 1% on its cash, while the supplier is financing its business at a much higher rate. Really, the only ones profiting from this arrangement are the banks."

Dynamic discounting involves creating a sliding discount scale, depending on when an invoice is paid. For example, for days 11-15, a supplier could offer a 1.75% discount, for days 15-20, 1.5%, and so on. This enables the buyer to earn more than the 1% interest rate it gets from the bank, and enables the supplier to finance its business at a lower rate.

"Before invoice automation utilizing technologies like OCR, almost no invoices were paid within the first 10 days," said Ament. "Even with automation, the majority are still not paid in that time period—but many are processed well before 30 days. So, unless buyers can take advantage of a process like dynamic discounting, they're not really getting the full ROI from their A/P automation implementation."

Ament's company is called **Taulia**, and its service is licensed by buyers and integrated with their ERP systems. "The buyer basically sets the discount rates," said Ament. "The supplier selects a payment date and accepts the discount associated with that date—assuming the invoice is processed on time."

For more information: www.taulia.com

Intelligent capture benefits healthcare

A/P automation is not the only market for capture growth. As predicted by *DIR* Editor Ralph Gammon at the 2009 HSA event, the last year proved to be the beginning of a wave of electronic medical records (EMR) implementations. At HSA 2010, where Gammon reviewed his prior year's predictions, he acknowledged, however, that most of the early EMR capture success he's seen has been at service bureaus doing back-file conversions.

How document imaging is going to fit long-term into the emerging EMR scheme is still being determined. At HSA 2010, Dr. Craig Jones, the **State of Vermont's** executive director for its **Blueprint for Health**, was on hand to try and shed some light on this topic. Of course, Jones openly admitted he knew little about capture and was conversely trying to figure out how capture vendors could help him meet his organization's objectives.

This dynamic created a highly interactive presentation, which provided insights into the goals of EMR from a government administrative perspective—as well as ideas on how capture can help healthcare organizations meet these goals. Basically, the goal of organizations like Dr. Jones' is to set up statewide repositories and databases of medical records and information. And these "exchange networks" are supposed to be fed by physicians' EMR systems.

The information in the exchange networks should be able to be tracked and manipulated in a meaningful way to improve care and reduce costs. "The healthcare market currently makes up 16% of the U.S. gross domestic product," said Jones. "That is unsustainable.

"The goal of a reformed system is to pay for quality healthcare, in contrast to the current system, which is based on quantity. One obstacle is that tracking quality healthcare requires better EMR. The first versions of most EMR systems do not do a good job reporting the information that we need to run an

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AN INVOICE PROCESSING ROI

Larry Wilson of **Time Warner Cable** (TWC) presented at the HSA 2010 Capture Conference. In 2004, TWC installed a **ReadSoft** capture and **Hyland** ECM system to automate its invoice processing. The technology has practically doubled the percentage of available early-pay discounts TWC has earned. For a company the size of TWC, which receives more than one million invoices per year, this meant that in 2004, it earned $9.4 million more in discounts than it did in 2005. You can see where the ROI for invoice processing systems comes from.

effective exchange center."

According to Jones, there appears to be a huge opportunity for capture vendors as statewide EMR exchange centers are being created throughout the country. "There is a critical window as we are transitioning from paper, or no records in some cases, to EMR," he said. "In addition, we will never see a completely paperless healthcare world. There will always be paper related to reports, lab results, clinical results, visit planners, and surveys.

> **"The key is to use document capture to transform this paper into structured, clinical electronic information. That's where technologies like OCR come into play."**
>
> **—Dr. Craig Jones, State of Vermont, discussing EMR opportunities**

"The key is to use document capture to transform this paper into structured, clinical electronic information. That's where technologies like OCR come into play. There are plenty of opportunities for services around implementing EMR data capture processes.

"But it's important to pay attention to the measurables that must be met. There are standards being implemented that will enable physicians to get paid more and improve their care. It's information related to these standards that has to be captured."

Jones admitted there is still a long way to go before the exchange centers start making meaningful progress. He did encourage imaging professionals to look into working with a recently established network of "Regional Extension Centers" that have been set up by the federal government specifically to help physicians and "small/rural hospitals" adopt EMR. At last report, there were 60 Regional Extension Centers in operation.

For more information:
http://healthvermont.gov/blueprint.aspx;
http://www.regionalextensioncenters.com/

Leveraging the SharePoint platform

Finally, what ECM-related conference would be complete without a SharePoint presentation? At the HSA Capture Conference 2010, Owen Allen, until recenlty **Microsoft's** senior product manager for the SharePoint ISV ecosystem, discussed capture opportunities around Microsoft's ECM platform. Allen recently launched a new company called **SharePoint Directions**.

Allen stressed that SharePoint should be considered a platform and not an application. "Basically, it is a standardized framework that ISVs can write applications to," he said. "For SIs, it

provides a predictable layer of integration. Windows 2000 was a platform. Microsoft's new platform is a combination of Windows 7 and SharePoint 2010."

Allen discussed the technologies Microsoft is attempting to cover with SharePoint and the ones that ISVs should address to complement it. He listed document management, records management, and Web content management as falling within Microsoft's definition of "Functional ECM," which is addressed by SharePoint. Opportunities for partners include capture, transactional content management, BPM, and archiving and library services.

"Microsoft gives its partners plenty of advance notice about where it is heading," he said. "Typically, it will let them know a year-and-a-half in advance. If an organization is nimble, that is plenty of time to stay ahead.

"I always stress that if the new functionality in a platform like SharePoint overlaps what an ISV does, it basically means the ISV has to write less code to come up with a solution," he said. "This is a good thing. It reduces the ISV's risk and should accelerate their solution development process."

Like Chris Riley of **ShareSquared** (in our article last issue discussing capture opportunities related to SharePoint 2010), Allen stressed the capabilties of SharePoint's new Content Organizer for implementing more advanced capture.

Allen concluded by saying that the best marketing target for SharePoint-related technology is the end-user community. "Forget the Microsoft sales force," he said. "There is a very vibrant end user community out there. You can tell this by the success of the SharePoint Saturday events that are currently being put on around the country."

For more information: http://owen-allen.com/;
http://www.sharepointsaturday.org

Wrap-up

There was plenty of more great content that came out of the HSA Conference that we will feature or refer to in future issues. Once again, it was a very strong event, attended by multiple top executives from a wide breadth of document capture vendors. From what we understand, plans are already

underway for next year's event, which will be held at the same venue in early to mid-September 2011. Hope to see you there.

For more information:
http://www.harveyspencer.com/

Hyland Ramps Up Higher Education Business

Hyland Software's acquisition of **Hershey Systems** is the latest manifestation of the vertically-oriented strategy that the Westlake, OH-based ISV adopted several years ago. Hershey, a Los Angeles-area ISV, is a leader in the ECM for higher education niche. The recent acquisition basically doubles Hyland's install base in this market.

"Hershey represents a tuck-in acquisition—which is typical of our approach to buying companies," explained Bill Priemer, EVP and COO for Hyland. "This is our fourth acquisition since 2006. Two of those helped us expand our presence in the healthcare market [*see DIR* 7/3/09]. (The other was Liberty, which was more of a horizontal acquisition that could be tucked-in to multiple verticals. See *DIR* 7/25/08.)

Hershey is Hyland's second acquisition related to higher education. In 2006, it bought Matrix Imaging, a Detroit-area VAR that specialized in that market [*see DIR* 9/22/06]. "At that time, we probably had about 100 colleges and universities using our software—with Matrix supporting 60 of them," said Priemer. "Since then, we've doubled our install base, and, with Hershey, we pick up another 200 higher education customers.

"At 400 installs, we are right up where the leader in the market would tell you they are. This makes us arguably the new leader and brings to us all the advantages you get when you hold such a position."

Integration plans
For the time being, Hyland will continue to sell Hershey's Singularity ECM product line. "We will do that for an indeterminate amount of time," said Priemer. "For as small a company as Hershey was, it has a very good product. And, we also now have all the capabilities to sell, install, and support Singularity implementations."

According to Priemer, Hyland has retained approximately 30 employees from Hershey. "We are bringing over members of the sales, implementation, and support teams," he said. "They will be slotted into the appropriate Hyland departments. We do not

Hyland 2009 Vertical Software Sales
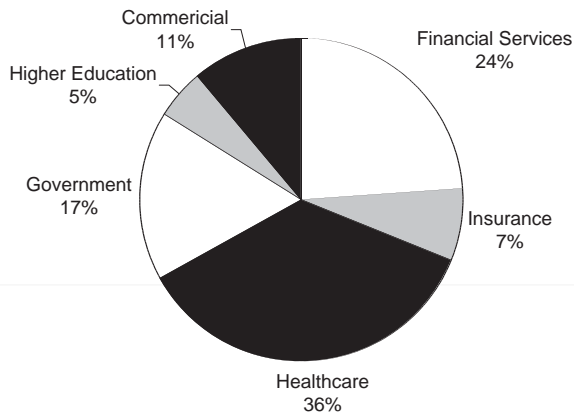
Last year, healthcare made up the largest portion of Hyland's new software sales by vertical market. Higher education accounted for just 5%, a number that should double going forward, based on its recent acquisition of ISV Hershey Systems.

leave our acquisitions running as separate units or divisions.

"Hershey's offices in California, as well as its satellite locations in Des Moines and North Carolina, will remain open. However, the California office's proximity to the former Liberty offices in Irvine gives us some flexibility. We recently consolidated the New England-area offices of a couple acquisitions and could follow suit in California."

Premier noted that Singularity has some differentiating features that have been attractive to Hershey's customer base. "It has an excellent java client, for example. And, it's been deployed in some specialized applications, like one in which OCR is applied to transfer applicants' transcripts. Hershey has created workflow rules so that determining which credits can be transferred can be at least partially automated.

"That said, there is a lot of overlap with Hyland's OnBase product line. We will have our product management and development teams determine the timeframe and the feasibility of porting Singularity's unique functionality into OnBase. Obviously, a consolidation of Singularity and OnBase would enable more efficient use of our R&D and other resources.

"We will remain very supportive of older versions of Singularity. We continue to support older versions of applications from our previous acquisitions, as well as older versions of OnBase—until the time is right for customers to upgrade. This often happens due to the end-of-life of an operating system or a

database."

A maturing market

According to Priemer, adoption of imaging in higher education is reaching the mainstream stage. "It wasn't an early adopter market, like insurance, but it's not particularly late to the game either," he said. "Imaging has been used for student records for awhile. Now, institutions are starting to look at leveraging image-based workflow and BPM to automate more complex processes like admissions and enrollment. There are a lot of decisions that need to be made in these areas and a lot of people that need to see documents.

Bill Priemer, EVP and COO, Hyland Software

"People are always going to be involved, but our software can help push to their fingertips, in an organized fashion, all the documents they need to make decisions more quickly and efficiently than in the past. Imaging is also expanding into financial aid, where you have similar dynamics. Alumni relations could be the next area."

Verticalization equals differentiation

Hyland addresses each of its vertical markets with dedicated personnel in each of its departments. "If you are a college, you only getting called on by a Hyland rep that sells into the higher education space," said Priemer. "This same focus carries through to implementation and support. It's important, for example, that our higher education personnel understand integration with student information systems.

"This vertical focus should enable the integration with Hershey to come off very neatly. Hershey also has as customers 140 court systems and 100 commercial entities, which will be slotted into the appropriate vertical practices."

Priemer said that Hyland's vertical focus should continue to differentiate its ECM offerings from SharePoint—the Microsoft platform, which is gaining momentum as an ECM offering. "We focus on customers' specific uses of documents and information and the processes in which those documents are accessed," he said. "Once we understand those aspects, we develop solutions and make sure our customers have the technology and software that fits their environment. In the higher education market, for example, we now have solutions deployed at 400 colleges and universities.

"I think taking a vertical approach enables us to continue to innovate and stay ahead of products that are very horizontal in nature. It's not that I don't think SharePoint could be made to work in an effective admissions processing solution. It's just, for that to happen, somebody would have to first understand the process, and then they would have to be able to put a solution together, configuring SharePoint's out-of-the-box functionality and adding third-party software where additional features were needed."

More acquisition activity

Priemer concluded that Hyland will continue to pursue additional acquisitions. "We have a very active acquisitions group, that is making and targeting lists of companies," he said. "The core OnBase business, in terms of both vertical markets and geographies continues to grow nicely. Any acquisitions we do will be additive and complement what we are already doing."

For more information:
http://www.documentimagingreport.com/index.php?id=1935

IBML Heightens Focus on Asia-Pac Market

At the AIIM show this past spring, **IBML** announced it had ramped up its sales efforts in the Asia-Pacific region by extending its partnership with **Kodak** [*see DIR 6/4/10*]. As a follow up, the Birmingham, AL-based manufacturer of high-speed scanners recently named Scott Burczyk director, business and solution development, for the Apac region. Burczyk will work closely with IBML's partners in that geography, Kodak and **NCR**, to drive more business.

"IBML has a strong history of success in Asia," said Robert Sbrissa, EVP of worldwide sales and business development for IBML. "From almost the time the company was founded [in the early 1990s], we've had partnerships with Asian integrators and resellers, primarily in Japan. The relationship with NCR [formed in 2006], helped extend our success. NCR is very strong in Japan and has a variety of applications targeting the banking market there. As part of our worldwide sales and development group, Scott has done a lot of work with NCR.

"Earlier this year, when we expanded our sales relationship with Kodak, it gave us an even stronger focus in Apac. Kodak has embraced our technology and is working diligently to develop markets in a number of countries—especially mainland China and South Korea. When you look at our increasing business activity, and the improving market

dynamics in the Apac region, it made sense to have a more dedicated focus and add some resources."

Burczyk's counterpart in the North and South American, as well as the EMEA region, is Robert Appelbaum. "Scott will focus on developing our business in Apac through our resellers, Kodak and NCR," said Sbrissa. "He will support our partners, as well as keep an eye on the market and trends. He will help us understand, for example, if there is any technology we can develop that will help us be more successful in the region."

Sbrissa said IBML has a fairly aggressive sales forecast for Apac. "We expect to accelerate at a good pace," he said. "Of course, that's natural when you increase your focus on a market and put additional resources into it."

A land of opportunities

Harvey Spencer Associates recently cited developing markets like Asia as having some large backfile conversion opportunities. In addition, Burczyk said he is seeing a demand for more intelligence in the capture process. "A few years ago, advanced features like forms identification and the ability to set up business rules were applied mainly in larger economies like the U.S. and Western Europe," he said. "Now that we have a much more global society, banks in China and Japan are looking to process documents the same way they do in the U.S. and Europe. Like everyone else, Asian organizations want to catch their exception items up front before they get through to the back-end, where they become more expensive to deal with."

A look at Apac challenges

Burczyk added that selling in Apac does have some unique challenges. "On the surface, you have different paper weights and quality," he said. "Fortunately, one of IBML's earliest markets was capturing airline tickets. Being able to handle the workload in the airline industry means we haven't had to make a lot of modifications to our hardware to handle Asian documents. However, as we move more deeply into the region and increase our focus, it will be my job to come back to our staff with suggestions for hardware and software enhancements that can address specific issues and opportunities."

Sbrissa noted that the variety of economies throughout Apac make it unique. "In Europe, you basically have the Western and Eastern European economies," he said. "In Apac, which starts up north in Japan and travels south all the way to Australia, you have several economies in different stages of maturity. As a result, you have to develop a number of parallel, independent business strategies.

"When you look at Japan, for example, you have a very developed economy. South Korea has a growing economy. China is continuing to develop at a rapid pace and becoming more urbanized, which is positive. Wages in China are increasing, which makes the cost of operations more expensive. This is causing organizations to think differently and maybe do some things with automation that they haven't done in the past."

Burczyk concluded that it is his primary job to make sure IBML's Apac partners, Kodak and NCR, are successful. "I will assist them any way I can with knowledge, support, and utilizing my past experiences," he said. "Education is very important. I meet directly with our partners, as well as attend end user meetings with them. It's important to hear what prospective customers are discussing and what issues they have."

For more information:
http://www.ibml.com/burczyk-to-lead-asia-pacific-business.php

http://graphics.kodak.com/docimaging/uploadedFiles/IBMLimagetracBrochure_en.pdf

http://tinyurl.com/NCR-ImageTrac

SHARESCAN 5.0, FROM PAGE 1

are a lot of costs associated with capturing data from paper, and 5.0 introduces Extenders to address those costs.

"If you look at some of the stuff you can do with ShareScan 5.0, like zonal OCR on an invoice, automatically deleting Social Security numbers from financial documents to protect privacy, or capturing data from an image and sending the image one place and the data another—it's not that people aren't better off scanning-to-e-mail than delivering hard copy documents—it's just that they can now realize savings beyond that, by scanning and processing documents and then sending them on their way."

Nuance first introduced its Extenders at AIIM 2010 this spring [*see DIR 5/7/10*], and they will run with ShareScan version 4.35. "Technically speaking, Canon has offered the Extenders for a month or so," said Ryan. "But, we are really marketing them in conjunction with ShareScan 5.0, which we expect to have on the streets in November."

The eCopy Highlight Extender will become a standard feature of ShareScan. The Forms Processing Extender will carry a list price for end users of $995 per MFP for a minimum of three MFPs, plus a minimum of one day of professional services consulting at $2,195.

According to Robert Weideman, the GM of

Nuance's Imaging Division, there are two flavors of the Forms Processing Extender. One is based on Nuance's own OmniPage technology. The other is based on Belgian ISV **I.R.I.S.'** OCR. I.R.I.S. has had a longstanding partnership with eCopy, which predates eCopy's acquisition last year by Nuance.

"We've also demonstrated an Extender based on **EMC's** Dispatcher technology," said Weideman. "It's targeted at free-form capture and available only through our professional services group."

Upgraded PDF

In addition to the Extenders, ShareScan 5.0 will feature an upgraded desktop application—eCopy PDF Pro Office, which has many features of Nuance's successful PDF Converter. PDF Pro Office will replace PaperWorks in ShareScan bundles.

PaperWorks was introduced last year as the successor to eCopy Desktop [*see DIR 8/7/09*]. PaperWorks featured enhanced PDF capabilities over Desktop, but PDF Pro Office offers even more. "Pro Office features a complete implementation of PDF features for Microsoft Office," said Weideman. "It also supports fillable PDF forms, PDF XFA forms, and PDF portfolios."

Weideman indicated that Nuance will continue to support and sell PaperWorks. One key feature of PaperWorks is an SDK that can be used to create Connectors to back-end applications from the desktop. However, there are currently only a handful of PaperWorks Connectors available, compared to more than 100 ShareScan Connectors.

"We will continue to sell and support PaperWorks," said Weideman. "Also, instead of making an SDK available for Pro Office, we will work with our partners to develop plug-ins. It's a little different approach."

New hardware features

At its Expo, Canon showed ShareScan 5.0 integrated with its new ImageRunner Advance series. Like previous generations of ImageRunner, the Advance runs MEAP, Canon's java-based platform for embedding applications in its devices. ShareScan has run on MEAP since 2004 [*see DIR 4/9/04*].

"MEAP is basically the same, but we've created a new version to support some of the functionality in the Advance series," said Ryan. "This includes duplex, single-pass scanning, a larger, higher-resolution touchscreen, a keyboard that we provide drivers for, and a bigger processor. ShareScan certainly can run better because of these features.

"Also, for Nuance, personalization is a big part ShareScan 5.0. Advance's ability to take the user-interface to the next level supports and reinforces that angle."

Ryan concluded that Nuance's acquisition of eCopy almost a year ago [*see DIR 10/16/09*] has improved relations between the two organizations. "For many years, we had a model partnership with eCopy for selling and distributing ShareScan," he said. "But, the acquisition by Nuance has helped breathe some new life into the relationship."

For more information:
http://tinyurl.com/CanonShareScan5;