

# Document Imaging Report

Business Trends on Converting Paper Processes to Electronic Format

4003 Wood Street ● Erie, PA 16509 ● PH (814) 866-2247 ● FX (412) 291-1352 ● [www.documentimagingreport.com](http://www.documentimagingreport.com)

January 10, 2003

## THIS JUST IN!

### ARCHIVING SOFTWARE VET REJOINS IMR

Two years after leaving to start an e-mail archiving software company, Dan Lucarini has rejoined **IMR** as VP of marketing. IMR plans to leverage Lucarini's recent experience to expand its core business. The 100-employee company boasts some 10,000 image archiving installations, mainly at small- to medium-sized businesses.

"I plan to help IMR go after the records retention and compliance management spaces," Lucarini told *DIR*. "Most of the current offerings in those areas are targeted at larger businesses. We see an opportunity for introducing compliance applications into our core market."

The last time *DIR* spoke with Lucarini was late 2000. At the time, IMR had just received \$10 million in funding from a group led by **GE Capital**. The funding was being used to support an XML-based, e-business strategy. "We have since gone back to the basics," explained Lucarini. "We've returned our focus to our specialty, which is the management of historical data."

IMR will supplement its imaging software through a partnership with Lucarini's former company, **CC Data, Ltd.**

For more information: **IMR**, Englewood, CO, PH (303) 689-0022. 

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## Mergers, Acquisitions Highlight 2002

As is our wont this time of year, we begin to wax nostalgic about the events of the past 12 months. While *Survivor* continued to be one of the hottest shows on network TV, it also was the theme for much of the tech market, as IT spending continued to be conservative following the heady days of the late 1990s.

The *Document Imaging Report* was nearly among the tech wreck casualties, before some last minute negotiating enabled us to continue stronger than ever. Speaking of strength, one trend we've observed lately is that the strong in the market are getting stronger, as end users hedge their bets against the turbulent times by going with established players over start-ups. Of course, with VC funding drying up, there are a lot less start-ups to choose from. Consolidation has been both a cause and effect of this natural selection, and mergers and acquisitions made up the majority of our top stories in 2002.

Without further adieu, here is our list of the top five stories in the document imaging industry in 2002: [A complete index of the articles we published last year appears on pages 3-5.]

**1. Captiva acquires ActionPoint [DIR 3/22/02]** — Yes, this was officially a merger. However, when everything shook out, including the resignation of ActionPoint CEO and **Pixel Translations** GM Steve Francis, the pendulum of power had clearly swung Captiva's way. The combined company is called Captiva, and Captiva's Reynolds Bish has carried his president and CEO titles into the new entity.

For 2002, Bish estimated a pro forma revenue of \$46-\$47 million for the new Captiva, which establishes the company as possibly the largest software vendor in the document input space. Aside from the obvious market implications this size will have, the merger also enabled Bish to pay off some debt and take his company public. Make no mistake about it, Bish and Captiva were among the big winners in 2002.

2. **Sale of AIIM show to Advanstar [DIR 2/1/02]** — Bish also played a prominent role in this story, as he was AIIM's Chairman for 2002. Like Captiva prior to its merger, AIIM was facing some financial stress. From 1999-2001, the trade organization saw its balance sheet depleted by more than \$7 million and was in real danger of going bankrupt. To guard against this, in January, AIIM announced it had sold its crown jewel—the annual trade show—to Advanstar.

This move guaranteed the solvency of AIIM for at least a few years, and the 2002 show went off without any apparent hitches, aside from a continuing decline in attendance. AIIM 2003, which is scheduled for April 7-9 at the **Javits Center** in New York will be co-located with Advanstar's **On Demand** print-focused show. This is probably fitting as many pundits are predicting AIIM's input market will merge with the output space over the next decade.

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**Analyst firm Strategy Partners tabbed e-forms as the fastest growing segment of the document capture market over the next few years. The events of 2002 seem to back that up.**

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AIIM's future as a trade organization is not as clear. President John Mancini said it will now focus on education and training. In line with this, AIIM will continue to manage the educational conference at the annual trade show. In addition to the North American Road Shows AIIM launched a couple years back, last year the organization made an acquisition to expand its regional efforts in Europe.

3. **Adobe Acquires Accelio [DIR 2/15/02]** — This was one installment of a larger story—the re-emergence of the e-forms market. Once a niche dominated by Jetform, the Internet has given new potential to the e-forms market. Analyst firm **Strategy Partners** tabbed e-forms as the fastest growing segment of the document capture market over the next few years. The events of 2002 seem to back that up.

First, we had the PDF creators acquiring the former Jetform for \$72 million in stock. Then, while Adobe prepared to introduce its combined PDF/e-forms products, **Microsoft** tried to steal some thunder by previewing its own e-forms strategy. In addition, experienced e-forms player **Shana** jumped in bed with **FileNET**, while XML-forms specialist **PureEdge** secured a fifth-round of financing worth close to \$10 million. And **Cardiff**, which entered the e-forms fray in 2001, continued to grow its penetration through both direct sales and OEM partnerships.

The only question surrounding this space is margins. With giants like Adobe and Microsoft competing, you've got to wonder how much the e-forms market will be commoditized?

## Document Imaging Report

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

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3. Integrated Document Management
4. Content Management/XML
5. Document Output
6. Storage
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**Editor:** Ralph Gammon  
PH (814) 866-2247  
FX (412) 291-1352  
dir.ralphg@verizon.net



**Managing Editor**  
Rick Morgan  
PH (814) 866-1146  
morganpub@adelphia.net

**Publisher and Circulation Manager**  
Larry Roberts  
RMG Enterprises, Inc.  
5237 Karrington Drive  
Gibsonia, PA 15044  
PH (724) 449-7577  
FX (412) 291-1352  
larryroberts@stargate.net

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**RMG Enterprises, Inc.**

5237 Karrington Drive  
Gibsonia, PA 15044

**PH** (724) 449-7577

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## **Special Pull-Out Section:**

# ***Document Imaging Report*** **Annual Article Index For 2002**

<b>Name of Article</b>	<b>Issue Date</b>	<b>Pg.</b>
AIM Forecasting 10% to 15% Attendance Drop	Jan 4, 02	1
Cardiff Exec Departs For ScanSoft	Jan 4, 02	1
<i>Document Imaging Report</i> Annual Article Index For 2001	Jan 4, 02	3
Open Text Attacks Accelio	Jan 4, 02	7
B2B E-Commerce Down, But Not Out	Jan 4, 02	7
SER Pushing <i>brainware</i> Platform	Jan 18, 02	1
AIM Sells Show	Jan 18, 02	1
Is Fear Of Lossy Data Impeding Color Adoption?	Jan 18, 02	3
Kodak's Oboum Eams Promotion	Jan 18, 02	4
FYI Changing Name, Trimming Staff	Jan 18, 02	4
Disaster Recovery Interest Rises In Wake Of Terrorism And War	Jan 18, 02	5
Coca-Cola Chooses IBM For Digital Archives	Jan 18, 02	6
ActionPoint Encourages Use Of Prime Module For PDF Conversion	Jan 18, 02	6
FileNET Expects Little Impact From Law's Closing	Jan 18, 02	7
Defense Contractor Looks To Expand Imaging Practice	Jan 18, 02	7
Clerke Responds To Acquisition Rumor	Jan 18, 02	7
<i>DIR</i> Market Watch For January 9, 2002	Jan 18, 02	8
Is Sale Of Show Just A Quick Fix For AIM?	Feb 1, 02	1
34 ppm Duplex Color For \$5,500	Feb 1, 02	1
Unleashing The X-Factor	Feb 1, 02	3
Kodak Offers Pain Killers To Law Service Customers	Feb 1, 02	6
A Fish Out Of Water?	Feb 15, 02	1
Is Open Text Through With Accelio?	Feb 15, 02	1
Optika Promises Profitable Year	Feb 15, 02	3
Raising The Standard For Image Compression	Feb 15, 02	4
Westbrook Seizing Healthcare Opportunities	Feb 15, 02	6
Venetica Completes Installation With FleetBoston	Feb 15, 02	6
BM On Data Management: Digitize, Integrate, & Scale	Feb 15, 02	7
<i>DIR</i> Market Watch For February 6, 2002	Feb 15, 02	8
Six Reasons To Be Optimistic About AIM 2002	Mar 1, 02	1
OTG Sold To Storage Partner	Mar 1, 02	1
E-Forms Vendors Hope Partners Can Stem The Adobe Onslaught	Mar 1, 02	3
Cardiff Promoting Combined Product Line As Trump Card	Mar 1, 02	4
GPEA Opportunities On The Rise For Government Integrator	Mar 1, 02	5
FileNET Endorses WebDAV	Mar 1, 02	6
Why You Should Fear Interwoven	Mar 1, 02	7
Developer Offers Windows-To-Image Tool	Mar 1, 02	8
Francis Promises To Keep Expenses Down	Mar 1, 02	8

Name of Article	Issue Date	Pg.
Captiva Continues Capture Consolidation Course	Mar22,02	1
Traffic Down, Quality Up	Mar22,02	1
Murphy Rides Adrenaline To CEO Appointment	Mar22,02	4
Kofax Introducing Xerox Channel To Ricochet	Mar22,02	5
Innovation Drives OTG's Incredible Valuation	Mar22,02	6
The True Meaning Of Enterprise Content Management	Mar22,02	7
<i>D/R Market Watch</i> For March 13, 2002	Mar22,02	8
Vendors Predicting Big Year For Unstructured Forms Processing	Apr5,02	1
Leftover AIM Notes	Apr5,02	1
RR's EDI Processing Solution Gaining Momentum	Apr5,02	3
ScanSoft Introduces Multimedia Capture Tools	Apr5,02	4
Plasmon Remains Confident In High Density Optical	Apr5,02	5
eiStream: One Sales Force, Three Product Lines	Apr5,02	6
Looking Forward To AIM 2003	Apr5,02	7
FileNET Plunges Into Web Content Management	Apr19,02	1
Kay Confident Merger Will Go Through	Apr19,02	1
Bargain Bonanzas Drive ECMA Acquisitions	Apr19,02	4
IBM Introduces DRMA's Part Of ECM Platform	Apr19,02	5
Xploring The Word Of Small Business Imaging	Apr19,02	6
<i>D/R Market Watch</i> For April 10, 2002	Apr19,02	8
What's The Killer App For ECM?	May3,02	1
Former TREEV Looking For A Buyer	May3,02	1
Scan-Optics Represents Top Image's Latest U.S. Strategy	May3,02	3
Regulated Industries Must Regulate E-Mail Archives	May3,02	4
HIPAA Driving DRM Installations	May3,02	6
Revisiting XML Document Management	May3,02	7
EMC Takes Aim At Imaging Storage Apps	May17,02	1
Merger To Drive 10% Reduction In Workforce	May17,02	1
Centra's Detractors Speak Out In Support Of Optical	May17,02	4
Cardiff—First Forms Vendor To Certify VRS	May17,02	5
KM Finding Its Niche	May17,02	6
Video Converging With ECM	May17,02	7
<i>D/R Market Watch</i> For May 9, 2002	May17,02	8
Sony Introduces High-Volume WORM Tape	Jun7,02	1
Anacomp Issues New Stock	Jun7,02	1
WORM Tape Pioneer Says Sales Gaining Momentum	Jun7,02	3
FileNET Discusses ECM Roadmap	Jun7,02	3
ACS Acquires \$265 Million Loan Processing Giant	Jun7,02	4
Cardiff Lands E-Forms Installation With City Of Boston	Jun7,02	5
Toolkit Vendor Accusoft Announces Applications Initiative	Jun7,02	5
SEC Reviewing Captiva/ActionPoint	Jun7,02	7
Belgian Developer Targets DM For Associations	Jun7,02	7
Service Bureau Founder Wins Accolades	Jun7,02	7
Optika Releases Accounts Payable Applications	Jun7,02	7
Scan-Optics Slashes Price On Former Photomatrix Line	Jun7,02	8
LuraTech Merges With Compression Competitor	Jun7,02	8
VRS Receives U.S. Patent	Jun7,02	8
Microsystems Releases Distributed Capture Module	Jun7,02	8

Name of Article	Issue Date	Pg.
Kodak Raises The Bar Again	Jun 21, 02	1
Meet The New Boss, Same As The Old Boss	Jun 21, 02	1
Input, Output Worlds Colliding In Insurance Market	Jun 21, 02	4
Archival Software Vendor Hopes To Leverage WORM Boom	Jun 21, 02	6
ScanSoft Adds PDF, Voting To Toolkit	Jun 21, 02	7
<i>DIR</i> MarketWatch For June 12, 2002	Jun 21, 02	8
The Time Has Come For Scanners In The Mailroom	Jul 5, 02	1
ABBYY Releases Award-Winning Module For <i>Ascent</i>	Jul 5, 02	1
Gauss Gamble Proves On The Money, But Where's The Payoff?	Jul 5, 02	4
Document Imaging Still An Underdeveloped Market	Jul 5, 02	6
Don't Give Up On Optical	Jul 5, 02	6
Ex-Lason Exec Picks Up Where Former Employer Left Off	Jul 19, 02	1
Vote On ActionPoint/Captiva Merger Set For Next Week	Jul 19, 02	1
Xerox Helps Workgroups Develop DM Strategies	Jul 19, 02	3
Does IBM Initiative Pose A Threat To Paper Health Care Claims?	Jul 19, 02	5
TAWPI Event Addresses Hot Data Entry Topics	Jul 19, 02	6
Standard Register Makes EDM Acquisition	Jul 19, 02	7
Compression Developer Looking For Beta Sites	Jul 19, 02	7
Blue Square Goes Green	Jul 19, 02	7
<i>DIR</i> MarketWatch For July 10, 2002	Jul 19, 02	8
ECM Tables Have Turned	Aug 2, 02	1
Kofax And FileNET Team Up	Aug 2, 02	1
SER's North American Management Team Picks Up The <i>SER brainware</i> Torch	Aug 2, 02	2
A Changing Of The Guard In Records Management	Aug 2, 02	4
Softtheon Sets Sights On Health Insurance Market	Aug 2, 02	6
Finding A Place For DVD-R	Aug 2, 02	7
Collaboration Vendor Wants To Team Up With DM Vendors	Aug 2, 02	7
Analyst Tolls Bell For ECM	Aug 2, 02	8
New Captiva Aims To Be Profitable \$50 Million Company	Aug 16, 02	1
Fujitsu Bundles <i>Acrobat</i> With Scanners	Aug 16, 02	1
Francis Departure Comes As No Surprise	Aug 16, 02	5
Bringing Out The Best In Imaging Applications	Aug 16, 02	6
Datacap Launches Capture Software	Aug 16, 02	7
<i>DIR</i> MarketWatch For August 7, 2002	Aug 16, 02	8
Captiva At A Crossroads	Sept 6, 02	1
Matsushita Strikes Back	Sept 6, 02	1
Is Image Archiving A Booming Market?	Sept 6, 02	4
Ironing Out The Wrinkles In The ASP Model	Sept 6, 02	4
Documentum Embraces Image Archiving	Sept 6, 02	6
Documentum Adds Collaboration	Sept 6, 02	6
Finding Success As An ERP Supplement	Sept 6, 02	7
Are ECM Platforms Growing Out Of Control?	Sept 6, 02	7
Vendors "Dumb-Down" Interfaces	Sept 6, 02	8
Initiative Launched To Develop ISO Standard For Digital Image Archives	Sept 20, 02	1
Documentum Beefs Up Capture Offering	Sept 20, 02	1
Closing The Correspondence Loop	Sept 20, 02	3
Getting More Out Of BPM Installations	Sept 20, 02	5
Xerox Pushes <i>DocuShare</i> For Ad Hoc Users	Sept 20, 02	6
Partnership Helps Law Firms Bill For Scanning	Sept 20, 02	7
<i>DIR</i> MarketWatch For Sept 11, 2002	Sept 20, 02	8

Name of Article	Issue Date	Pg.
A New Look For DjVu	Oct4,02	1
Captiva Expects Revenue Of \$46-\$48 Million	Oct4,02	1
Two More Vendors Enter Unstructured Forms Market	Oct4,02	3
AIM Acquires Regional Shows In U.K.	Oct4,02	5
AccuSoft Announces Collaboration Application	Oct4,02	5
OmniPage 12 Offers PDF to Word Conversion	Oct4,02	6
Audio Converging With Document Management	Oct4,02	6
Claims Integrator Offers Repricing Solution	Oct4,02	7
Document Output Specialist Adds OCR Technology	Oct4,02	8
CereSoft Enjoys EOB Success	Oct18,02	1
Documentum Ups Collaboration Ante	Oct18,02	1
SourceCorp Partners With Electronic Invoice Specialist	Oct18,02	3
Cardiff, Xerox Announce Partnership	Oct18,02	4
Mid-Market Focus Brings Success For Imaging Vendor	Oct18,02	5
Fujitsu To Bundle ISIS Worldwide	Oct18,02	6
Law Leaves DICOM \$1.9 Million In The Lurch	Oct18,02	6
ReadSoft Announces More Layoffs	Oct18,02	6
Microsystems Lowers Barrier Of Entry For Resellers	Oct18,02	6
PrintStream Capabilities Differentiate INSCI	Oct18,02	7
Scan-Optics: A PCH Winner	Oct18,02	7
DIR Market Watch for October 9	Oct18,02	8
E-Forms Gain High-Profile Status	Nov1,02	1
Visioneer Targets Resellers	Nov1,02	1
Kofax First <i>LiquidOffice</i> OEM Partner	Nov1,02	5
WebCapture Gains Traction As Imaging Module	Nov1,02	5
A Look At What \$1 Billion In R&D Buys	Nov1,02	6
Records Management Has Day In The Sun	Nov15,02	1
Second PDF-A Meeting Set For Next Month	Nov15,02	1
A Look At The Latest In Archival Storage	Nov15,02	3
Captiva Maintains Profitability	Nov15,02	6
Approaching ECM From The Back Door	Nov15,02	7
KON To Offer Westbrook Nationwide	Nov15,02	8
E-Forms Key To Open Text's Pharmaceutical Strategy	Dec6,02	1
EDS Recognizes Copiers As IT	Dec6,02	1
ScanSoft Introduces Software For <i>TabletPC</i>	Dec6,02	3
Protecting Our Future Through Education	Dec6,02	4
Parascript Recognizing New Sources Of Revenue	Dec6,02	5
Vredenburg Install Fights Terrorism	Dec6,02	6
FileNET Gets Serious About Capture	Dec6,02	7
Fines Touch Off Avalanche Of Demand For E-Mail Archiving	Dec20,02	1
Kofax Introduces VRS For Kodak 200i	Dec20,02	1
Canon, eCopy Brace For Market Explosion	Dec20,02	4
Taking A Chance On ASP	Dec20,02	5
BancTec Vet Joins Computhink	Dec20,02	6
Mitek Introduces Image Repository	Dec20,02	7
Quest Adds HTML-Based Report Distribution	Dec20,02	8

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4. **Canon invests \$15.8 million in eCopy [DIR 12/20/02]** — This story was actually the culmination of several events surrounding the use of digital copiers as on-ramps for imaging applications. These included a partnership between **Xerox** and **Kofax**, who, at AIIM 2002 was named one of only a handful of premier members of the Xerox Business Partner Program. Also in 2002, Xerox competitor **Ricoh** continued its success with its eCabinet solution, and vendors like **Toshiba**, **Sharp**, **Minolta**, and **Kyocera Mita**, all continued to push scanning capabilities on their machines.

But Canon, due to its six-year-old relationship with image capture software specialist eCopy, probably has a head start on its competitors. Canon USA, which talks about a 10% scanning connection rate for its popular ImageRunner line, cemented that relationship with a \$15.8 million minority equity investment. This is another example of the rich getting richer, if you will, as eCopy was already enjoying a 50% annual growth rate and had recently been named to a pair of fastest-growing private company lists. We view eCopy's success as a bellwether for the potential of digital copiers being used as scanners.

5. **Sale of DIR to RMG Enterprises [DIR 6/21/02]** — This, of course, is our favorite story. Throughout the first half of the year, *DIR* seemed on the verge of being acquired (and possibly shut down) by a newsletter publishing group with questionable scruples. However, this group's attempts to change the terms of its deal at the 11th hour were taken as a personal affront by **Corry Publishing** Publisher Terry Peterson, who then worked out a deal with his editors. Once again, we'd like to thank you, the readers, for your support through this transition. We look forward to continuing to provide you with the industry's premier source of news in 2003 and beyond. **DIR**

## Service Bureau Offering Real-Time Data Entry

Transaction management specialist **EasyLink** has introduced a service that could redefine the role of document imaging service bureaus. EasyLink's recently announced Document Capture and Management (DCM) program offers customers real-time data entry from faxed forms. It is being offered through a partnership with Salt Lake City-based imaging service bureau **FVTech**.

"This could add a whole new dimension to our industry," Dev Cox, VP of sales and marketing, and one of the principals at FVTech, told *DIR*. "Typically, we get boxes of paper from clients and process them

in batches. We scan the documents, enter data from the images, and then return everything to the customer in 24 to 48 hours."

Batch processing, however, does not fit with EasyLink's business model. EasyLink specializes in assisting businesses with real-time transactions, such as EDI. "We deal in a world of 5- to 60-minute turnarounds," Bill Fallon, VP of product marketing for EasyLink, told *DIR*.

Historically, EasyLink has achieved those turnarounds using a combination of electronic forms and data integration. "We facilitate transactions between big guys and little guys," explained Fallon. "Big guys transacting with big guys is typically an EDI-only process, which doesn't require our services. However, for a typical Fortune 500 company, pure EDI accounts for only 20% of all transactions. Our goal is to help them better manage the other 80%."

One of EasyLink's customers is **UPS**. "We help UPS customers at thousands of shipping locations connect directly into UPS' EDI system," said Fallon. "We enable other customers of ours to take data into their EDI streams directly from their partners' Excel or accounting system files. We also offer Web-based forms."

EasyLink, whose 2002 revenue was somewhere north of \$100 million, counts 400 of the Global 500 on its customer list. This includes several top players in the automotive, shipping, insurance, and financial services industries. "Many of our customers still deal with a large number of paper transactions," said Fallon. "In the insurance industry, for example, claims are often filed on paper."

A few years ago, in an effort to help its clients process their paper transactions, EasyLink began offering a fax-to-image service. For an insurance provider, this would involve agents faxing their claims to EasyLink, who would convert the faxes to TIFF images. The TIFF images would then be delivered to the provider. According to Fallon, EasyLink currently processes between 500,000 and 1 million images per day through this service.

"After receiving the image, customers typically print it and then key the data into their EDI stream or ERP system," said Fallon. "But some of them wanted more from us. They wanted us to integrate data from paper transactions directly into their systems, similar to the way we manage data from electronic transactions."

DCM was launched to meet this demand. A document processed through DCM will be sent to

EasyLink through a fax or another imaging device. It will be forwarded to FVTech, which will run the document through an automated data entry process, using a combination of off-the-shelf and custom developed software. The image will then be forwarded to a manual data entry operator for quality assurance and/or corrections.

FVTech, which has 150 full-time employees, has data entry operations in both Salt Lake City and Beijing, China. This accommodates EasyLink's need for 24/7 real-time transaction processing. "We use **Citrix** software that allows our Chinese operators to log into our system, so we don't actually have to send images anywhere," Cox told *DIR*. "This provides us with security advantages, especially when dealing with regulations such as HIPAA."

"We have set up the DCM application so, when a transaction that requires real-time processing comes in, the appropriate operator is immediately notified. If they are working on a batch processing job, they finish the document they are on, and then proceed to the DCM transaction."

DCM is priced between \$1 and \$3 per document, depending on the level of complexity and services. Having EasyLink check data from a paper form against a database provided by the customer is an example of an optional service that would increase the price.

When asked about the potential of DCM, Cox compared it to facilities management outsourcing provided by services giants like **EDS** and **Perot**. "I don't know any imaging service bureau that offers anything similar to real-time processing," Cox told

*DIR*. "It was definitely a challenge to set up the system for DCM. All the core technology in our industry is focused on batch processing. We had to develop some of our own to supplement it."

However, Cox added, the payoff could be enormous. "The volume of documents that DCM will generate is a vast unknown," he told *DIR*. "I can tell you that in our presales efforts with EasyLink, every client we contacted wanted to move forward with a formal proposal."

When we spoke with Fallon last month, DCM was just being rolled out, so there were no end users ready to share their stories. He estimated it would take four to eight weeks to get a DCM application up and running for a customer. "We expect many of our fax-to-image customers to make the transition to the new service," he said. "In addition, we had a lot of customers who told us our legacy service just wasn't worth it—if they had to key in the data themselves."

DCM is the latest example of the convergence between e-commerce and document imaging. As we've said before, early e-commerce pioneers seemed to think wholesale conversion to electronic processes would wipe out paper transactions. As this approach has proven to be a pipe dream, e-commerce players such as EasyLink are seeing the advantages of using document imaging as a bridge from paper to electronic transactions.

For more information: **EasyLink Services Corporation**, Edison, NY, PH (800) 624-5266, FX (732) 906-1008; **KVTech**, Salt Lake City, UT, PH (801) 265-1153. **DIR**

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