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The Future of Document Technology

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TREASURE MAP TO SCANNER PROFITS

PLUS

BUILDING AN EMPIRE- ECI² NETS LACROSSE

THE COOL TOOLS OF PRINT MANAGEMENT

GREASE IT! FOR HIGH PERFORMANCE

We've known the pursuit of the "paperless office" has been a goal of many organizations for years. This thought propelled the growth in installations of document imaging scanners (single-function) to turn paper documents into electronic files, which are easier and more cost-efficient to locate, work with, and store. In the meantime, documents that exist only as electronic files are increasing exponentially, not only encroaching on paper-based documents but also generating large volumes of files that ultimately require classifying, indexing, storing, and the ability to retrieve as needed. The result has been the pressing need for companies to implement content management solutions, which have been increasing in their rate of adoption. The recent commoditization of basic content services — with Microsoft SharePoint as a prime example — has made the technology even more accessible to customers.

Nevertheless, many business processes ultimately will not become completely paperless, and will exist as a hybrid of both paper and electronic documents, creating an ongoing need for document scanning. Scanning will also continue to play a role in the capture of documents, as one of the "on ramps" into content management systems.

InfoTrends, Inc. provides industry analysis in the document scanner market, including market forecasts. This article provides an excerpt from the official scanner report, aiming to shed light on this multi-faceted market and to help arm providers with a basic roadmap to the possible "treasures" found in scanners.

InfoTrends divides the document-scanner market into five segments to allow more accurate tracking of industry trends.

5 Scanner Segments

- **Workgroup Segment. Most models are priced between $350 and $2,000, and have feeding speeds between 10 and 25 pages-per-minute.**
- **Departmental Segment. Most models are priced between $2,000 and $5,000, and have feeding speeds between 25 and 40 pages-per-minute.**
- **Low-Volume Production. Most models are priced between $5,000 and $12,000, and have feeding speeds between 40 and 60 pages-per-minute.**
- **Mid-Volume Production. Most models are priced between $12,000 and $30,000, and have feeding speeds between 60 and 90 pages-per-minute.**
- **High-Volume Production. Most models are priced over $30,000 and most have feeding speeds over 90 pages-per-minute.**

Feeding speeds are generally measured in simplex scans of black & white documents. In general, workgroup products scan fairly low volumes of documents each day, and the typical daily scan volumes increase incre-

Charting a Road Map to Scanner Treasures

BY SANDRA COLLINS

mentally as one goes up-market. Some High-Volume Production solutions may even be scanning documents 24/7. Typically, higher-volume scanners accompany more robust and highly integrated document-processing solutions, incorporating a high level of document management analysis and software integration.

The majority of companies purchase scanners to enable improved efficiencies in their paper-document workflows. Many companies are also interested in document management and disaster recovery systems. Popular vertical markets for business-process scanning include manufacturing, health services, legal services, and insurance. In addition to document archival and records management, horizontal applications frequently include accounts payable, remittance processing, forms processing and claims management.

Growth in the Market

The document scanning market has experienced year-over-year growth since its inception, and remains a dynamic market. Here we'll examine the market at a higher-level view by combining the Workgroup and Departmental segments and calling that the "distributed scanning" market, and then combining Low-Volume Production, Mid-Volume Production, and High-Volume Production and calling that the "production scanning" market. These markets differ in their projected sales for the near future, and hold different implications for the channel.

Production scanning usually consists of centralized, high-volume solutions designed to reduce costs and improve efficiencies in paper-intensive work processes. Adoption of high-volume solutions has been particularly strong in business processes that are high-cost and high-visibility. These solutions often generate a high enough return on investment to compel large companies to install them. Often the ROI takes the form of reduced expenses and reductions in labor costs or reduced headcount. In addition, companies that install these solutions see efficiencies that result in increased cash flow as well as increased customer satisfaction. For the channel, high-visibility integrated solutions help to position the dealer/VAR/systems integrator as a partner in companies' document-management initiatives, making it harder to be unseated from accounts.

However, as a total market in terms of unit sales, InfoTrends forecasts that production scanning installations are going to begin to flatten and then experience a slow decline, making competing for these accounts more difficult. Production scanners will begin to experience increasing saturation in the large companies that would consider high-volume solutions. In addition, the quantity of paper used in important work processes is beginning to decline to some extent, in favor of the efficiency of digital documents. Therefore, the need to incur the cost and labor of implementing a high-volume scanning solution will become less motivating to some organizations. Winning new accounts in this competitive market will require significant document management and systems integration ability.

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In contrast to production scanning solutions, companies have shown increasing interest in "distributed scanning" implementations. Distributed scanning employs lower-volume scanners in multiple locations throughout an organization to bring the scanning process closer to the point where documents enter the work process. This makes digitized information available to users sooner, and reduces the cost and risk of transporting documents to a centralized location. With its many benefits, distributed scanning is projected to be the new growth market in document imaging.

By 2011, distributed scanners are forecast to represent about 94% of unit shipments in the document-scanner market, and production scanners will comprise 6%. These production scanners, however, will contribute more to sales revenue: distributed scanners are forecast to contribute 60% of hardware revenues, compared to 40% from production scanners.

The Distributed Advantage

Distributed scanning is suitable for smaller companies with lower scanning volumes, and is financially more accessible to them than production scanning, due to its lower implementation costs. Both small and large companies are also employing distributed scanning to comply with regulations such as Sarbanes-Oxley and the new amendments to the Federal Rules of Civil Procedure (FRCP), commonly called e-discovery.

ous cost savings are transportation costs of sending documents to a centralized location. However, as just mentioned, when implemented as part of business-process improvements, companies also see enhancements in "soft costs" such as increased productivity, improved document-processing cycle times and increased customer satisfaction. Combined with increasingly accessible content management software, the implementation of document-management solutions has perceived high value as a technology investment for more companies and is showing ongoing growth.

From the perspective of per-unit processing costs, higher-volume scanning applications will usually find it more cost-effective to implement a centralized (production) scanning solution rather than distributed scanning, as greater economies of scale are achieved. Lower-volume applications can be steered to distributed scanning solutions, especially if cycle time is important.

Scanners versus MFPs

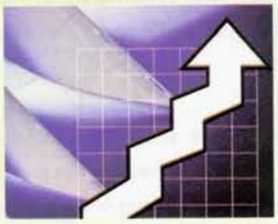
Companies are now implementing distributed scanning with two types of equipment: lower-volume standalone scanners, and multifunction peripherals (MFPs) with scanning capability. Both products have their advantages, although they are frequently used in different ways. Distinguishing when each of these is appropriate to an installation is an important service that the channel provides to customers.

MFPs, of course, with their copying and printing functions, offer a high level of usability in an office. They are ubiquitous, as millions of copier/printers are installed every year. While in the past the focus of both the channel and the users has been on copying and printing, more companies are enabling the scanning function on MFPs to improve their total cost of ownership. However, the scanning function tends to be fairly basic, scanning standard paper documents to one of several file types and distributing them via the network to which the MFP is attached.

Scanners, on the other hand, are highly focused on the scanning process & cater to the needs of applications. Single-function scanners currently offer numerous advantages over MFPs in document-intensive environments.

- Many scanner models can feed a wide range of document types, including paper thicknesses & very small documents such as business cards and inflexible licenses and insurance cards.
- Scanner hardware and software are often optimized for scan quality to capture difficult documents, automatically adjust for skew or page orientation, and remove blank pages from the file. Many have hardware or software that optimizes the image to the highest quality possible, compensating for hard-to-read originals and those with optic "noise." Some have the ability to recognize colored backgrounds, automatically adjust brightness and contrast, allow color management, or optimize text differently than photos in the same document.

Growth Rates of Scanners from 2005-2006 in Unit Sales:



Workgroup Segment:	**11%**
Departmental Segment:	**12%**
Low-Volume Production Segment:	**10%**
Mid-Volume Production Segment:	**8%**
High-Volume Production Segment:	**6%**

Distributed scanners allow documents to be accessible to electronic workflows much sooner, making them easier to route, process and archive. Post-processing can still occur at a centralized area, if that is more efficient. Companies experience reduced document-processing cycle times, improvements in customer service - which in turn improves customer satisfaction — and increased competitive advantage. For example, a company with branch offices that scan documents locally rather than transporting them to a centralized scanning facility can save days in processing time. Those that utilize document collaboration can share and track versioning of documents easier. Companies see cost reductions in no longer needing to transport documents, and the risk of losing documents and having to replace or recreate them is lessened. Sensitive documents also experience a higher level of security when they are not handled by workers outside of the office. Even higher levels of security are achieved if the network systems have been optimized to restrict access to data, and if the document scanners have been password-protected or are kept in a restricted area. This is especially important to Accounting/HR.

The ROI for distributed scanning is more elusive than for production scanning in terms of calculable expense reduction. The most obvi-

Interestingly, distributed scanning implementations that utilize a small number of knowledgeable operators tend to be somewhat more successful than those that utilize higher-level knowledge workers to do their own scanning. Some companies find that these workers may not be as attentive to the details of achieving accurate & clean electronic files as workers who are used to hands-on management, such as mailroom and administrative workers.

Installations that will be more lucrative for the channel will likely be those that require some needs assessment and knowledge of document-management systems. Those with potential for multi-unit hardware sales will be attractive, such as installing a system for an account with multiple branch offices.

In contrast to more complex installations, there will be a portion of distributed scanning sales - particularly very low-end models - that likely will not require the ability to install a comprehensive document-management solution and will therefore involve less of the channel's investment in time and knowledge. Increasing quantities of low-end scanners are forecast to be shipped each year. However, these placements are commodity sales and therefore provide less opportunity for differentiation & increased margins or add-ons such as maintenance contracts and software sales.

- Some models have a system to detect if the scanner's ADF has fed multiple originals at one time, ensuring that all pages that the user wants scanned are actually scanned.
- Scanners that offer duplexing capability often have two sets of scan heads to scan both sides of a document at once. Not all MFPs have these heads and will be forced to turn the paper over to scan the second side, which results in a much slower feeding rate and may risk injury to the original document or increase paper misfeeds.
- Scanners usually experience lower incidence of downtime than MFPs, and their usage does not conflict with those using the machine for copying and printing.
- Scanners usually integrate well with customers' existing systems software and Electronic Content Management systems.

Given the focused nature of standalone scanners, they have typically been preferred to MFPs in applications that are document-intensive or mission-critical. The central issue in the choice of whether to use MFP scanning or single-function scanning is the level of importance of capturing specific documents and whether they require consistent control. Many scanner implementations are specifically optimized for important business processes & use knowledgeable operators to ensure compliance and consistency in document capture and the quality of scanned images.

Conversely, MFPs are primarily being used for ad-hoc (general purpose) scanning, and to enable users' personal efficiency. They are most often used in low-volume environments, and are typically used for scan to e-mail, scan to folder, or scan to network fax. In fact, one of the most popular uses of MFP scanning is to replace fax machines. Many companies find these activities fulfill most of their ad-hoc scanning needs, and individual users can be trained quickly on the distributed products in the office. In the environments where MFP scanning makes sense, it can greatly contribute to individual productivity. However, using MFP scanning for work-process improvement has been more difficult to accomplish since training & compliance can be challenging, and enabling MFP scanning to integrate with systems and processes requires some effort.

As the Future Unfolds

Over time, we at InfoTrends believe that MFP manufacturers will begin to close the performance gap between MFPs and scanners, making more MFPs capable of a wider variety of scanning applications. MFPs and single-function scanners will each continue to have their advantages, but there will be increasing convergence of the two.

Office-products dealers in particular may see opportunity in entering the scanning market. These channel participants have traditionally been more focused on aftermarket supply sales and service contracts—which are not lucrative in the document scanner market—so many have not been selling scanners. Very few have been selling high-end scanning solutions. However, as customer demand for distributed scanners and for MFP scanners continues to increase, office-products dealers that sell MFPs should consider gaining knowledge of document scanning and document management systems, to position MFPs for increased scanner usage, and possibly to sell single-function scanners. Conversely, VARs may also decide to start including MFPs as an option in their ➡

"The document scanning market has experienced continued year-over-year growth since its inception, and remains a dynamic market."

portfolios. For both dealers and VARs, these increased capabilities will help to differentiate them from their competitors, positioning their organizations to offer a wider range of abilities. As customer demand in document scanning continues to rise, increased ability in these areas will be a competitive advantage.

It's important to note that future prospects in this market will continue to be much more fruitful for those capable of installing integrated solutions within a wide range of usage scenarios. Although scanner hardware sales will be a source of revenue, a key piece of scanner sales will continue to be software-related. The focus of most scanning implementations begins with the software, and most of the resulting value lies there. VARs and systems integrators report that they typically sell a majority of their scanners with additional software, which increases their revenue per order. (In general, Workgroup scanner sales will be accompanied by additional software at lower rates than Departmental and Production scanner sales.) Dealers and VARs who can only sell scanners without implementing a broader document management solution will be relegated to working with customers that do their own integration using their internal IT resources. The true driver of increased hardware sales and incremental revenue will increasingly be driven by knowledge of software, document-management, integration, and the ability to perform workflow analysis.

Channel participants with strong abilities in configuring document-management solutions will best serve customers by being capable of implementing an insightful blend of centralized scanning, distributed scanning, and MFP scanning into accounts as their needs dictate.

Scanner manufacturers will continue to improve the optimized focus of their products, to ensure their relevance to customer applications. Some of this will be hardware-based (i.e., in the scanner) and some will be software-based. For example, Kodak has developed a "digital watermarking solution" to provide an audit trail and ensure document authenticity in the scanning process. The industry's leading scanner manufacturer, Fujitsu, has developed a time and date stamp module that integrates with Hyland Software to enable legal compliance, data integrity, and intellectual asset protection.

This is an exciting time in the document imaging market, as more and more companies embrace document management solutions and install document scanners. We are indeed at the right place at the right time to capitalize on these trends.

InfoTrends is the leading worldwide market research and strategic consulting firm for the digital imaging and document solutions industry. The company has just published its Document Imaging Scanner Forecast for North America, which reviews market influencers in the document-scanning market, and forecasts unit placements and revenue data to 2011. For further information contact Matt O'Keefe at matt_okeefe@infotrends.com.

infocus section

Professionals rely on KODAK technology to uniquely tell their story through moving or still images. More information about Kodak (NYSE: EK) is available at www.kodak.com or for scanners at www.kodak.com/go/documentimaging (Kodak is a trademark of Eastman Kodak Company. ■

SCANNER FACTS
Standalone Scanners vs. MFP Uses

MFPs are not significantly reducing the sales of standalone scanners. The two types of products are used in fundamentally different ways:

STANDALONE	MFP
Targets mission-critical information in high-volume quantity:	Networked to permit multiple users; best for low-volume requirements:
Document capture/indexing/ archiving, enter-prise content management (ECM)	Personal user efficiency/increase d accessibility/ output docs from printing/copying
Invoice processing, forms & checks processing, records management	Scan to e-mail, scan to file, scan to folder, scan to network fax/ higher resolution

TOP 3 Vendors in Each Five Segments
(in quantity of units shipped, not revenues)

DISTRIBUTED SCANNERS:

- **Workgroup Segment:** Fujitsu, Hewlett-Packard, Visioneer
- **Departmental Segment:** Hewlett-Packard, Fujitsu, Canon

PRODUCTION SCANNERS:

- **Low-Volume:** Canon, Fujitsu, Panasonic
- **Mid-Volume:** Kodak, Fujitsu, Böwe Bell + Howell
- **High-Volume:** Kodak, Böwe Bell + Howell, IBML

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KEY BENEFITS FOR ALL

What are the Real Benefits of Print Management? What's the difference between MFPs and Standalone scanners? Why offer Document Management? What is the upside of a wanted acquisition? The list goes on. And they're all addressed inside this issue of *imageSource.*

A special report on the document scanner market, which continues to show year-over-year growth, is featured as our cover story. Sandra Collins of the highly respected consulting and research firm InfoTrends, has provided an incredible excerpt from her Document Imaging Scanner Forecast for North America: 2005-2011. InfoTrends has been tracking the document scanner market since 1995, and this research gives valuable information you can utilize for profit. The full report can be found on their website www.infotrends.com. In addition, Kodak has contributed excellent information on scanners which can be found in our special section of *In Focus.*

Trevor Hofer from PrintAudit really lays the groundwork on print management being a truly cost-saving tool (and how *not* to confuse it with fleet management) while the power hitting organization of ECI² grabs another home run with the acquisition of super software company, La Crosse Management Systems. Key players in the deal open up on what makes the company tick, forecasting for dealers and customers on what winning strategies lie ahead for all their companies and their customers.

Enjoy this issue. Get all the advantages that these key industry providers, well, provide!

Marc Spring

Marc Spring, Publisher

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Ad and Editorial Offices:
4061 SW 47th Avenue , Ft. Lauderdale, FL 33314
Phone: 800.989.6077
Local: 954.453.0700 • **Fax:** 954.581.0815
Email: *ssinclair@imagingnetwork.com*
Website: *www.imagingnetwork.com*

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