

# Document Imaging Report

Business Trends on Converting Paper Processes to Electronic Format

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July 2, 2004

## Paper Forms Specialist Making Transition to Imaging

Pre-printed forms supplier **Altec, Inc.** has not been left behind in the digital revolution. Leveraging a vertical strategy, an existing customer base of close to 10,000, some key partnerships and an acquisition, Altec now boasts that 30% of its revenue comes from software. Targeting the mid-market, the company has enjoyed a 40% CAGR in document imaging software sales over the past two years and is working hard to maintain that pace.

Altec first got into document imaging in late 2000 with the purchase of software developer Brook Hollow [see *DIR* 3/16/01]. Prior to that, the **Epicor** spin-off had focused solely on supplying pre-printed forms to users of mid-market accounting packages from vendors like **Epicor**, **Best Software**, **Great Plains**, and **Solomon** (the latter two are now owned by **Microsoft**).

"We are approximately the 20th largest distributor of pre-printed forms in the United States," said Mark Ford, Altec's CEO. "In the late 1990s, we recognized our customers were looking at electronic alternatives to paper forms. So, we began looking at technology that might help us make the transition with them. That's when we ran into Brook Hollow at an Epicor trade show."

Initially, Brook Hollow's technology was not completely in line with Altec's vision. However, there was enough potential that

the acquisition was completed. "Brook Hollow had done some projects integrating its software with accounting systems, but these were mostly customized installs," said Ford. "We realized we would have to create one system we could resell many times."

Since the acquisition, Altec has beefed up Brook Hollow's technology in two areas: COLD/ERM and workflow. COLD/ERM is the technology that is most parallel with Altec's legacy business. In the spring of 2002, Altec released an *Output Manager* application based on COLD/ERM. "This enables our customers to deliver their accounting documents in a number of formats, including faxes, e-mails, or Web documents," said Ford.

According to Ford, *Output Manager* has significantly increased interest in Altec's electronic offerings. And while *Output Manager* may be responsible for displacing some paper forms business, it has also led to document imaging/workflow related leads—which because they involve inputting documents instead of outputting them—represent net new business for Altec.



Brandt Morrell, COO and president, Altec.

"Our paper forms revenue remains pretty steady," Ford told *DIR*. "Our challenge now is helping customers figure out the right mix of paper and electronic documents. A customer that has historically printed four copies of an invoice might be able to reduce that to one, for records and archiving purposes. The other three copies, which might be for distribution, could be converted to electronic forms."

On the input side, Altec has initially found the most traction improving accounts payable processes. "Tight integration with accounting packages is our biggest strength," said Brandt Morrell, COO and president of Altec. "We understand that once invoices are digitized, businesses need a way of moving them through their organizations for approval before they are filed in their accounting systems."

Altec is also seeing interest in digitizing sales orders and CRM documents. "Education is still out biggest challenge," acknowledged Morrell. "A lot of our customers have heard of document imaging, but think it's just for archiving. We have to sit down with them and really go over their document processes. Of course, we have the advantage of knowing what sort of paper documents they are printing and what their volume is. We also have built strong relationships in our customers' accounting departments."

Altec is offering document management software both directly and through resellers—depending on the sales model of its software partners. Recently, Altec announced that Epicor, Altec's former parent, which sells 80% direct, has signed on as an Altec reseller. "That agreement is a milestone for us," said Ford. "It shows the vendor community is recognizing imaging as a core piece of its solutions."

According to Ford, vendor interest in imaging is being driven by a search for alternative sources of revenue and cost justification for accounting systems. "1999 was the last great year for most accounting software vendors, as everybody was scrambling to upgrade to Y2K-compliant systems," Ford told *DIR*. "Over the past couple years, vendors have been very hungry to take additional products into their customer bases."

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**Mark Ford, CEO, Altec**

"Our studies have shown that document imaging can drive a 20-40% improvement in the accounts payables process. Those types of numbers significantly improve the cost justification for an accounting system."

**American Express Tax and Business Services**, a systems integration arm of the credit card giant, also has signed a reseller agreement with Altec. AETBS' agreement focuses on Altec's integration with **SAP's Business One** mid-market offering.

Best Software, meanwhile, has updated its lead-generation contract with Altec. The previous contract called for Altec to receive information on Best's new sales and upgrades, so Altec could market paper forms to these customers. The agreement has been expanded to include Altec's marketing of electronic document management software.

In addition to its work with these large players, Altec is marketing its software through the value-added reseller community. "Through our 19 years in the paper forms business, we've already established several VAR relationships," said Morrell. "Paper forms are a little different, because VARs view them more as a hassle than anything else. Typically, they're happy to refer that business to us. When you start talking about a \$50,000-plus software sale, half of which may be services and maintenance, they begin to take a different view.

"That said, most accounting software VARs are former CPAs and not your typical document imaging resellers. To address this, we work with VARs on various levels. On one level, we make marketing tools available and will pay commissions for

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**Vol. 14, No. 13**

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referrals. On another level, about 20% of the VARs we work with want to become very actively involved and do their own installs and training. We are happy to work with them as well."

So far, Altec has found the sweet spot for document management sales to be in the \$65,000-\$70,000 range, or what it refers to as an enterprise sale. "This is designed to complement installations that our software partners refer to as enterprise systems—which typically sell for \$100,000 to \$200,000," said Morrell. "We've also introduced a mid-market, or departmental, package priced at \$30,000-\$40,000.

"Still, we realize we are only addressing the top 30% of the market. There are millions of users of smaller accounting software systems from vendors like **Peachtree**, that may have only paid \$3,000 for their packages. We want to continue to push our product downstream to create even greater opportunity."

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