

# Document Imaging Report

Business Trends on Converting Paper Processes to Electronic Format

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## Vendors Position Themselves For Mid-Market IDR Growth

### **ReadSoft signs deal with Altec.**

Invoice capture has half-jokingly been referred to as a horizontal/vertical application. This means, while it's focused on a specialized area—accounts payable (A/P), it still can be applied in any business—as everyone has A/P processes. That's one reason invoices were chosen as the initial application for intelligent document recognition (IDR) technology—everybody has them.

Over the past few years, we've seen fairly good progress of automated invoice capture technology in the Global 2000 market. ISVs like **ReadSoft** and **Brainware** have won some well-publicized six- and seven-figure deals. Other vendors like **Kofax**, **AnyDoc**, **Datacap**, **Paradatec**, **Top Image Systems**, **ABBYY**, **BancTec**, and **Captiva**, have also announced impressive high-end wins. And while the price tags on these large deals are often impressive, the fact that the market is defined by a number like "2000" means it is limited. [That's not to say it's close to being saturated. At Harvey Spencer Associates' Document Capture 2009 conference, **Paystream Advisor's** Henry Ijams described IDR technology as being in the "innovator/early adopter" stage in A/P departments. He also reported that only 16% of companies with more than \$500 million in revenue use OCR on more than 40% of their invoices, see *DIR* 9/18/09].

In contrast, the SMB (small-to-

medium-sized business) market offers an almost unlimited number of opportunities. And this is where many invoice capture pioneers have begun to look for additional business. I ran a feature discussing some of these downstream initiatives after I saw several of them demoed at this spring's AIIM show [see *DIR* 4/3/09]. And recently I caught up with Bob Fresneda from ReadSoft, whose company has announced a new initiative targeting the SMB. [I'll offer one more qualifier before moving forward. This is certainly not the first article I've done on mid-market solutions for automating invoice capture. But, much like I saw in the high-end of the market a few years back, it seems the early hype is outpacing adoption rates. However, as adoption rates did eventually catch up in the upper end, I'm expecting it's just a matter of time before SMBs start adopting IDR at a similar rate.]

### **ReadSoft to leverage Altec channel**

One challenge to marketing to the SMB segment has always been defining it. Fortunately, in the A/P space, SMBs can most easily be identified by the type of accounting software they're using. ReadSoft, which has had success in the high-end through its integration with **SAP** and **Oracle** systems, has chosen to go to market in the SMB space through

a partner that focuses on integration with SMB accounting apps.

ReadSoft, which is based in Sweden and has its U.S. headquarters in the New Orleans area, recently announced a worldwide distribution agreement with **Altec**. Altec is a Laguna Hills, CA-based ISV that has been featured in *DIR* several times. Originally, a vendor of printed forms specializing in servicing **Epikor** accounts, Altec acquired a document imaging software developer in 2001 and has built a successful business image enabling mid-market ERP and accounting systems. To date, Altec has not offered any OCR. Instead, it has relied on its unique *Smart Form* technology to reduce key entry of data [see *DIR* 3/2/09].

"Last year, we started hearing a lot of noise from our customer base asking for OCR and IDR technology that we could plug-in to the front end of our *doc-link* application," said Brandt Morrell, president and COO of Altec. "We spent about eight months searching for a leading OCR player whose product we could bring to our market." [Altec also may be feeling pressure from U.K.-based **Version One**, which recently opened a U.S. office. Version One targets **Sage** resellers (also an Altec market) and resellers of other mid-market ERP/accounting systems. Version



Brandt Morrell,  
president and COO,  
Altec

One has been enjoying success in the U.K. with an OEM version of **ABBYY's** IDR technology.]

"To date, nobody has really found a way to sell automated invoice capture successfully in the mid-market," said Mark Tague, CFO and CTO of Altec. "Over the years, our customer base has questioned us about it, but we have skirted the issue. We were not very well educated on OCR and IDR, and we had not embraced it. We worked with third-party integrators and had some success. But, to be really successful, we felt our customers needed one throat to choke.



Mark Tague, CFO and CTO, Altec

"The partnership with ReadSoft will enable us to do things like set correct expectations and offer the same level of support and intimacy for capture as we do for our *doc-link* implementations. We will be selling the ReadSoft software, doing the implementations, and providing part of the support.

"We also have tremendous reach and relationships with accounting ISVs and VARs. They know Altec and trust us. These relationships helped us successfully bring to market our document imaging product after we acquired it. We hope to enjoy similar success with the ReadSoft product."

Altec has more than 1,200 customers under maintenance, as well as an established channel of 250 North American resellers. Altec also has a growing international presence. "In addition to its channel, we are impressed with the technical integrations Altec has with mid-market products from Epicor, Sage, and **Microsoft** [the *Dynamics* line]," said Fresneda, president of ReadSoft North America. "We've done well in the high-end of the market by offering our own workflow technology. In the SMB market, our strategy is to only provide the capture component and let ISVs like Altec provide the workflow."

Final details of the agreement were still being worked out when we talked, but Fresneda is confident that ReadSoft will have no problem scaling down its offering. "We are not publicizing our pricing, because we don't want the rest of the market to know it," he told *DIR*. "Working with Altec, we've learned a lot about how to price for their market. Our pricing actually goes down to accommodate as little as 5,000 invoices per year. In Europe, we are selling implementations for as low as 2,000 invoices per year.

"We've figured out how to package a solution that best targets the mid-market. Our product has different modules, some of which are better to start with for Altec's customers and channel. For example, we're not initially rolling out line-item capture to the mid-market.

"Right now, we think that more than half of Altec's customers are potential ReadSoft customers. However, it's our goal to continue to evolve so that all of Altec's customers can use our software, not only for invoices, but for other types of documents as well."



Bob Fresneda, president, ReadSoft North America

Morrell said Altec will initially be targeting A/P departments with at least 20,000 invoices per year. "Once you reach the point where you have three to four heads down A/P processors, automated data capture starts to become cost justifiable," he said. "We estimate that with *doc-link*, our customers can increase their productivity 25-40%. When you lay down ReadSoft's OCR capabilities on top, it can push that improvement to greater than 50%."

Tague added that introducing automated data entry should help increase overall sales of *doc-link*. "Now, we can really offer an end-to-end A/P processing solution," he said. "In the past, we'd get objections that, even though potential customers could scan documents, they'd still have to manually index them. A lot of those objections will go away."

Brandt said the ReadSoft technology will work in conjunction with *Smart Forms*. "*Smart Forms* basically enable our customers to do their invoice coding, data entry, and approval outside their ERP systems," he said. "For invoices that have POs, a lot of the information they need can be downloaded from the ERP system, but the user still has to enter a PO number to trigger the population of the *SmartForm*. ReadSoft's technology will help automate that step."

Fresneda indicated that ReadSoft is looking forward to being able to leverage its reputation to assist Altec's sales efforts. "Because we're perceived as the market leader, we are contacted quite often by mid-market companies looking for an invoice capture solution," said Fresneda. "In the past, we didn't offer a solution that could address that segment. Now, we can pass those leads on to Altec."

For more information:  
<http://www.altec-inc.com/>; <http://www.readsoft.com/>