

Document Imaging Report

Business Trends on Converting Paper Processes to Electronic Format

4003 Wood Street ● Erie, PA 16509 ● PH (814) 866-2247 ● <http://www.documentimagingreport.com>

July 25, 2008

ImageTag Focuses On Capture For Mid-Market ERP

Over the past few years, we've spent a lot of space in *DIR* discussing IDR (intelligent document recognition) technology for automating data capture from invoices. One key to success in this market, we've concluded, has been the tight integration of capture software with the ERP systems used to manage invoices.

ImageTag is also in the invoice capture market, but instead of focusing on the high-end, where IDR and integration with **SAP** plays so well, the Chandler, AZ-based ISV is targeting the much more expansive ERP mid-market. In fact, ImageTag was recently honored by **Microsoft** for its integration with the *Microsoft Dynamics* ERP suite.

"How many big invoice capture applications are sold each year?" asked Steve Irons, the founder and CEO of ImageTag. "In a best case scenario, let's say it's a couple hundred. In the big picture, that's really a nothing market. The opportunity for invoice capture exists thousands of times over in smaller *Dynamics*-type ERP applications. Our best guess is that in North America alone, there are some 50,000 to 60,000 *Dynamics* installations."

So, who exactly is ImageTag? A former reseller of high-end imaging systems, Irons launched ImageTag in 1997 when he patented technology involving the use of bar-coded Post-it notes to automatically index scanned

documents [see *DIR* 3/16/01]. ImageTag has adjusted its business strategy a few times over the years, including a dot-com investment in the early 2000s. However, in the past couple years, it has found its niche focusing on image-enabling *Dynamics*.

"I'd say 80% of our new business goes into *Dynamics* environments," said Irons. "In 2006, we acquired one of our reseller partners [Montreal-based eFinitive Systems] that had used our SDK to integrate our *KwikTag* technology with *Dynamics*. That gave us a jump start. Since 2002, which was our first year coming back from the dot-com investment, we've been growing 30-50% annually. We grew 32% in 2007 and 50% the year before that."

Innovative capture is differentiator

ImageTag's differentiator is its patented technology. "ISVs have been doing image-enablement for 15 years," said Irons. "However, most of the focus is on search and retrieval. We offer that, but we go way beyond it as well. We offer to put the paper away without having anybody change their workflow. Nobody needs to add a scanning process or batch separation, or any of that stuff."

ImageTag has an online demo of how its capture technology works within a *Dynamics* environment (<http://www.imagetag.com/content.asp?ContentId=672>). "Unlike IDR-

based applications, our goal is not to eliminate keystrokes," said Irons. "Sure, there are large companies that can benefit from reducing their data entry staffs through zonal OCR. But that's not our market. Our customers don't want the cost, or need the risk, associated with automated data entry.

"For our customers, the real benefit of imaging comes in the electronic workflow and retrieval on the back-end. In a *KwikTag* environment, our customers continue to key-enter data into their ERP systems to post their invoices and other documents—just like they always have. However, with *KwikTag*, at the same time they are posting their data, they are creating indexing fields so images of these documents can be retrieved online."

Basically, *KwikTag* works like this: A user opens up a *Dynamics* screen to post invoice data. After the user keys in the appropriate fields like the vendor name, the invoice amount, the PO number, etc., a *KwikTag* window pops up, instructing the user to apply the next bar-coded Post-it note in his *KwikTag* dispenser. The user sticks the Post-it on an open spot on the paper invoice and places it in his outbox for scanning.

When the user is done entering invoice information for the day, he runs the tagged invoices through a scanning device, which is set to capture them to a watched

network folder or e-mail address. *KwikTag* picks them up from there, reads the bar code, and immediately knows how to process the document and what indexing information should be applied to it. The images are then made available to users through *Dynamics* or a *SharePoint* interface.

“The bar code provides *KwikTag* with all information pertaining to an image’s identity, rights, and workflow,” said Irons. “Each bar code is like a license plate for the image that contains instructions on how to process it. You can have several documents in a stack and each might be indexed through a different application interface, which can trigger different workflows.

“For example, you might be saving one image to an Interwoven ECM system for your legal department, so that might be saved as a full-text searchable PDF. You might also have a receipt that needs to be saved as a TIFF and attached to an electronic expense report. From the bar code, *KwikTag* is able to connect each image with its document profile and appropriate workflow.”

Establishing a beachhead

Basically, this is the same knowledge-worker-focused capture technique that *ImageTag* has been offering for 10 years. “I think with Microsoft *Dynamics*, we have finally matched out technology with the perfect market,” said Irons. “It’s a good market, because the ERP market has been a great market for the past 10 years. Basically, all these ERP systems are now out there humming along, pleasing or displeasing whoever has them installed.

“Now, everyone wants to finish off their ERP installations. They see they still have file cabinets, and people are sending them more paper. They want to get all this paper into their ERP systems, and this has created a burgeoning market for document imaging.”

According to Irons, 95% of *ImageTag*’s new customers are using digital copiers for their scanning. “I’m not sure digital copiers can drive imaging software sales, but they definitely act as an enabler,” he said. “Users realize they already have a scanner in the hallway, so it removes one barrier to entry.”

It is Irons’ belief that *ImageTag*’s average selling price of \$25,000 per installation is a deterrent to many traditional imaging ISVs. “We sell some systems for more and some for less, but \$25,000 is the average,” he said. “This includes capture and retrieval software, as well as installation and support for one year. Those deals are too small for many larger imaging ISVs—even the ones that go through reseller channels. To succeed in the *Dynamics*

market, you have to be good at selling software and you have to sell a lot of it.”

ImageTag is focused on recruiting *Dynamics* resellers. “Basically, after we find a customer, we try to engage the reseller that sold them the

Dynamics system,” said Irons. “Microsoft doesn’t sell directly in this space.”

Irons points out that although invoices are typically one of the first document types that *Dynamics* users are looking to apply imaging to, the opportunity certainly doesn’t end there. “There are six or seven key applications we focus on, with accounts payable typically being one of the top two within an organization,” he said. “However, ERP systems extend into several other paper-intensive areas like human resources and accounts receivable.”

Of course, Irons also stresses that *KwikTag* is not limited to working with mid-market ERP. “Over the years, a lot of people have bought our SDK and used it to integrate with larger ERP applications from vendors like PeopleSoft and **Oracle**,” he said. “We also have big law firms that have integrated *KwikTag* with software from vendors like Hummingbird (now **Open Text**) and **Interwoven**. Some of our customers use *KwikTag* across several departments and applications.

“For now, though, we have consolidated our sales and marketing efforts in one market to prove out and exhibit our technology. We think this will help prove the potential for universal adoption of *KwikTag*. We are also in discussions with some ISVs that are looking to put our capture technology on the front end of their solutions. It’s not our retrieval and repository technology that makes us unique. It’s the capture.”

For more information: <http://www.imagetag.com>



“There are large companies that can benefit from reducing their data entry staffs through zonal OCR.... Our customers don’t want the cost, or need the risk, associated with automated data entry.”

—Steve Irons, ImageTag