

Document Imaging Report

Business Trends on Converting Paper Processes to Electronic Format

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February 18, 2011

Reseller Maintains Growth Through Recession

President discusses how moving upstream has buoyed ImageSoft

At the recent **Kofax** Transform Conference in San Diego, CEO Reynolds Bish cited his company's transition to more direct sales as one factor that has enabled it to continue to grow its software business impressively despite a still somewhat struggling economy. Bish conjectured that VARs, which typically target the mid-market, have been hurt worse by the global economic slump than a direct sales force that targets higher-end deals. We pretty much agree with this theory. However, we've also found that VARs that deal with larger customers have weathered the economic storm better than their more SMB-focused brethren.

One of these higher-end VARs is **ImageSoft** of Southfield, MI (just outside of Detroit). ImageSoft recently announced it is celebrating its 15th year in business. During that time it has achieved a 15% CAGR. "In 2010, we grew our revenue approximately 15%, which was a little down from our peak growth year of 2007, when we grew 23%," said Scott Bade, president of ImageSoft. "However, it was up from 11% in 2009. We've definitely been holding our own."

ImageSoft was founded in 1996, and in 2000 it became a reseller of **Hyland's** OnBase imaging, document management, and workflow software. "That's when we really got serious about being a reseller and a systems integrator," said Bade. "It took us another five years before we made an investment in the next-level of management that is really driving our growth today."

Bade said that applying some basic business management principals has enabled ImageSoft to continue growing while other VARs have backslid. "There's not a big barrier to entry for getting into this market," he said. "The problem is that most resellers tend to rise to a certain level and then fall back. Hyland has maybe 200 or so partners [Hyland lists 439], but only 10 really perform at a consistently high level year after year. [ImageSoft was recently one of nine Hyland partners awarded Platinum status, a level which it has achieved every year since 2005.]

"In my opinion, our success is attributable to improving our personnel as we've grown. As you grow, expectations grow, because you are engaging bigger customers who have dramatically different expectations than smaller ones. To address this, you need to hire people who have had experience with larger customers. These types of people are expensive, but if you don't hire them, you'll stagnate."

ImageSoft currently employs 55 people. It has two major office locations, in Southfield and Cary, NC, as well as several satellite sales people. Its primary markets are the insurance industry, court systems, and healthcare. It has approximately 140 customers throughout North America.

"We were fortunate early on to land some fairly large insurance customers," said Bade. "We also have some large healthcare companies as clients, including **Duke University** and **Henry Ford Hospital**. Especially in the insurance and healthcare markets, there is a long list of opportunities for process automation at a single organization. We now generate a significant amount of revenue through expansion into other areas of existing accounts."

Bade acknowledged that ImageSoft has been fortunate that its software partner's product has matured as its business has. "OnBase started out as basically a small market product and has been steadily growing into the middle and upper markets," he said. "We have been growing with it. We've also benefited from some of Hyland's competitors being less than great about supporting their customer bases."



Scott Bade, president, ImageSoft

In addition to OnBase, ImageSoft is a Kofax reseller and has a SharePoint integration business. "With Kofax, we have been focusing on KTM, particularly the invoice processing module," Bade said. "Kofax's software in this area has improved significantly, as has the market demand. OCR automation is a lot safer to sell now than it was in the past. We are also starting to address payment processing, for which we are using **A2iA's** software."

ImageSoft's SharePoint business is just getting off the ground, and Bade estimated it accounted for less than 5% of the organization's revenue in 2010.

"**Microsoft** has certainly raised awareness of the ECM market, which has raised the tide," he said. "Microsoft is pushing to get ECM on every desktop and embedding it in Office more and more. I think this is helping to get people talking about ECM like they never have before."

"But, to me the markets for SharePoint and OnBase are still separate. SharePoint really represents a different way to automate a process than OnBase does. There seems to be a core group of users that have enterprise licenses and are looking to leverage SharePoint this way. But, there's typically more development involved."

"There's really very little conflict with OnBase—much less than I thought there would be. Usually, the decision has been made by the user [about which route they want to go] before we walk in. I think our SharePoint business is going to grow, but I think our OnBase business is going to continue to grow as well."

Bade concluded by saying that to maintain its growth, ImageSoft is ramping up its marketing efforts. "Healthcare, insurance, and criminal justice are three pretty recession-proof markets," he said. "They are showing no signs of slowing down. It's really up to us to execute better and take more market share."

"The value and benefits of our solutions are certainly there. It's amazing when you go back to a customer six months after an implementation and hear the ROI they are achieving. It's up to us to get that message out there."

"One thing we've been doing is increasing our presence at events. You can't rely on vendors for leads anymore. That's certainly one way the market has changed. I understand why they've done it, but every ISV now has a direct sales force for larger accounts. If we want to continue to win larger deals, we have to go out and get them on our own."

For more information: www.imagesoftinc.com;
<http://www.imagesoftinc.com/15th-anniversary.html>;
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