

Document Imaging Report

Business Trends on Converting Paper Processes to Electronic Format

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IDT: VAR Bullish on ECM Cloud Adoption

Integrated Document Technologies (IDT) is bullish on the cloud. Of course, that is nothing new, as the Chicago-area VAR has been embracing cloud ECM since 2008. What is new is that IDT recently began ramping up to handle what it feels will be a tipping point of cloud adoption in this market.

“We got started in the cloud a long time ago,” said Paul Szemplinski, IDT’s founder and CEO. “However, like many others tend to be when addressing emerging markets, we were a bit overeager. We expected people to jump to the cloud sooner than they did. ECM especially has been lagging behind, but we think the industry has finally gotten its act together and that is going to change.”

“I feel very strongly about cloud ECM adoption in 2015. The market has finally settled down after some major M&A activity created uncertainty. This uncertainty caused some customers to move in other directions. They wanted to see how things worked out.

“Now, I think the landscape has settled down and there are a lot of good cloud offerings available—especially for the middle market

from vendors like **Hyland**, **FileBound**, and others. We have facts and figures that support the ROI from the cloud, and we have a passion for selling it. Ultimately, customers will choose to deploy the software they want, and we are betting it will be in the cloud.”

FUD slows adoption

Szemplinski blames two factors for the relatively slow adoption of cloud ECM: corporate IT and the ECM vendors themselves. “Business people just want a solution to their problems,” he told *DIR*. “However, corporate IT doesn’t always jive well with business users. IT wants to accomplish what they want to accomplish on their own timetables.

“The cloud requires a minimum of IT involvement and represents a way to get around those timetables. If you want a solution today vs. one in six months, the cloud is the best way. Once IDT has the requirements for a customer in hand, we can have a capture system in place in 12 to 18 minutes. We don’t care where users are located—they can be on the U.S. east coast, west coast, or even in Europe or Asia.

“It’s literally a matter of minutes to install a cloud application, not

even days or hours, not to mention weeks or quarters.”

Szemplinski noted that the maturation of cloud software and the experience of IDT’s integration team have enabled the integrator to work around challenges like application integration and corporate firewalls. “We also have the ability to do hybrid installations, which is something we have seen a lot of demand for lately, especially with larger customers,” he said. “Our customers typically want their documents and data tied back into their line of business systems—which could be on-premise or in the cloud. We’ve developed some innovative methods of hopping information between on-premise and cloud applications.”

Szemplinski said that despite all this, corporate IT will often draw a line in the sand and tell business leaders that if they want ECM, it has to be installed on-premise. “We had one customer fight that edict recently and tell his IT department, ‘If you guys had a track record of meeting our needs, I’d be all about on-premise. But I can’t believe you, so I’m going the cloud route.’

“It takes some strong political clout to pull that off, but I think you are going to see it more. The

days of corporate IT dictating what business leaders can and cannot do are over. Business people are becoming more savvy and all software now has at least an element of cloud to it. Business people are weighting the pros and cons and making the best choices to satisfy their needs. If they adhere strictly to corporate IT policy, that might not always be the case.”

Szemplinski noted that like corporate IT, ECM vendors have a history of fearing the cloud. “When the cloud model first started emerging, IDT recognized it as a gorilla that was going to change the way software was sold,” he said. “From a vendor standpoint, we saw that the cloud could have a dramatic effect on cash flow and the ability to meet operating expenses, as well as how revenue is recognized. We foresaw it as a big time disruption in the market.

“The days of corporate IT dictating what business leaders can and cannot do are over.”

—Paul Szemplinski, IDT

“But, because of its benefits to the end user, we started marketing the heck out of cloud ECM. We produced an ROI study that compared a capital expenditure vs. making that same purchase in the cloud, and are able to show the savings that can be achieved. We’ve had the financial message down, but it seemed to us that analysts and vendors in the ECM industry were slow to evangelize the cloud’s value.

“I think ISVs also saw the potential disruption the cloud was going to cause and did not want to deal with it. It was the late 2000s and the economy was going down the drain. Now they were going to have to sell to their boards the advantages of taking \$10,000 a year for 10 years for a cloud sale, vs. taking a \$100,000 on-premise deal today. How was that going to fly?”

Structured to drive cloud sales

IDT forged ahead with its cloud strategy anyway. “For us to succeed, we realized that we had to neutralize the decision between cloud and on-premise sales for our salespeople,” said Szemplinski. “We always position both options to our customers—but, we had to make the compensation for our salespeople equal for both types of deals. Or, if we wanted to drive even more business to the cloud, we had to give them extra compensation for cloud sales.

“The onus of changing an organization’s behavior falls on the management. If we have goals we want to achieve, it’s our job to drive our compensation model so that it drives the behavior of our employees toward meeting those goals.”

Szemplinski estimated that 40% of IDT’s new business is currently coming from cloud sales. “By next year, I’d like to

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flip that to 60%, and if the industry starts catching up, I'd like to reach 80%. I like the idea of a business based on a consistent revenue stream," he said. "I'm sick and tired of one hit wonders and I don't think capital expenditures are going to increase any time soon due to improvements in the economy. The US GDP is stuck at a 2-3% growth rate. I think the cloud makes the most financial sense to many of the clients we sell to."

Leadership team in place

To help drive more cloud sales, IDT recently promoted Michael Nolfo to President and John Dobbins to EVP of Sales. "We wanted to make sure we have the right people in the right roles to take IDT to the next level—by influencing our revenue toward the cloud, which is the way we want to grow," said Szemplinski. "In Mike's case, we wanted the right person at the top—someone who understands our cloud strategy and can make sure the company continues to execute on it."

"Mike is a seasoned veteran of IDT. [He started in 1999 as a sales rep and was most recently VP of sales and client development, focusing on growing business within IDT's customer base.] He knows the landscape of our customers and partner relationships. It's important that we align with ISVs that have a strategy similar to ours."

"From a sales standpoint, we are counting on John to drive all activities, including inside sales, business development, and external sales efforts. This includes aligning our trade show and marketing efforts with our revenue attainment goals in key areas like the cloud and professional services. We also need to make sure we meet the revenue goals our vendor partners have set. We needed the right guy in charge of all this, which is why we promoted John." [Dobbins had been serving as IDT's VP of sales since 2011. He spent several years with IDT previously to that as well.]

In addition to the promotions, Szemplinski said IDT is adding staff. When we spoke, IDT was actively looking for a new ECM practice lead. "This is someone that will be key in delivering the architectures for our solutions," he said. "They should be able to help our sales team design solutions properly and help our professional services team implement them. It's important for us to successfully bridge the gap from pre-sales efforts to delivery."

Szemplinski concluded that successful ECM delivery means owning a customer's business processes. "If we own processes, we are deep into a client, and we become a very important cog in their wheel," he said. "Simple storage and retrieval can

be easily displaced. If you have intimate knowledge of how your customers make their money, if you are integrated at that level, you are hard to displace."

"Our goal for our technology stack is to marry the right components for managing business processes, with the ability to deliver them in the cloud. We think this creates differentiation. In three years, we'd like to be delivering about 90% of our new solutions in the cloud. Each year, the technology is getting better and customers are getting more comfortable with the cloud."

For more information: <http://bit.ly/IDT-promotions>