

Document Imaging Report

Business Trends on Converting Paper Processes to Electronic Format

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Acquisition Brings Together Leading Micrographics Hardware Vendors

It's been a long time since micrographics was widely regarded as a growth market. So, it's probably not surprising to hear about consolidation, like the recent acquisition of **nextScan** by **ST Imaging**. What may be surprising is that both companies report that they have enjoyed recent growth and that the synergies of bringing the two companies together should drive even further growth.

"This is a combination of two leading microfilm system manufacturers that will allow both companies to offer new products and services to their existing customers and micrographic users," said Bruce Rennecker, VP of ST Imaging, as quoted in a press release. "The mission and corporate direction of both ST Imaging and nextScan has historically been to lower the cost of microfilm and microfiche conversion and provide increased access to film libraries. This new partnership will enable large and complex conversion projects to be even more financially feasible."

nextScan has been well covered in *DIR*. It specializes in high-volume scanning devices with rated capture speeds of more than 2,000 pages per minute. ST

Imaging is at the other end of the spectrum. ST, which is owned by **Digital Check** (so technically, it's the Chicago-area vendor of check imagers that is acquiring nextScan), specializes in desktop reader/printer devices, on which users typically view microfilm images before digitizing or printing them.

Kurt Breish, the founder of nextScan who will stay on as general manager of the nextScan division of Digital Check, summed up the existing micrographics market. "There are still a decent number of large projects out there, where users have tens of thousands or even a couple hundred thousand rolls of film that they have not been able to cost justify converting," he said. "That has traditionally been our market.

"Our combined marketing teams have also identified at least 30,000 opportunities in libraries and smaller government offices where there are somewhere between 500 and 2,000 rolls of film. nextScan has a rental program that helps us address smaller conversions, but

once you get below a certain size, the investment in transporting, setting up, and training users on one of our scanners is hard to justify. Going forward, I think there will be opportunities for the combined technologies of both companies to address these smaller opportunities in a more effective way."



Bruce Rennecker, VP,
ST Imaging

In 2013, nextScan introduced an innovative product called Virtual Film, which enables users to capture digital images from microfilm without having to do any manual indexing. It outputs images in a "digital ribbon" format and enables users to view them using the same scrolling techniques they would use to view microfilm. "Virtual Film removes the complexity and cost associated with manual indexing," said Breish. "Once the images are digitized, the user can add more complete indexing over time if they need to be integrated with an ECM system."

"Virtual Film is a great example of nextScan technology that might be applicable in our market," said

Rennecker. "It's the type of feature that could enable us to effectively include more capture capabilities in our products."

ST Imaging's flagship product is the ViewScan III, which offers a market-leading 14 MP camera to provide a very high resolution viewing experience. "Our parent company, Digital Check, puts out hundreds of thousands of check scanners every year," noted Rennecker. "What's nice is that sometimes we can leverage Digital Check's high-volume relationships to get pricing on components that a smaller company like ST wouldn't be able to get on its own. The 14 MP camera is an example of that.



Kurt Breish, founder and GM of the nextScan division of Digital Check

"And more importantly, we have access to the Digital Check engineering team. ViewScan III was really designed and built for us by Digital Check. nextScan will now have some of the same manufacturing advantages."

ST Imaging has manufacturing facilities in the Chicago area, while Digital Check, which is headquartered in Chicago, does its manufacturing in Southern California. nextScan will continue to run its business and manufacturing out of its Boise, ID headquarters.

"We recently landed a large conversion project with a government agency, in which Virtual Film played a very important role," noted Doreen Compton, VP of sales and marketing at nextScan. "As other government agencies, with similarly large micrographics stores learn about this project



The Eclipse 16/35mm roll film scanning solution can capture images at well over 1000 ppm, nearly twice the speed of any other scanner on the market. It features a patented film transport and LED Strobe Light Illumination system. It comes with NextStar PLUS Workflow Software, which can significantly reduce conversion costs by minimizing operator setup and QA, while eliminating the need for rescans.

and how much money this agency is saving vs. a conversion with traditional indexing requirements, we are starting to get a lot of queries. Having Digital Check as a parent, because of its size and its contracts in the government sector, will definitely be an advantage."

Rennecker noted that even prior to the acquisition, the two companies often referred customers to each other. "We'd see each other at shows, and would pass leads back and forth,"

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he said. "Kurt put together an incentive for our resellers for providing nextScan with solid leads. It was a real synergistic relationship."

"It will be nice to have the whole market covered," added Breish. "Our engineering team will be working closely with ST and Digital Check. We'd like to create a migration path from ST's reader/printers to a conversion process—all while using a similar interface. You can expect some new products in the future."

And while nextScan, which sells primarily direct in the U.S., will now be able to further leverage ST Imaging's extensive reseller channel, ST is hoping to take advantage of nextScan's international sales channels. According to Breish, nextScan does approximately 40% of its business outside the U.S.

"While we are strong in Canada, Australia, and New Zealand, ST has minimal activity in the rest of the world," noted Rennecker. "One of the synergies we are hoping to take advantage of is nextScan's extensive international reseller channel."

Both companies said they are coming into the acquisition with momentum. "We have shown pretty consistent year-over-year growth," said Rennecker. "A lot of that is because there is a replacement market for products from vendors that have left the micrographics space. This past year, we were busy replacing reader/printers that were attached to XP devices through SCSI connections."

"After a slow first quarter, nextScan is shaping up to have another nice growth year," said Breish. "I



ST Imaging's ST ViewScan III microfilm scanner utilizes an industry-leading 14 megapixel color image sensor with USB 3.0 connection. The high resolution camera is designed to allow users to see more details in the film, as well as digitally zoom in closer than ever before.

The ST ViewScan III is the third generation of ST ViewScan microfilm scanners and the fourth digital microfilm scanner released by ST Imaging since 2003.

The ViewScan III introduces full color microfilm scanning. In addition, the ST ViewScan III creates quality images from 35mm color slides.

The ViewScan III ships with the standard basic viewing and image capture software with optional ST Premium software available.

would say that there is still a lot more film out there that is unscanned than scanned. Some of the opportunities relate to film that is going bad. In some cases, maybe the agency or library that owns it hasn't had the budget to do a project with traditional indexing. Virtual Film should remove that barrier. With the way processes are going digital these days, I'd venture to say we'll be scanning film when there is no paper left."

Added Rennecker, "You keep hearing that paper and checks are going away, yet every year the number of scanners people are buying continues to increase. The bottom line is that like checks and paper, film isn't going away as fast as everyone thought."

nextScan integrates OCR, redaction

A few weeks before the acquisition was announced, nextScan exhibited some new technology at the annual **ARMA** show, held this year in Washington, D.C. This includes OCR and redaction capabilities built right into the company's NextStar PLUS Workflow Software. Both features are being offered as add-on modules.

NextStar supports three leading OCR software engines: **ABBY**, **Nuance**, and **LEADTOOLS** and can output fully searchable PDF files. "Historically, if users wanted to apply OCR with our devices, they would typically scan to a destination like a hot folder and run the OCR application separately," said Breish. "Because it was outside the scope of their scanning workflow, the OCR conversion would have to be tracked separately. Now, within NextStar, we can track every file being converted, how long it takes, and if something fails—like if the engine is being given inverted files, which happens with microfilm. Our software can also report back confidence levels.

"This functionality is really good for projects where users want to be able to see the results as the system is working instead of after everything is created. The demand is being driven from the library market, where they are scanning film of newspapers and really want to know what they have."

The redaction capability basically enables users, during the scanning process, to draw a box around an area of an image they want blocked out. "In this first version we are not doing anything too complex," Breish said. "We are planning on adding some template matching capabilities to enable automated redaction in the near future."

For more info: <http://bit.ly/nextScanSTImaging>;
<http://bit.ly/nextScanOCRredaction>;

PRESS RELEASE



nextScan Announces Sale to Digital Check and Strategic Partnership with ST Imaging

New alliance will create a comprehensive ECM and Micrographics Conversion Solutions provider

Boise, ID – November 2015 – nextScan, a world leader in cutting edge technology for the micrographics conversion and document management industry, announces today that they have been acquired by Digital Check of Northbrook, IL. Digital Check is the worldwide leader and manufacturer of Digital Check Scanners for the banking, financial services, POS, and small business markets.

Digital Check's Microfilm Scanner Division, ST Imaging, has gained a strong reputation and demand for their ST ViewScan III. This small microform scanner is efficient, easy to operate, and uses an industry-leading 14 megapixel camera. In addition to the ST ViewScan Scanners, ST Imaging also produces page and book scanning equipment for public libraries, museums, genealogy centers, and domestic and international microfilm repositories.

Digital Check's President and CEO, Thomas Anderson, Jr. is a familiar name in the Document Management and Microfilm industry. Tom Anderson's father, the late Thomas Anderson, Sr. was the founder of Microseal and past president of the National Microfilm Association (NMA – which was renamed AIIM) and International Microfilm Congress (IMC).

Kurt Breish, President and CEO of nextScan states, "nextScan's industry leading scanning technology has allowed us to develop the highest speed production scanners and most sophisticated workflow software application for government, corporate, and archival applications. One current project for a large governmental agency utilizes custom scanners with speeds over 2000 pages per minute. This acquisition by Digital Check will be of significant benefit to both nextScan and ST Imaging. By combining resources and technology, nextScan and ST Imaging will soon be able to offer the fastest conversion speeds and feature rich imaging enhancement software to all segments in the micrographics marketplace from libraries to the largest governmental or private conversion projects."

"This is a combination of two leading microfilm system manufacturers that will allow both companies to offer new products and services to their existing customers and micrographic users," says Bruce Rennecker, Vice President of ST Imaging, a division of Digital Check. "The mission and corporate direction of both ST Imaging and nextScan have historically been to lower the cost of microfilm and microfiche conversion and provide increased access to film libraries. This new partnership will enable large and complex conversion projects to be financially feasible."