

Document Imaging Report

Business Trends on Converting Paper Processes to Electronic Format

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Brainware Continues Impressive Growth

Brainware is another example of a document imaging vendor that has continued to increase sales despite the downturn in the economy. The Ashburn, VA-based data capture ISV recently reported a 230% increase in revenue for the trailing 12 months compared to the previous year. Brainware's primary source of income continues to be its *A/P-distiller* application for automating data capture from invoices—primarily in high-volume, complex environments.

"We go to market as the Rolls Royce of invoice capture applications," said Charles Kaplan, VP of marketing and product management for Brainware. "Our average deal size is \$500,000 and up. We have done deals that include \$8-10 million in software. To accomplish this, we primarily target companies with \$1 billion in annual revenue or better."

Brainware differentiates itself through its ability to automatically capture line items from invoices. "The approach we take recognizes line patterns; we do not have to find the header of a column and parse it out. Because of this, we can process tables that span many pages. This is useful not only on invoices, but also on documents like multi-page remittances, bills of lading, and freight and proof of delivery forms. It works on documents that span hundreds of pages."

Brainware also touts that its strong automation capabilities marginalize the need for the A/P workflow packages offered by competitive vendors like **ReadSoft** and **Open Text**. In fact, those vendors have told *DIR* that they typically lead with workflow. “We have introduced a version of our workflow with an **SAP** look and feel and our software has been certified by SAP,” said Kaplan. “We include our workflow technology as part of every *A/P-distiller* implementation. However, for us, workflow is secondary to data capture.

“Our automated extraction capabilities are so strong that very few invoices need to be passed into an exception queue for manual processing. They can typically be posted to the ERP application without anyone having to look at them—unless there is a business rule, possibly related to the amount or type of purchase, that requires manual approval.”

For Brainware, the cost-justification of its high-priced system comes in the reduction of personnel used to process invoices. “On the low-end, we’re looking at staff of about 12-15 people that we are able to reduce by 60-80%,” said Kaplan. “Right there, you’re looking at a half-million dollars in savings and up.”

Of course, Brainware has also become more flexible in its pricing model recently. “We are structuring deals to make it easier to acquire our software,” said Kaplan. “We still expect a long-term service contract, typically for five years, but, we are finding that not everybody has the budget to pay for big enterprise software implementations up front. So, we have created ways to structure deals so they can be accounted for as operational, instead of capital, expenditures.

“Instead of asking a customer to pay for all their software and services and maintenance up front, we’ll offer them a term license. This is similar to a lease with an option to buy for a residual fee at the end of a specified period. The price is lower if the software is purchased up front, but being able to write it off as an operational, vs. a capital, expenditure has its advantages. Also, the ROI in this type of purchase can be almost instantaneous.”

Expanding the scope of capture

According to Kaplan, currently two-thirds to three-fourths of Brainware’s revenue is coming from invoice processing. “That market is hot,” he said. “In addition to selling into SAP environments, we’re also seeing increasing traction in the **Oracle Financials** sector. We recently appointed a board member who is an Oracle executive. Oracle really doesn’t have anything that does what *distiller* does. We have a certified integration with *Financials* and are increasingly working more closely with Oracle’s sales organization.”

Brainware is also working with electronic payment specialists that are interested in its technology to complement their services. “Obviously, if everyone went to electronic invoicing, our business would go away,” he said. “That’s not going to happen. Even businesses that use electronic invoicing still have a tremendous paper problem, as 50-60% of their invoices come in on paper. We are working on partnerships with vendors dedicated to electronic invoicing, as well as large financial institutions that offer services in this area.”

Kaplan added that Brainware does not expect invoice processing to carry the company forever. “One reason that the invoice processing market is hot is that it’s maturing,” he said. “Companies are confident they can find an A/P solution with automated invoice capture. That’s not true in other areas with semi-structured forms. For example, when we recently announced a deal with **Old Dominion Freight Line** to capture its remittance forms, we started getting calls from other trucking and freighting companies, asking about our software and saying, ‘we didn’t know you could do that.’

“If you look at the position we’re in now, we can go aggressively after invoices all day long. However, increasingly, we’re finding that many of our invoice customers have other document types we can apply the same types of processes to. **Johnson Diversey** [a leading manufacturer of industrial institution cleaning products] started out with invoices, but is now looking at expanding its *distiller* application to handle shipping and order documents. Old Dominion actually started talking to us about bills of lading, but ended up buying for remittances—bills of lading and invoices are expected to be added over time.

“The bottom line is that our software isn’t limited to a single department like A/P or A/R. Users can expand their document capture ROI by taking it into other areas—creating a capture center of excellence. They then can apply their capture software and expertise to multiple areas of their businesses.”

Finishing the year strong

In conclusion, Kaplan said that despite the recent global economic downturn, Brainware expects to finish 2008 strongly. "I expect the fourth quarter to be pretty good," he said. "We've done well in industries like oil and gas, life sciences, and manufacturing. We just went live with several applications at places like the **Mayo Clinic, Abbot Labs, Southern Company**, and **E-On**. Basically, we've set some aggressive goals for the company, and we are pleased to be meeting and exceeding them. This is despite the downturn in the financial market. I will say that it is taking longer for companies to pull the trigger on projects in some cases. But, we still have some opportunities to close big deals before the end of the year."

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