

# Mitigating Risk through OEM Software Partnerships

Leveraging OEM Software to Drive the Bottom Line

**Who should read this document:**

Executive management of software companies in all industries will benefit from this information if considering OEM as an option to speed time to market and increase the value of the software you deliver today. If you are a CEO, CFO, CTO, CIO, or Senior Software Engineer of a company that delivers ERP, MRP, EMR or CRM software, you should read this document before you continue developing your software solution, specifically, if you wish to improve the enterprise document and forms design, presentation and delivery methods.

**What We Do**



**Who We Do It For**



**Who We Partner With**



## Executive Summary

Incorporating third-party technology to add new capability to existing applications is not a new concept in today's software market. DocOrigin, a provider of enterprise-class software for the design of all business documents, forms, checks and labels, offers a different approach to OEM relationships by providing a risk-mitigation strategy that offsets financial and resource investments to allow for increased margins, rapid time to market, and faster time to value. Traditional OEM relationships require significant up-front investments in the form of financial and human resources to bring a new commercial-quality software product to market. These investments include:

- Procurement of development licenses.
- Dedicated development resources.
- Product training and education.
- Third-party license royalties for products sold.
- Sales training and pipeline development.
- Marketing and sales collateral creation.
- Technical support costs.
- Ongoing product development for application feature enhancements

At DocOrigin, we believe the primary risks in entering OEM relationships are found in the time frame between the decision to add additional capability to the existing product line and the break-even point of investment and revenue generation. The solitary focus of our OEM program is to mitigate the risks in that time frame through investment and resource commitments, allowing our OEM partners to bring new solutions to market more quickly, align investment with cash flow, and enjoy higher returns on product sales. We accomplish this by enabling our partners to:

- **Make** solutions leveraging DocOrigin software technology through development license investments, development resource assistance, training and education.
- **Sell** the new application at higher margins by offering a royalty-free exemption period, sales enablement training, and co-marketing activities.
- **Scale** applications by leveraging additional resources for enhancements and dedicated technical support.

The following whitepaper provides an in-depth view of the risk associated with OEM relationships, the value DocOrigin brings to an ISV, the benefits and disadvantages of the "Build vs. Buy" approach, and how DocOrigin is offsetting risk through a unique approach to working with our OEM partners.

## Survival of the Fittest

In today's rapidly changing software market, acquiring third-party software to provide additional product capabilities and functionality is common. With the adoption of technology comes the proliferation of software vendors to meet end user needs. Software markets, like any business market, go through competitive growth cycles consisting of a few early entrants, the explosion and democratization of vendors, with the market fragmentation to be followed by consolidation and survival of the fittest.

The enterprise software market has seen a rapid expansion and adoption, followed by the aging of legacy business systems and legacy document generation software systems. Many independent software companies are looking to incorporate advanced document technology with features to support interactive and batch production, as well as dynamic, web-based fillable HTML and PDF forms. These software companies need to incorporate advanced document and forms capabilities in their existing product development cycles. There is a balancing act of risk between developing advanced document and forms capability in-house and looking to partner with a supplier like DocOrigin to augment the existing application offering with reliable, powerful and scalable capabilities through an OEM relationship.

One of the major gaps often overlooked by software companies developing business software is the lack of internal expertise related to developing software specific to form and document design, presentation, and delivery features (Smart Phone, Tablets, Browsers, Desktop Lasers & Inkjet printers, Production Printer and Inkjets). The knowledge base possessed by even the best business software developers is typically lacking in the specific skills needed to develop an enterprise-class document software solution. There are plenty of open source solutions that at first glance by software developers appear to have all the functionality your company needs. However, even software developers with strong database, programming, and scripting skills discover there are major differences in the knowledge required to develop *enterprise class e-forms and document generation software solutions* and their knowledge base.

Is your team ready to support thousands of printer models (Inkjet, laser, impact, high-speed roll feed), thousands of fonts and your customer's need to print and present through multi-channels (phone, tablet, PC, print, fax, SMS) and push PDF, PDF/A, to Portals, DMS, and content management systems? Properly driving specific printer models, driving them at rated speed and supporting all features is a full-time job. Most likely, your business software is replacing an existing solution and your team will inherit the daunting task of not only supporting existing printer models, but also supporting dissimilar brands and models. Just getting the paper trays of dissimilar brands to select the correct tray can create a major development undertaking and / or create a support nightmare.

The skill set to learn and understand the complexity of the unique world of document design, generation, pagination, fonts and print drivers could be learned by your core developers. The question is, "Is this the best use of their time, or should they focus on what they do best?"

## Evaluating the Risk of OEM Relationships

Incorporating third-party software into an existing application to augment current capabilities is not a new trend in the software market. Microsoft's revolutionary vision pioneered the OEM software model when they sublicensed their DOS application to IBM in 1980, thereby opening up the door to a wider distribution of DOS, and ultimately the beginning of Microsoft's dominance in the marketplace today.

Entering into an OEM relationship requires both financial and resource investments. Return on that investment varies from ISV to ISV, depending on the business objectives that prompted the OEM relationship onset. For example, some ISVs embed third-party technology to meet specific customer demands, translating into a relatively fast ROI due to the ability to rapidly bring new capability to the market. Other software manufacturers make investments in third-party technologies for competitive reasons, whether it is to stay ahead of or play catch up to the competition.

The presentation of information for human consumption is most commonly presented as a document or a form. Paper or electronic, the information needs to be presented in a format that effectively and efficiently communicates with the recipient. In today's world it is equally important to meet compliance and regulatory laws. Line of Business (LOB) software needs to combine data with cosmetically appealing presentation, while maintaining specific formats, and including legal information which cannot be altered or removed by the recipient.

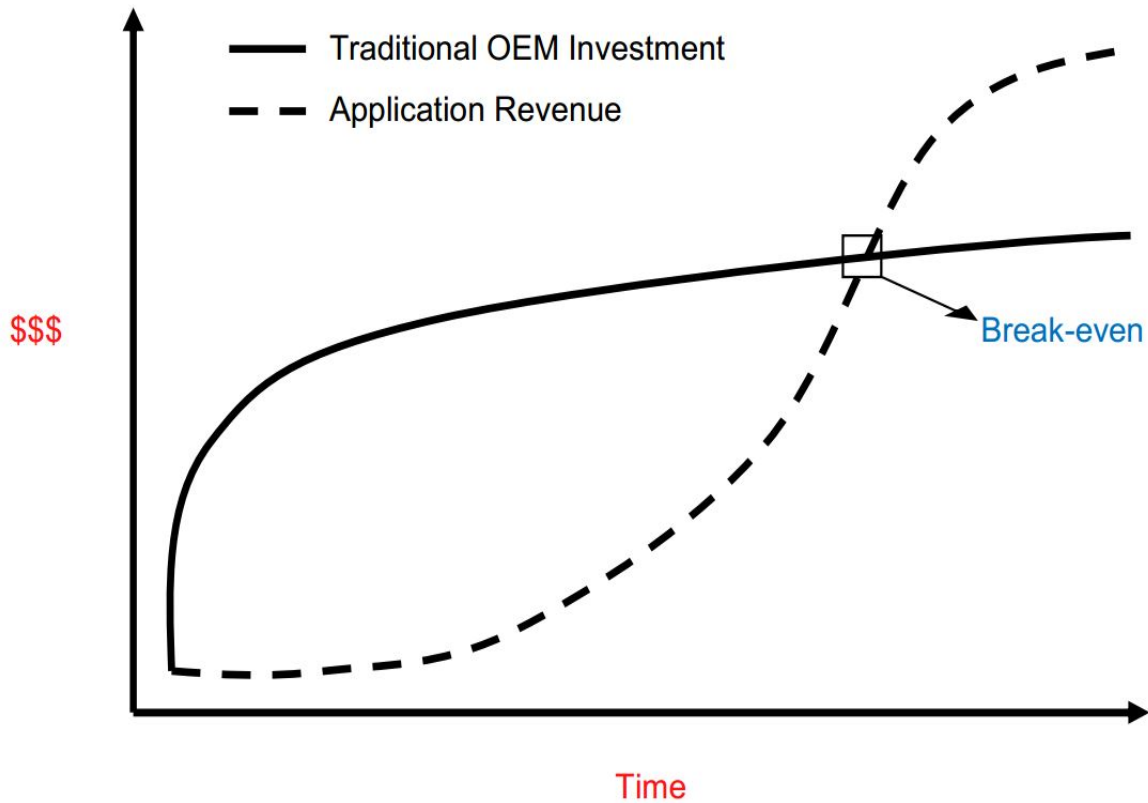
For instance, **User Accessibility**<sup>1</sup> (UA) regulatory requirements alone can cost companies millions of dollars in fines – yet the majority of production document generation software on the market does not support the creation and generation of PDF/UA. Because of this, many ISVs or their customers are required to purchase third party post-processing tools that cost tens or hundreds of thousands of dollars and require duplicate processing of all business documents and forms made available to the public.

From procurement of the development software to recognition of revenue as the new application or module is shipped, ISVs should evaluate all of the investment required to deliver a new application to the market. Before making a buy vs. build decision, ISVs should consider the following risk factors:

- **Technology Investment** - What initial investments are needed to procure development software, maintenance and other ancillary software or hardware required to support the new application?
- **Development Investment** - How many resources and how long will it take to design, develop and test the new application?

- **Resource Skills** - Does my product development team have the right skill sets and experience to deliver a stable Version 1 release? Keep in mind that the primary skills of software developers fall in three categories: (1) Communicating with business units to convert business ideas into ERP, MRP, EMR, CRM... solutions; (2) Writing code to properly process business transactions and processes into useable information; and (3) knowledge of databases. The skills needed to create a form and document design and generation solution require the knowledge to create designer software flexible enough to design any document or form, merge data into the templates, and produce high fidelity humanly consumable documents. In today's market, the ability to present information in the multi-channel world of smartphones, tablets, web sites, PCs and printers is a must. Your developers and support team should have knowledge of every type of printer you can image, from inkjets, lasers, and thermal label printers, to high volume presses, roll feed inkjets, and more. And then there is the sorting, bursting, postal cleansing, archiving and more that is also required in document generation software.
  - **Business model** - What level of commitment should your company make to the OEM vendor to garner the best long-term deal for your customers?
  - **Sales and Marketing** - How long will it take your sales and marketing team to develop the appropriate materials to quickly generate and close on a pipeline of opportunity for the new application?
  - **Ongoing Support** - When a customer logs a technical support case that your company cannot resolve, how can you be sure you get the same prompt support and resolution from your OEM vendor that you offer to your customers?

Typically, the answers to the above questions are tied to the level of integration and commitment an ISV makes to a software supplier. For example, for ISVs that are willing to embed a third-party application into the primary platform, the supplier is generally more willing to offer greater price discounts and support than those who wish to create an optional add-on module. Similarly, OEM vendors frequently use contractual minimums on a term basis to guarantee higher levels of discounted pricing that bind the ISV to payment commitments, regardless of whether the product was actually shipped.



### Typical Build vs Buy (OEM)

Unless an ISV is willing to make long-term contractual commitments to the OEM vendor, the resulting business arrangements typically result in lower margins to the ISV and a decrease in time to a positive ROI on the new application as a result of paying supplier sublicense fees for each transaction. A typical OEM deal can have a significant impact on cash flow, as there are upfront technology investments in the form of test and development licenses, training needs, and resource requirements to create a new commercialized software package.

## Build vs. Buy

Document generation software is dependent on the comprehensiveness and accuracy of the data that is being generated. When evaluating the software capability to augment existing software applications, many companies underestimate the impact of documents and forms on their clients. The life blood of all companies is the information the system collects and produces and the presentation of this information can be the difference between a professional presentation or an average presentation. Statistics show that documents and forms can actually improve a company's brand and bottom line, documents can actually become a source to improve revenue.

As such, some software manufacturers may choose to develop their own document design and generation solution that takes advantage of the datasets and architecture that currently exists within their application. Product development teams get organized around the initiative, and the requirements gathering and design phases begin, as with any software development lifecycle. Depending on the scope of the functionality to be added, simple reporting capabilities can usually be made available to users within a few months, while more elaborate documents like statements, contracts, policies, invoices, checks, forms, labels and their workflows are delivered over a longer period of time. Product development teams, while burdened with the task of developing and enhancing new capabilities over time, can usually be confident their solutions are consistent with the underlying code of the overall application.

Since the development team is already carried under the cost structures of the software manufacturer, it is easy for executives to perceive in-house development as the most cost-effective route to adding document and forms capability to the current software suite. One serious potential problem and often overlooked possibility is that the executives often have significant faith in the software developers on their team. These key developers often have an unconscious desire to do whatever it takes to please executive management, and as such, they often underestimate the complexity of building an enterprise-class document software solution. By the time they realize the task is more complex than first thought, a significant investment in time and resources has been expended.

Developers can also overlook the fact that they are the core developers of your primary software solution – and that splitting their valuable time between their primary job and document centric tasks can be overwhelming. Not to mention that enterprise e-forms and document solution development is significantly different than developing a business software application. With the business software, your company has all the subject matter experts in-house. With forms and document software, you are most likely looking to open source providers or learning as you go. Does your development team know enough about the forms and documents industry to determine if an open source solution will meet the needs of all your clients? Keep in mind that the forms, document design and generation business includes major vendors like Adobe, OpenText, HP, GMC, etc. These enterprise-class document software licenses often cost an individual customer hundreds of thousands or millions of dollars. *Don't underestimate the value of documents and forms in your total solution!*

What many ISVs and their software developers fail to consider is what happens when the market changes relative to the "baseline" document design and generation capability. Is that same development team, having recently completed its initial document generation solution, analyzing industry trends and incorporating these features into the next version of the document generation product? Are they connected to the user community to ensure they are designing solutions to meet specific needs? *Is it justifiable for the development team to stray away from the core capabilities of the core solution and spend time focused on another market segment altogether?*

With the proliferation of documents and forms comes the end-user expectation of a broad spectrum of capability and feature sets that have become "must-haves" to core capabilities. *Speed to market and technology evolution are common pressures felt within the software industry.* With standard document design capability readily available in the marketplace and the need to continuously meet growing customer demands for new technology, DocOrigin continues to be an excellent candidate as an OEM technology.

As with any technology addition, ISVs should expect some level of customization into the existing application. When acquiring document design capability from a third-party vendor, thorough consideration and evaluation should be given to the extent of customization required. In addition, software manufacturers should look to the future and understand how document design and generation fits within their overall product strategy and vision. Will it be an evolutionary step into the document and forms sector, or are current customers demanding the full spectrum of capability today?

Build vs. Buy is a balancing act predicated on speed to release new software and the iterative development cycle associated with in-house development, customization, enhancements and new versions. Many companies leverage the strengths of third-party applications as a way to mitigate their risk and investment in new product releases, allowing their development team to concentrate their core competency on their core application, while the OEM vendor focuses on its specific contribution to the overall solution.

## The DocOrigin Value Proposition for ISVs

Since the beginning of the computer era, the following facts have not changed!

1. Computers Collect Information (Data)
2. Computers Process Information
3. Computers Present the Processed Information (Forms/Documents on screen or paper)

Steps 1 and 3 are where document and forms software are used the most. (Step 1) Collecting information is most often done with forms; HTML, PDF, fillable forms etc. (Step 3) Presenting information is very important because the reader is the consumer of the information. Customers, employees, partners, may be the recipient of the document or form. The expectations of the recipient in today's market is not what it was in the 1990s or early 2000s. Today, recipients expect information to be acquired at a glance, with color and charts, and they expect the marketing and upsell information to be relevant. Providing general, broad messaging is no longer acceptable. I want it my way! This is the way your competitors are going to present it. Can your company afford to deliver and present information using limited or outdated methods? By virtue of presenting the information through salient business terms and easy-to-understand graphic illustrations, ISVs who leverage advanced document and form capabilities can transform their current product into a total solution – eliminating the need for your client to turn to a third party for document and form features your customers will expect in the current and future market.

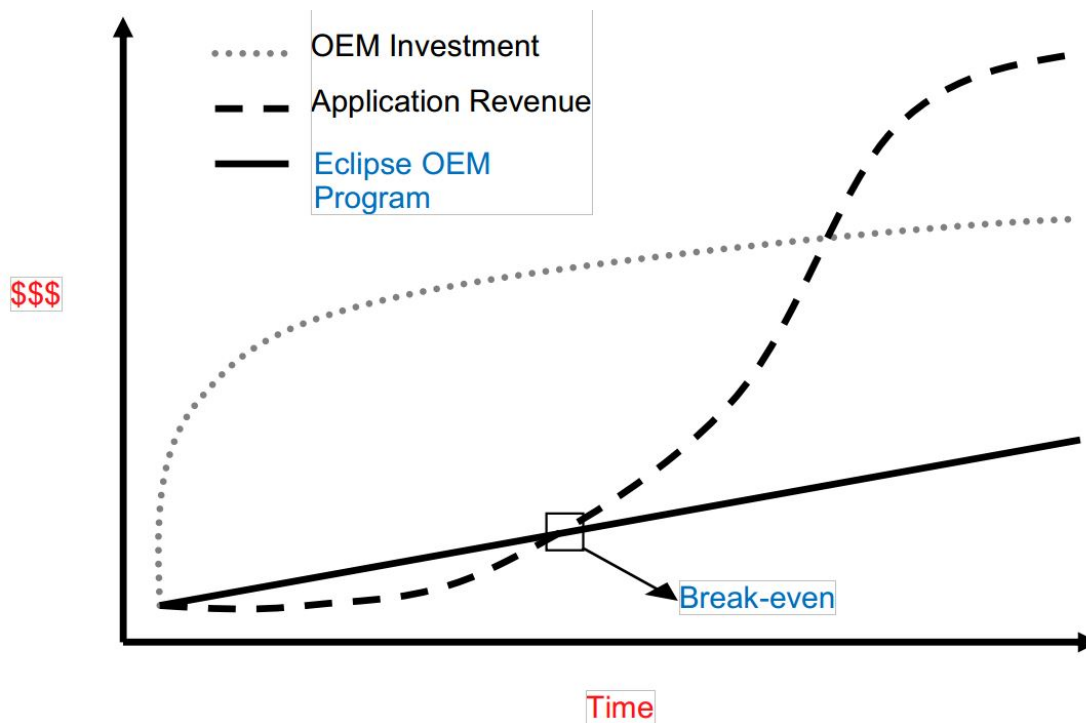
Pragmatically speaking, there are simple reasons why the document software sector continues to see compounded growth. The core function of forms and documents is to present business information to customers in such a way as to be able to act on it, or make a well-informed business decision. Over the past two decades, companies have invested heavily in process automation through enterprise resource planning (ERP), customer relationship management (CRM), manufacturing resource planning (MRP), electronic medical records (EMR) and financial accounting systems.

DocOrigin software provides a common thread across these systems providing a single solution for designing forms to collect information and documents to present information with the highest efficiency and fidelity possible (electronic or paper). Simply put, DocOrigin allows the business users and customers to present the information from all applications, when and where it is needed and in the presentation format that the user expects. By integrating DocOrigin within your software, your customers will have no need of additional enterprise document software. And there is no need for multiple document design and generation software at the end customer's facility. DocOrigin can handle the data and document presentation formats for ERP, EMR, MRP, CRM, HR, and other systems from multiple vendors so there is no need for your customer to invest in multiple document solutions.

ISVs will find that the addition of DocOrigin capabilities can have a dramatic effect on their sales cycles and perceived value by the customers of their application. ISV's may even be able to increase the sales price of your software and increase profit by integrating DocOrigin. A software solution like DocOrigin when sold direct to an end user for integration with ERP, EMR, or HR systems can range in price from \$50,000 to over \$1,000,000 per license. Yet OEM clients typically pay pennies on the dollar for the software.

## The DocOrigin Approach

DocOrigin offers a unique approach to partnering with ISVs who elect to OEM DocOrigin's capability as a part of their application offering. In working with OEM partners, DocOrigin's objective is to mitigate the traditional risks of entering into an OEM relationship through strategic investment and tight collaboration with our OEM partners. Unlike many software providers who scale their soft dollar investments and commitments to partners based on contractual commitments, DocOrigin invests in the long-term success of the relationship with hard dollars to reduce development costs and align cash flow to allow for increased margins on ISV revenue.



As ISVs evaluate the potential risk associated with augmenting their current application capability by integrating a third-party provider, the risk falls into several categories over a defined period of time – the time from which an ISV formalizes a relationship with a software provider to the point at which application revenue generated from the new product offering offsets the investment.

DocOrigin's approach to OEM relationships is focused on mitigation of risk during this timeframe through investments that enable our partners to Make, Sell and Scale applications using DocOrigin technology.

## **MAKE – Development Support**

- **Develop and test licenses**
- **Develop Resource Assistance**
- **On-Site Product Training**

## **SELL – Sales Support**

- **Deferred Period of Royalty Exemption**
- **Sales Enablement & Training**
- **Co-Marketing Activities**

## **SCALE – Technical and Ongoing Support**

- **Dedicated Technical Support**
- **Assistance for Ongoing Enhancements**

## **MAKE:**

The sooner a new application is developed and tested, the sooner it can be deployed into the market to become a source of revenue. With DocOrigin focusing on the long-term benefits of the relationship, our primary objective during the MAKE stage of working with OEM partners is to provide resources and technology that expedite time to market in the following areas:

### *1. Development and test licenses*

Integration requires design, development and testing. As part of our OEM program, DocOrigin will provide development and test licenses to ISVs wishing to integrate our technology into their existing applications.

### *2. Development resource assistance*

Leveraging our North American developers and consultants, DocOrigin will provide consulting services to assist with the development of the new application, allowing both the ISV and DocOrigin teams to leverage their core technical capabilities and experience during the development lifecycle.

### *3. On-site product training*

To further ensure that all ISV developers are properly trained on the DocOrigin platform and can support the resulting application over time, DocOrigin will invest in providing on-site training for the development and technical support staff. DocOrigin asks that the ISV pay travel and living expenses for any on-site development and consulting.

## **SELL:**

Typically, an ISV enters an OEM relationship to fill a functionality gap and drive incremental revenue from its existing application. DocOrigin's sales enablement program is focused on assisting our OEM partners to maximize revenue associated with our applications through three simple steps:

1. *Deferred-period royalty exemption*

Defined at the onset of the relationship, and ranging between one and two years, DocOrigin will offer an exemption period on royalties for qualifying partners. The purpose of this exemption period is to allow ISVs to fully integrate DocOrigin without substantial pre-paid fees. Your first payments will be due when product shipments start. Effectively, when revenue associated with the sale of DocOrigin applications start.

2. *Sales enablement and training*

Selling an Enterprise e-forms and document solution like DocOrigin may be a new concept for ISV sales representatives and sales engineers; however, the advantages of DocOrigin can be easily presented with a few sample PDF or HTML sample documents, or a few slides in a PowerPoint presentation. As part of the sales enablement program, DocOrigin will facilitate a session to train sales representatives on important messaging and value propositions that will allow them to call higher within accounts and gain the mindshare of senior executives. In addition, DocOrigin will work with the ISV to create a best practice product demonstration and train the appropriate sales support staff on how to deliver a high-value DocOrigin demonstration.

3. *Co-marketing activities*

With its sales enablement program, DocOrigin Corp. offers marketing dollars that can be applied towards the development of sales collateral, joint case studies, event participation, and press releases. Unlike other software providers where these funds are allocated on a case-by-case basis, DocOrigin allocates hard dollars for each participating ISV, and the DocOrigin partner managers work with our partners to ensure these funds are utilized to impact the strategic initiatives of the ISV.

## **SCALE:**

Once the product has been developed and a pipeline of opportunity has been generated by the sales and marketing teams, DocOrigin will provide ongoing assistance in supporting the ISV's application and development of future enhancements and releases.

### *1. Dedicated Technical Support*

For our OEM partners, DocOrigin provides a dedicated technical resource to assist with any development or customer-related support issues, resulting in a faster time to case resolution. OEM partners are assigned a senior level support engineer for product assistance or even the simplest question. All participating OEM partners are assigned top priority for case resolution, ensuring that any case is placed at the top of the queue and addressed immediately.

### *2. Assistance for ongoing enhancements*

As DocOrigin participates in the initial development effort, we are available at a pre-negotiated service rate to deliver additional development support for enhancements or additional DocOrigin capabilities to the ISV application. Using our highly specialized developers and consultants, DocOrigin's consulting services rates provide a great value. DocOrigin does not outsource any of our OEM support off-shore and the minimum experience of our team members in the enterprise document industry is 16 years.

## **CASH FLOW ALIGNMENT**

To offset the impact to cash flow and investment in our OEM program, DocOrigin offers financing options for participating ISVs that allow for periodic payments over the term of the relationship. The combination of a royalty exemption period and financing allows ISVs to dramatically reduce the time to value of the investment, with a break-even point in a significantly shorter timeframe than traditional OEM relationships.

# CONCLUSION

ISVs have many options among enterprise document software suppliers to augment their existing application with new capabilities. The decision to engage with a third-party software manufacturer requires careful consideration of the benefits and risks, in terms of financial, development and resource investments.

DocOrigin’s objective for our OEM program is to offer a risk-mitigation strategy for ISVs that are looking to add an *enterprise-class e-forms and documents generation platform*.

Unlike other document software vendors in the marketplace, DocOrigin offers qualifying partners significant resource and financial benefits to offset the traditional risks of OEM relationships, allowing ISVs to confidently and rapidly bring to market new capabilities that deliver immediate business value and drive both short-term and long-term revenue growth.

Thank you for reading about our OEM offering and for taking the time to consider DocOrigin as the solution of choice.

For more information about our software, services or OEM program please contact:

## About DocOrigin:

The Principals of DocOrigin Corporation and our development team have served the Enterprise Class e-forms and documents generation market since 1992.

DocOrigin is a leading provider of enterprise document, form, check and label generation solutions for banking, insurance, government, and manufacturing applications. DocOrigin delivers real operational savings, workflow efficiencies and marketplace advantages. We are the exclusive North American distributor of DocOrigin. Our customers include AT&T, California State University, GE, Konica Minolta, McKesson Medical-Surgical, Mele Printing, Pella, PPG, TransMontaigne, Tyler Technologies and hundreds more.

By the year 2000, 71 percent of the Fortune 1000 were using software created by our core team. Our original forms software technology (JetForm Central) was acquired by Adobe in 2001. Our team created industry-standard products like JetForm Central, Adobe Central, PDF Wizard, R-Forms and DocWizard.



1 Reference Info: Legislation in North America focused on accessibility for the visually impaired (ADA Title III, Section 508 act of the Rehabilitation Act of 1973 in the U.S., and AODA for the province of Ontario, Canada) are very clear and unambiguous in stating that the manner and format in which a disabled person prefers to receive their documents is solely their choice.