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Mavro Goes Against the Grain

Transaction processing ISV shows strong growth

A lot of people consider image-based payment processing a dying market. After all, with adoption of mobile and online bill payments continuing to increase, isn't it natural that paper-based payments, and the market for imaging them, will shrink? This would certainly be the standard line of reasoning. But what about for someone that thinks outside the box? What does a maverick thinker see when he looks at the image-based payment processing market.

George Hayduchok saw opportunity—which is why he, along with a handpicked team of engineers, launched a software company, not coincidentally named "**Mavro** (for maverick) **Imaging**. "I think we are the only ISV in the past seven or eight years to take a fresh look at the market and build a new remittance and document processing system," said Hayduchok, who started Mavro in 2007 after working at transaction processing hardware vendor **OPEX** for 16 years.

OPEX had a history in mail extraction, which eventually led it to scanning. "I was the first software engineer hired by OPEX when it was just getting into automated processing," Hayduchok told *DIR*. "Eventually I moved into product development and led the team that developed the AS3600."

The predecessor to OPEX's current AS7200 and Falcon lines, the AS3600 represented a very unique document scanner. Able to be integrated with a mail extractor, it offered the potential for eliminating the extensive prep time typically associated with document and payment processing. The device was introduced in 2003 [*see DIR 7/11/03*].

However, when Hayduchok saw some of the early use cases, he didn't feel the AS3600 was meeting its full potential. "One thing I was seeing was that if a transaction was not perfect, if it contained correspondence or a money order or some other sort of exception item, the scanner operators were stopping the process to outsort these items," he said. "We had some internal discussions about improving the software while I was at OPEX, but ultimately OPEX decided it was not in the software business, so I split off, built my team, and launched Mavro in 2007."

Hayduchok explained how Mavro's MavBridge™ software addresses exceptions for users with OPEX scanners. "The operators take the contents out of the envelope, no matter what they are, and drop them onto the

George Hayduchok, president & founder, Mavro Imaging

scanner," he said. "Our software images and orientates the pages and keeps them in sequence. To close a transaction [and separate it from the next one], the operator drops the envelope onto the scanner.

"Any exceptions are then dealt with in our software. This way there is no reason for the operator to stop a $50,000-plus piece of machinery. This also reduces the amount of manual labor needed to manage exceptions."

Carving out a niche

Mavro has built its business around its ability to efficiently manage exceptions in the payment processing industry. MavBridge acts as a software platform with modules for handling a wide variety of payment, document, and exception types. It is currently being utilized by more than 200 customers, and Mavro recently announced a tremendous run of success in the utilities market.

According to a recent press release, Mavro "has fully implemented or signed contracts to provide complete processing systems for five of the largest utilities in the United States. With these latest customers, Mavro technology will now be used by seven of the top utilities in the country; they serve more than 40 million customers."

"Utilities is our top vertical, and it is really gaining momentum," said Hayduchok. "In a market like that,

success breeds success. In fact, we are expecting two more big wins pretty soon. I think we have the opportunity to run the table."

Hayduchok said many utilities are replacing legacy systems that are expensive to maintain and offer less functionality than MavBridge. "A lot of our customers were not happy with their legacy systems," he said. "There is a lot of good competition out there, but in some cases, our customers are dealing with vendors that might be sunsetting their products, so they're not getting the support they want, while at the same time their maintenance fees are going up.

"We are not the cheapest system, but we are certainly not the most expensive. A lot of times a customer will look at our pricing, which, with a maintenance contract includes all our future enhancements. When they put that together with the improved efficiencies from additional elements we offer—like correspondence processing, handling returned mail, dealing with shut-off notices, etc.—they can really start to see an ROI."

Hayduchok explained the details behind some MavBridge modules that are commonly utilized by utilities.

"Correspondence, for example, can be a huge pain in the neck for utilities," he said. "Typically, a mail processor will have to put it in a separate bin, and if the account number is not on the paper, somebody will have to apply it. Then the correspondence gets taken somewhere else and is processed separate from the transaction that it came with. The fact that, with our software, you can take what used to be an exception like correspondence and process it as part of a normal transaction is a big deal.

"Our software can also do things like automatically identify customers that are only allowed to pay through a 'guaranteed funds' transaction, such as cashier's check or money order, and then automatically generate a letter to that customer along with a picture of the check they tried to use, with key elements redacted, and send that letter to a printer. We've also developed some image processing specific to money orders, and we can also efficiently process complex transactions like check and list items."

Overall, the Mavro team has developed hundreds of modules that can be deployed within MavBridge. "We try not to write much custom code," Hayduchok said. "Every site utilizes our base code. If we identify an opportunity to add enhancements, rather than write code for a specific site and charge a customer for custom development, we will create a module that we can then use as a building block in future solutions."

"It's cool to have hundreds of building blocks we can use to try to solve our customers' problems."

Mavro has taken several of its modules and packaged them together in a solution branded Advanced MavBridge for Utilities.

Most of Mavro's modules are its own technology, but the design of MavBridge also enables integration with third-party software. Mavro licenses third-party technology for functionality like OCR/ICR, CAR/LAR and MICR reading. Also, although Mavro offers its own repository, MavBridge can export to almost any third-party repository.

On the front end, in addition to OPEX scanners, MavBridge has been integrated with devices from **ibml, Kodak Alaris, Canon, Burroughs, NCR**, and others. "We advise our customers on hardware, and we think the OPEX scanners are very powerful, but we can drive almost any device," said Hayduchok.

Mavro also provides full system implementation and support. "We take responsibility for the entire process, from scanning to archiving," said Hayduchok. "We love being that single throat to choke. We'll get calls about a scanner making noise and we'll handle it—often by getting the scanner vendor on the phone, but it helps because we know who to talk to. Our average response time for a support call is 1.4 minutes. That's how long it is until a customer will have an engineer on the phone talking with them."

Every Mavro customer is currently on maintenance and, according to Hayduchok, the ISV has never lost a customer in the history of the company.

What the future holds

In addition to utilities, Mavro expects to see some explosive growth in sales to the financial services market for lockbox processing. "Over the past year, we saw a huge lift in sales to that market," said Hayduchok. "And we have some spectacular lockbox installs we plan to announce soon. A lockbox account can be a lot more diverse than a utilities account."

"And the potential market is much larger. There are a limited number of utilities, while there are hundreds of banks offering lockbox services. We've started working with medium sized banks and are moving upstream. In lockbox accounts, we handle the whole gambit from retail, to wholesale, to wholetail. Our ability to eliminate sorting enables us to put together an outstanding lockbox offering."

In addition to payments, Hayduchok stressed that MavBridge can handle more general document processes. "To date, we have primarily focused on payments, but our software has been used for documents like rebates, order forms, insurance forms, etc." he said. "We can also import and process complicated electronic payment data like X9 and ACH CTX remittances, in addition to ASCII- and XML-type payment files.

"I call it a goes-in-goes-out system, because we can pull in almost anything, process it, and send it back out. Our long-term planning meetings include a lot of discussions about introducing additional input sources."

For now, Hayduchok sees plenty of opportunity in processing primarily paper documents and payments. "Even though the volume of paper payments is shrinking, I think it has stabilized somewhat," he said. "Paper is going to continue to be around for a long time.

"And the payments that have moved to electronic are the easy stuff – like single-check, single-stub payments. This means the percentage of paper transactions that are exceptions is going up. Processing centers end up needing the same number of people to process lower overall volumes, which drives them to look for a solution like ours that can automate their exception processing."

In addition to utilities and lockbox, Mavro has customers in markets like government, non-profit, and insurance. We asked Hayduchok if Mavro is looking for outside capital to help accelerate growth in these verticals. "We are funded though our profitability, and we like the control that gives us over how we run our business," he said. "We've tripled our revenue over the past four years and we have been profitable for 28 consecutive quarters. We are conservatively projecting annual growth of around 20%. We think the future is extraordinarily bright."

For more info: http://www.mavroimaging.com/ info@mavroimaging.com

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CAPEX SALES MAKE SENSE FOR MAVRO

Our last issue's short editorial "Head in the Clouds" generated plenty of feedback from ISVs that are making their products available through a subscription-based model. While **Mavro** offers certain components, like archiving, exception viewing, and remote capture, through a hosted model, it currently does support a full subscription pricing model. "Our up-front discovery process is very deep," said George Hayduchok, president of Mavro. "We really optimize our implementations, and we are looking for long-term relationships. We find that if our deals are purchased up front and amortized over a period of time, that's the best deal for us, as well as for our customers."

Hayduchok noted that offering a hybrid cloud option can be helpful when marketing to mid- to lower-volume users. "The flexible architecture of our system allows us to meet customer scale and infrastructure needs at a competitive price point," he said.