

Lure of Internet Postage Attracts Traditional Postal Giants

Just as 1999 was coming to a close, several veteran firms in the traditional meter and postal industry announced that they would be pursuing revenues from Internet postage. On December 15, Pitney Bowes said that its Internet

postage products, ClickStamp Online and ClickStamp Plus, received approval from the U.S. Postal Service (USPS) to move into the final phase of beta testing, suggesting that national product rollouts are imminent. The next day, Escher Group, Ltd., which makes transactional software for post offices worldwide, announced that its RiposteDispatch Internet postage solution would be piloted in Singapore, and that it would demonstrate its RiposteMark postage technology during a C-SPAN broadcast on December 31.

Meanwhile, E-Stamp and Stamps.com, the only two USPS-approved Internet postage purveyors, also made major announcements in December. Stamps.com concluded its follow-on public offering, which raised over \$300 million, and E-Stamp broadened its patent portfolio. Both firms continue to forge partnerships, and each announced it had strengthened key alliances that were already in place. In addition, the European company Francotyp-Postalia announced that it would leverage its long-time relationship with partner E-Stamp to market Internet postage supplies online along with the E-Stamp service.

It's not Just for Start-ups Anymore

Amina O'Farrell, director of communications for PitneyWorks products, which includes both ClickStamp offerings, says Pitney



The Escher Riposte indicia is nearly ideal not only for marketers, but also for ink manufacturers

expects to launch the services in the first quarter of 2000. This projection is consistent with the USPS's approval process, which gave E-Stamp and Stamps.com the okay for their nationwide product releases in August after moving into the third phase of their beta testing in late spring (see *Journal*, August 1999).

The two ClickStamp products essentially mirror the two existing services on the market. As its name suggests, ClickStamp Online allows users to access and print postage while online, using a secure remote server. It is Pitney's version of the Stamps.com service. ClickStamp Plus is based on a secure postage vault, which users attach to their computers, and allows subscribers to download postage, store it locally, and print on demand. It is similar to the E-Stamp product.

According to O'Farrell, the postal behemoth is offering SOHO users a suite of solutions through its PitneyWorks family that includes business services, such as marketing and financial products, as well as Internet and traditional meter-based postage. The firm will leverage its name to attract customers, and sign them up by providing products and services that can work in tandem. O'Farrell allows that "We may not have had the first-move strategy, but we have the best move strategy." She also says the firm has no plans to market its own branded supplies for the Internet services as it does for its postage meters, and that pricing

for the services is not yet set.

A New Approach

The Escher Group's approach to Internet postage is radically different than what we have seen so far. Its multi-color graphics-rich indicia will undoubtedly

make ink manufacturers much happier than the monochrome bar codes currently used. Escher Group proposes a type of encryption technology that has not been approved by the USPS for its Information Base Indicia Program (IBIP) but, according to its developer Joshua Smith, could fulfill the requirements of the program. While he cannot be date specific, Smith says Escher Group does expect to release the firm's RiposteDispatch product in the U.S.

Currently, the USPS requires IBIP indicia to be printed as a two-dimensional barcode in order to include addressing, metering, and sender and receiver information, along with other security devices. Escher Group hopes to convince the Postal Service that its RiposteMark technology, which is employed in its RiposteDispatch postage system, can encrypt and deliver the same secure data captured in the 2-D barcodes, but in a more aesthetically pleasing manner.

According to Smith, who is the founder and director of Escher Labs, RiposteMark indicia offers many of the aesthetic and philatelic advantages of traditional postage stamps as well as the benefits of digital postage. More important, however, is Smith's claim that RiposteMark is far more secure than IBIP indicia currently being sold by E-Stamp and Stamps.com.

The key to RiposteMark is its FiberFingerprint security feature and its

SpectraSeal symbology. FiberFingerprint captures and encodes the unique and singular texture patterns of an individual piece of paper or envelope. This data is imaged in wavy lines that employ the SpectraSeal symbology, which store as much high-density data as that contained in a 2-D barcode. The image is scanned and compared to the media printed with a RiposteMark indicia to protect against fraud.

Smith says that the RiposteMark is more secure than what is now being used because once a traditional two-dimensional barcode has been created, it is prone to being copied. This can be done with a photocopier, or the electronic file used to print the indicia can be copied and used repeatedly. This is not the case with the RiposteMark because it can only be applied to one specific envelope, which has been electronically characterized in the SpectraSeal symbology. If a RiposteMark is copied and applied to a new envelope, the counterfeit is easily detected when the FiberFingerprint is scanned and compared to the data contained in the indicia.

Postage and Beyond

Escher Group has sold its post office automation software to post offices throughout Europe, and has issued over 80,000 licenses worldwide. The potential for the RiposteMark technology, which was designed to work with software the firm already has in place, is tremendous. The Singapore postal service has signed up to pilot the RiposteDispatch system, which includes the RiposteMark software as well

as scanner and printer hardware. The program was launched on January 1.

Escher Group tapped Hewlett-Packard for its DeskJet printers for the Singapore pilot project. While the two companies have no formal business agreements, they have partnered up to debut the technology during a live C-SPAN broadcast from the Smithsonian Institution, as well as other promotional events.

While Smith is deservedly excited about the new technology for postage applications, he feels this may just be the beginning. "The indicia is our first attempt to bring this technology to market," he says. It can be used to protect against fraudulent tickets, gift certificates, and other valuable instruments. Smith notes that vendors can add value to their products by pre-scanning sheets, and selling them as a form of secure media.

More From E-Stamp, Stamps.com

In the meantime, the two veteran Internet postage firms continue to grow and break new ground. On December 13, Stamps.com said its 5,000,000-share follow-on public offering, which it announced last month, netted \$301.9 million. In addition, the underwriters exercised an option to purchase 750,000 shares, and that option will net another estimated \$46.3 million for Stamps.com.

E-Stamp announced on December 8 that it has been awarded two new patents, expanding the firm's patent portfolio to over 26. The first new patent covers an electronic document certification system that verifies

that an electronic message was received intact and unaltered. The second patent covers a technique the firm has developed to determine the weight of a piece of mail without physically weighing it. The process is based on a document's characteristics, such as type of paper and number of pages.

In other news, E-Stamp said on December 15 that it has strengthened its relationship with Microsoft and will be the exclusive Internet postage advertiser on Microsoft Central. E-Stamp will also sponsor several MSN sites.

Internet Postage Supplies

Francotyp-Postalia announced on December 27 that its go-FP.com site is now live. The firm is a major player in the European postage market, and seeks to make inroads into the U.S. SOHO and small-business market with the launch of its site.

William Pesch, president of Francotyp-Postalia's U.S. operations, says "The site is aimed at the low-volume market so that, as those companies grow in terms of volume and needs, they look toward FP."

The go-FP site will feature E-Stamp's service, as well as a number of supplies. The firm will offer Avery's Internet postage label SKUs, Tension envelopes that were co-developed with E-Stamp (*see Journal, April 1999*), as well as other mailing consumables. Pesch says the firm plans to add more SKUs to the site including Francotyp-Postalia-branded products, such as its postal meter along with supplies from the firm's partners. ♣