

## Pitney Postage Plan Wins Approval, Escher Tries New Approach

Even as the threat of a Y2K meltdown loomed in December, investors and entrepreneurs alike continued to pour money and resources into Internet-based enterprises. Nowhere was this more evident than in the postage industry, which witnessed significant developments in the last days of 1999.

On December 15, Pitney Bowes announced 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 right around the corner. The very next day, Internet postage newcomer Escher Group, Ltd., announced that its RiposteDispatch system will be piloted by Singapore beginning on January 1, 2000. The Cambridge, MA-based firm also said that its RiposteMark postage technology will be demonstrated in a special nationwide broadcast hosted by C-SPAN.

E-Stamp and Stamps.com, the only two USPS-approved Internet postage purveyors at the moment, also made major announcements in December. Stamps.com concluded a follow-on public offering, which raised over \$300 million, while E-Stamp broadened its patent portfolio. Both firms continue to forge new partnerships and strengthen existing alliances.

### 800-pound Gorilla

Pitney's announcement is bound to be a concern for all parties involved in Inter-

net postage. Amina O'Farrell, director of communications for the firm's PitneyWorks products, which includes both ClickStamp offerings, says the firm expects to launch the services in the first quarter of 2000. This projection is consistent the USPS's approval process. Early last summer, E-Stamp and Stamps.com moved into the third phase of their beta testing, and each was given the green light for nationwide product releases in August (*Observer* 9/99).

The two ClickStamp products essentially mirror the two existing Internet postage services already on the market. ClickStamp Online, which allows users to access and print postage while online using a secure remote server, is Pitney's version of the Stamps.com service. ClickStamp Plus, like E-Stamp's product, is based on a secure postage vault that users attach to their computers that allows subscribers to download postage, store it locally, and print on demand. No pricing on either ClickStamp product has been announced.

Pitney is banking on its brand name and enormous resources for the success of the new products. 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. "We may not have had the first-

move strategy," O'Farrell acknowledges, "but we have the best move strategy."

### A New Flavor

The Escher Group's approach to Internet postage is radically different than any previously seen. It proposes a type of encryption technology that has not been approved by the USPS, but could fulfill the requirements of its Information-Based Indicia Program (IBIP) (*Observer* 8/97). The firm is marketing a software solution that will use invisible safeguards to provide the security features and other functions that the USPS mandates for IBIP products and services.

Currently, the USPS requires IBIP indicia to be printed as a two-dimensional barcode that includes addressing, metering, and sender and receiver information, along with other security information. Escher Group hopes to convince the Postal Service that the "RiposteMark" technology 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 Lisa Fulton, strategic marketing and communications manager at Escher Group, the RiposteMark indicia offers many of the aesthetic and philatelic advantages of traditional postage stamps as well as the benefits of digital postage. Fulton says that indicia printed with RiposteMark can include images such as holiday scenes or commemorative images as well as corporate logos, advertising banners, URLs, and other marketing tools, and yet still include the required IBIP data.

The key to RiposteMark is its FiberFingerprint security feature and its SpectraSeal symbology. FiberFingerprint captures and encodes the unique texture patterns of an individual piece of paper or envelope. This data is printed in a security area that can be scanned and compared to the media imaged with a RiposteMark indicia. SpectraSeal offers a way to image high-density data such as that contained in a barcode in a manner that is more appealing.

The Singapore postal service has signed up to pilot the RiposteDispatch system, which includes the software as well as scan-



*Escher's RiposteMark is a totally new postage concept: the "FiberFingerprint" technology reads the unique texture of the surface of the envelope within the small gray "security box" at lower right and encodes this data and postage data in the wavy SpectraSeal symbol. Escher stresses the aesthetic and philatelic benefits of including color images in an indicia.*

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ner and printer hardware. The program will kick off on January 1. In its press release, Escher Group quotes the head of the Singapore Post, William Tan, as saying "RiposteDispatch will enable us to offer our customers a wide range of new marketing opportunities through postage, while ensuring the highest levels of security and traceability."

Escher worked with Hewlett-Packard's DeskJet printer group in Singapore on the Riposte project. HP has also teamed up with the firm for a demonstration of the RiposteMark software that will feature HP DeskJet 895C printers producing the RiposteMark indicia. While Fulton explained that the two firms have no formal business agreements, they have partnered to debut the technology during a live C-SPAN broadcast from the Smithsonian Institution that was slated to air at noon on December 31.

In the meantime, the two veteran Internet postage firms continue to grow and break new ground. On December 13, Stamps.com said its five-million-share follow-on public offering, which it announced last month (*Observer 12/99*), netted \$301.9 million—enough to give even a company as big as Pitney Bowes a scare. 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.

The firm also announced that America Online has finalized its multi-million dollar investment, and Stamps.com has become the "exclusive provider of Internet postage on AOL, Netscape, and CompuServe CD-ROMs." The firm will use its newfound wealth for working capital and corporate purposes such as marketing, distribution partnerships, advertising, brand promotion, and tech-

nology development. And—no doubt—to compete with Pitney Bowes.

### **E-Stamp Patents**

E-Stamp announced on December 8 that it has been awarded two new patents, expanding the firm's patent portfolio to a total of 26. One of the new patents covers an electronic document certification system that verifies that an electronic message was received intact and unaltered, while the second 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 determining 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 bCentral. E-Stamp will also sponsor several MSN sites. 🐘