Customers see this:

Click-And-Mail Services Cancel Post-Office Hassles

Small- and home-business users can download postage from the Internet

By Larry Kahaner

Thanks to the Internet, neither rain, nor snow, nor gloom of night can prevent you from buying the postage you need. In fact, four companies now offer several methods for buying postage online. While these new services may not be as revolutionary as the Pony Express, they do make it easy to buy postage by eliminating the need to visit a post office.

Syndi Seid, founder and director of Advanced Etiquette, an etiquette-advice company, chose Stamps.com Inc. as her Internet postage company because its solicitors had the best manners. "From an etiquette perspective, they were the most courteous," says the San Francisco business owner.
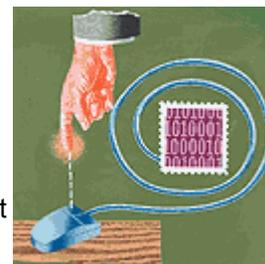
Seid, who calls herself "the authentic Miss Manners," says she prefers the Stamps.com total-Web system because she doesn't have enough space for postage meters or other devices. Most important, it saves trips to the post office.

Others, such as Mike Rudy, customer-support manager for Honesty.com Inc., a Northbrook, Ill., company that provides a variety of software and services for Web sites, likes Neopost Online Inc.'s Simply Postage, which includes a palm-sized weight-scale and printer combination that downloads postage from the Net and stores it until it's printed on stamp-sized labels.

"It's great," says Rudy, whose company has 25 employees and spends about $150 a month on postage. "It's one less trip to the post office during the day."

MANNERS COUNT: Advanced Etiquette founder Seid says she prefers Stamps.com's Web system because she doesn't have room for postage meters. Plus, she says, "They were the most courteous."

Seid and Rudy are typical small-business owners and home-office workers for whom going to the post office is time wasted from their already crowded workdays. In addition, for people working at home during the evenings and on weekends when most post offices are closed, a trip to the post office is virtually impossible.

Camille Silio, for example, uses Pitney Bowes Inc.'s ClickStamp product for a medical billing business she runs at home after her day job at a law firm. "When I'm working, the post office is closed," says the Stamford, Conn., entrepreneur. She drops off her letters and packages in the morning and says they get to their destination faster because of a ClickStamp feature that adds "ZIP+4," a nine-digit ZIP code that allows post office sorting at the neighborhood level.

Silio and her counterparts have four online postage companies to choose from (see chart, below), each with a slightly different view of how postage should be sold through the Net and each vying for a chunk of the lucrative small-business market. The nation's 20 million-plus small-and home-based businesses, which have fewer than 100 employees apiece, will spend $13 billion this year on first-class mail alone. That figure is expected to rise to more than $16 billion by 2003, according to estimates by International Data Corp. On average, each small business spends $20 to $40 a month on first-class postage.

Internet Postage Products

Four companies are selling postage over the Internet. Postal regulations limit customers to a maximum of $500 of postage per download. Service fees don't include the price of postage.

Who: E-Stamp

What: Starter kit includes software from a CD or downloaded from the Web, an electronic vault, an address-match CD, and label samples

Price: 10% surcharge on postage, ranging from a minimum charge of $4.99 per purchase to a maximum charge of $24.99

Where: http://www.e-stamp.com

Who: Stamps.com

What: Online system with free software downloaded from Web

Price: Simple Plan charges a 10% fee on postage used, with a monthly fee of $1.99 to $19.99; includes $20 of free postage for startups. Power Plan is $15.99 a month for unlimited use; includes $50 free postage and a scale that holds up to 10 pounds

Where: http://www.stamps.com

Who: Neopost Online

What: Simply Postage PROmail startup kit includes $50 worth of free postage, one month of free service, a scale-and-printer device, software, a roll of 100 blank stamps, a lifetime warranty, and technical support

Price: Monthly service fee of $14.95

Where: http://www.simplypostage.com

Who: Pitney Bowes

What: Online postage with free software and starter labels

Price: $1.49 flat fee per month, billed quarterly

Where: http://www.pitneyworks.com

Internet postage got started last summer when Stamps.com in Santa Monica, Calif., and E-Stamp Corp. in San Mateo, Calif., launched their services. Subsidiaries of Neopost in Redlands, Calif., and of Pitney Bowes, of Stamford, joined the race later. In one year, more than 200,000 people have signed up for Internet postage services. IDC estimates that the Internet postage industry will grow to almost 8% of small-business expenditures on first-class mail by 2003.

Two major systems are in use. The first is a total Internet-based system in which postage is downloaded from the Web and printed directly on an envelope. The second uses a storage "vault" to download and hold postage until it's printed. Each has its own variations, virtues, and problems.

However, the toughest hurdle each company had to overcome to make it to market was the U.S. Postal Service's stringent security requirements for what's called the indicia, the elongated, stamp-sized certificates showing the amount of postage and other information that's printed on the label or envelope by the user (see illustration, below).

Not only must each indicia be absolutely counterfeit-proof, it must be printed quickly. "Each indicia is a unique digital signature," says J.P. Leon, VP of technology for Neopost Online, a subsidiary of France's Neopost Group, Europe's oldest postage-meter and shipping company. "Processing them with speed was our biggest challenge."

Printing Postage

Before selling postage over the Internet, companies needed to perfect technology that could meet stringent security requirements and quickly print the elongated, stamp-sized certificates

Leon, like his technical counterparts at the other Internet postage companies, refused to discuss details about the software or hardware for fear of running afoul of Postal Service security edicts. They know that if they get hacked even once, they could lose their licenses.

The Postal Service requires Federal Information Processing Standard (FIPS) 140-1 encryption for postal-related transactions, and each company was compelled to produce its own software because there was nothing available off the shelf. "Our biggest challenge was to help [the Postal Service] define what security was acceptable," says Tom Kuhr, VP of technology operations for Stamps.com.

Because Stamps.com is an Internet-only system and has no "vault" to store postage locally, there was no rule book on the subject. The Postal Service only had experience with traditional postage meters, which act like vaults,

and metered mail, a market dominated by Pitney Bowes. Kuhr says the company had to write its own FIPS-compliant security code, which took three years and included a lot of back-and-forth with the Postal Service. "Because they have to remain impartial, it was difficult for them to give us feedback as we moved along in the process," he says.

But most consumers don't care about technology; they care about convenience and easy-to-use systems that make their workdays more productive. A close look at each system reveals unique advantages and disadvantages, as well as differing pricing schemes. In the end, consumers will be the final arbiter of which approach succeeds.

The front-runners, E-Stamp and Stamps.com, appear to be neck and neck. But each brings a different angle to the competition. E-Stamp lets users download postage to a vault about the size of a matchbox from which mailers use what they need before connecting to the Net for a recharge. "For small and home businesses, the great advantage is that they don't have to go on the Internet each time they want a stamp," says Robert "Bo" Ewald, E-Stamp's president and CEO. "There is also better security because address lists are kept locally and not on the Web."

One of the main selling points for all PC Postage systems (the phrase "PC Postage" is trademarked by the Postal Service) is that addresses are checked against the Postal Service master database of correct addresses, which includes its ZIP+4 list. If an address is not valid, the system will notify the user--thus saving time and postage. E-Stamp customers can download the master address list every two weeks, but the company only requires that they do so every six months. For some users, though, even this two-week lag may not be good enough.

E-Stamp plans to introduce a browser-based product that will let customers bypass the vault and print postage directly from the company's Web site. The company has also built a partnership with Microsoft to allow better integration of E-Stamp into the Microsoft Word application, and it has signed agreements with Intuit Inc. for integration into its financial products, including Quicken.

Through a partnership with Kewill Electronic Commerce Inc. of Marlborough, Mass., E-stamp hopes to provide a Web-based multicarrier shipping service for small and midsize businesses that will let customers choose among carriers such as Federal Express Corp. and United Parcel Service of America Inc. based on price and services. "EBay has also chosen us as their partner for Internet postage," says Ewald, who notes that customers of the online auctioneer make up the largest group of users of the Postal Service for small-package delivery.

Stamps.com employs an Internet-only model in which all resources remain on the Web. This can be troublesome for home users who don't have an always-on direct connection to the Internet. "In the short term, the vault concept makes more sense," says Melissa Shore, small-business analyst for Jupiter Communications. "But in the future, as more people have broadband connections, the always-on model will probably prevail."

Stamps.com has been more aggressive than competitors at building alliances to reach small businesses and expanding on its franchise and name recognition to eventually become a complete Web shipper. "Postage has been a separate business, but the reality is that people want efficient shipping and receiving," says John Payne, Stamps.com chairman and CEO. The company recently purchased iShip.com, a business-to-business shipping site, to cash in on the growing market for shipping goods purchased on the Internet.

Stamps.com also recently signed a two-year agreement with NCR Systemedia Group. The deal makes NCR the exclusive supplier of co-branded address and packaging labels in exchange for access to NCR's distribution channels, including office-product superstores, warehouse stores, and convenience-store chains. Stamps.com has also partnered with Hewlett-Packard to bundle its software directly into HP printers. Stamps.com's biggest coup may be its alliance with America Online, which in October invested $56 million in the company. AOL gives its millions of online subscribers access to Stamps.com, which will sponsor home-office and small-business areas on AOL and offer co-branded versions of Stamps.com for AOL properties such as CompuServe, Netscape Netcenter, and Digital City.

Another competitor, Neopost Online, is already expanding on its rollout last year of Simply Postage, which uses a small scale-and-printer device. Its new PROMail offering can accommodate packages that weigh up to 4 pounds and is compatible with both Macs and PCs. Its EZMail service, now in its final tests, will be an Internet-only system similar to Stamps.com. "We need a family of products so customers can choose what they want," CEO David Crisp says. He says he hopes to build on the parent company's expertise in shipping. "We want to make it consistently simple to send and receive packages," he says.

The latest entrant is Pitney Bowes' ClickStamp Online. The company is counting on its reputation as a respected supplier of postage meters to help boost its online products, says Patty Picoli, VP of Internet marketing and strategic planning at PitneyWorks .com, the company's online operation. While the company got off to a slower

start than its rivals, Picoli says it's still very early in the game. "We're going to have a real marketing push in the fall," she says, when the company will reveal a suite of products, including a browser-based system and a vaultlike product dubbed ClickStamp Plus.

Some technical glitches persist. Getting printers to work with envelopes, especially stacks of envelopes, is a problem as old as computer printers. "I had a problem with my laser printer," says Roger Mabe, a Chesapeake Beach, Md., national sales manager who works from home for a large company and uses E-Stamp.com. "Now I use a Hewlett-Packard ink-jet printer and it works fine."

All of the Internet-postage companies say they still are in the learning mode, trying to understand how small businesses use their products and to find new ways for them to do so. Part of this interest is defensive. "The biggest concern is that bill payments and bill presentments will be online in the future," Shore says. Even the Postal Service is predicting a drop in first-class mail several years from now because of competition from E-mail and online bill payment services. Companies also want to increase sales of products such as labels, envelopes, and other office supplies to customers.

BIG PLANS: Stamps.com intends to capitalize on its name recognition to become a complete Web shipper, CEO Payne says. "The reality is that people want efficient shipping and receiving."

The Internet postage companies are thinking past printing postage. They realize that their true expertise is in printing secured pieces of paper that are as negotiable as paper currency, and they're looking at printing other high-value negotiables such as airline and concert tickets.

"During a summer retreat, we realized that our core is remote, secure delivery," says Stamp.com's Payne, who is holding discussions with movie theaters, travel agents, and even Disneyland. "We've got the Postal Service seal of approval for security, and we're leveraging it.

Illustration by Gene Greit
Photo of Seid by Richard Morgenstein
Photo of Payne by Jeff Sciortino

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