

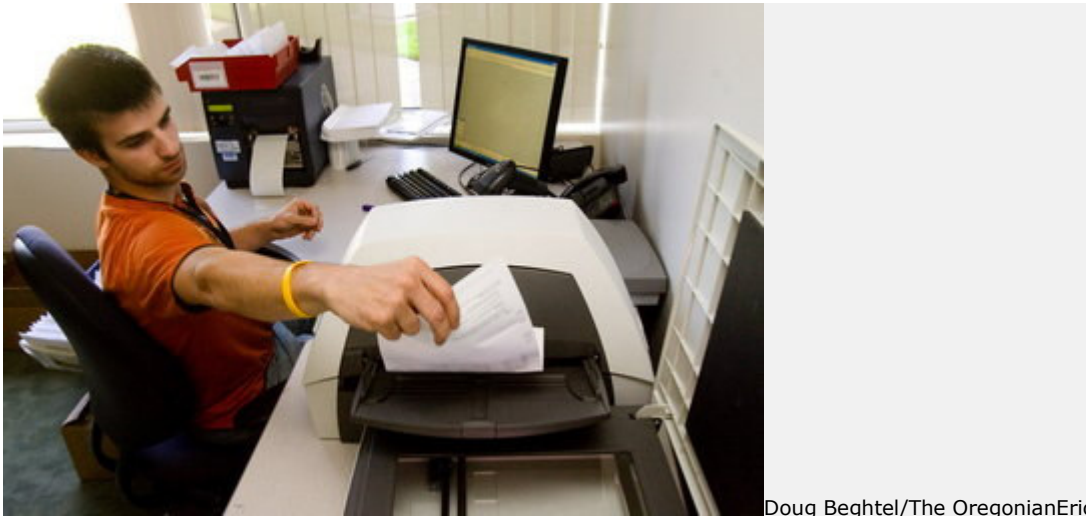
Earth Class Mail attempts reboot in Beaverton

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By **Mike Rogoway, The Oregonian**



Doug Beghtel/The OregonianEric

Rymer scans mail at Earth Class Mail's Beaverton office so letters can be viewed online by clients.

Few Oregon startups have launched to greater expectations than Earth Class Mail.

The grand concept was to take old-fashioned paper mail and digitize it, so you could access letters from anywhere and wouldn't have to bother with the piles of paper and junk mail that flood our mailboxes.

The ambitious Beaverton company packed up and moved its headquarters north to Seattle in 2006, where it landed millions in venture backing and captured the attention of the tech press.

The New York Times prominently reviewed its service, and Michael Arrington -- the

influential founder of the online journal TechCrunch -- proclaimed it "**a great idea.**"

As many a tech startup has discovered, though, a great idea doesn't always make a good business.

Digitizing all that paper proved hugely expensive, and Earth Class Mail couldn't make its business pay. Funding ran out when the recession hit and that could have been the end of the story.

Today, though, Earth Class Mail is back in Beaverton. Remaining employees are working out of an industrial building there, re-imagining the company and attempting a reboot.

No one expects to change the world anymore. But they do expect to make money, calibrating their expectations toward an obtainable objective.

"There was so much hyperbole over what this was," said chief executive Sarah Carr, a turnaround specialist hired to rehabilitate the company. "Unraveling the truth from the myth is still something we wrestle with at times."

There's nothing unusual about a startup burning out, or fading away. Startups are deliberately ambitious, risking oblivion for a shot at fortune. And Earth Class Mail's aspirations, taking on the U.S. Postal Service, among others, were especially lofty.

What's unusual is that Earth Class Mail is attempting a second act.

The company, founded by veteran Portland entrepreneur Ron Wiener, sought to do for snail mail what the cell phone had done for the telephone. Instead of arriving on your doorstep, your mail would go to a central processing facility where scores of workers would scan it.

Customers could access their mail through a secure Web browser from anywhere in the world, disposing of unwanted messages with a click of the mouse and archiving others. Foreigners could establish a "prestige address" in Manhattan, or Hollywood, to correspond with associates in the U.S.

It was an appealing idea: Your physical location would be that much less relevant as an increasingly mobile population could receive mail anywhere, at any time.

Earth Class Mail

Business: Scans mail so businesses and travelers can access it online.

Price: \$20 to \$40 a month, plus additional fees to open and scan mail -- \$1.50 (black and white), or \$2 (color). Extra fees apply to route a package to a physical address, shred or store mail. Funding: Raised \$21 million, led by Ignition Partners of Bellevue, Wash.

History: Founded in Beaverton in 2004, moved its headquarters to Seattle in 2006. Various known as Document Command and Remote Control Mail, the company landed a deal to license its technology to Swiss Post in 2009. But Ron Wiener was out as CEO later that year, when investors installed turnaround specialist Sarah Carr. He left the company's board in January 2010.

Employees: 46, down from 144 at its peak. Twenty-eight of the remaining employees are in Beaverton. Carr is the only employee left in Seattle.

Revenue: Undisclosed.

Others thought so, too. Earth Class Mail raised millions and licensed its technology to **Swiss Post**, which continues to offer a similar service.

Customers showed interest, but the business wasn't penciling out. It took 60 people to process all the mail, and Earth Class Mail was losing money on every customer.

When the financial crisis hit and the economy turned south, Earth Class Mail's backers started to lose their appetite. Carr, hired as chief operating officer in 2008, became CEO in September 2009.

Wiener, the founder, stepped down as chairman early in 2010. He remains an entrepreneur in the Seattle area, and declined to comment on the circumstances of his departure from Earth Class Mail or subsequent changes in the business.

In the thriftier economic environment, Earth Class Mail started to focus less on its potential and more in the here-and-now.

"We weren't a data-driven company before," Carr said. "We were a press release and marketing company."

So Earth Class Mail began reviewing its operations with an eye toward stemming the red ink.

"We spent a month or two just poring over who our customers were and how they behaved," Carr said.

She concluded that it was impossible to serve individual customers at the rates Earth Class Mail was charging. So she doubled overall prices and slashed jobs.

Dramatically higher prices sounds like a recipe for turning off customers. Indeed, some left. But Carr said it was a sacrifice the company had to make as it revamped its business.

Today, Earth Class Mail wants to be a virtual mailroom for small and mid-sized businesses.

"There's a ton of administrative work to be done around paper and packages," Carr said. "We take you out of it."

The company has invested in a new customer interface and revamped the warehouse to cut processing expenses. It used to cost \$2.15 to manage each piece of mail through Earth Class Mail's process; now it's 73 cents.



Doug Beghtel/The OregonianMichelle

Buganan pulls mail at the facility in Beaverton where Earth Class Mail sorts, scans and stores mail. Customers then decide whether to discard it, or to pay to have it stored or scanned.

The mail processing staff is down from 60 people to a little more than 20, and Carr is the only one left in Seattle, commuting regularly downtown to Earth Class Mail's Beaverton offices.

The long-term vision is still evolving. Perhaps Earth Class Mail will license its service to big corporations, to help them manage their mail. Or maybe it will sell itself to a larger business services company looking to add customer-friendly offerings.

For now, though, Earth Class Mail has achieved a measure of stability. In December, Carr said, the company moved into the black on a key measure of its cash flow.

That's a very modest milestone, not at all what investors had in mind when they started pouring millions into the company.

"We believed it was a 'big idea' company, a chance to bridge the gap between the physical and the digital," said Jonathan Roberts of Ignition Partners in Bellevue, Wash., Earth Class Mail's chief backer.

"I don't view it as the same possible outcome I did when I put my first dollar in," said Roberts,

who remains on the company's board. "I still think it could have a very positive outcome."

Ignition and other early backers put \$3 million in additional convertible debt into Earth Class Mail last year, which the company says will be all it needs.

Startups always have to change their expectations to match the market reality, Roberts said, though "The degree of pivot here is pretty extraordinary."

Sometimes success requires extraordinary measures. With the painful changes behind it, Roberts said he's hopeful that Earth Class Mail can yet be a productive investment.

"Living to fight another day is not such a bad thing," Roberts said, "particularly when it's another day."

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