



Armored Online

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Security With A Difference

Armored Online hopes to dramatically change the way online transactions are protected.

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By Eydie Cubarrubia

Armored Online let its guard down Tuesday, coming out of stealth mode to reveal details of its security technology and announce its first customer.

Based in Salt Lake City, Utah and founded in 2006, the startup's technology creates a secure channel between, for example, a bank and the bank's customer. "The premise is, there's a lot of vulnerability in the browser, so they're creating a direct pipeline between the end-users and the institution," said Bruce Cundiff, senior analyst at Javelin Research. "That's a paradigm shift—they're not adding security, they're just creating a secure pipeline."

That's different from other methods out there, said Armored Online CEO Joe Sowerby. Here's how Armored Online works: A company, such as a financial institution or online retailer, offers a downloadable client to customers through its website. That client then gives the customer's computer a secure channel with which to communicate and transact with the company. Its Java-based browser is locked down, meaning it won't accept any plug-ins, like cookies used by criminals. What's more, the client can only "talk" to the server at the bank or online store. "It's like iTunes for banks," Mr. Sowerby said.

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Banks, retailers, and other online businesses should be willing to pay for better security. Research firm Gartner reports that almost \$2 billion in U.S. e-commerce sales were lost in 2006 due to customers' security concerns. Gartner also says about 33 million U.S. adults don't bank online because of security concerns.

The completely bootstrapped Armored Online surely hopes to change that trend. It said its first customer is Stonebridge Bank, based in West Chester, Pennsylvania. Bank CIO George Rapp called the technology "easy" and "no cost to [bank] customers."

But "no cost" may not be enticing enough to some customers since they have to download additional software. "You'll have to convince institutions that customers will change their online behavior," said Mr. Cundiff—that is, prove customers will be willing to download the client and keep it on a desktop. "I would need more customer [behavior] information before I would know this is available alternative that customers would adopt en masse."

Meanwhile, other sectors Armored Online hopes to court—government, healthcare, and retail—have specific concerns. Doctors and hospitals must make sure any solution follows federal privacy rules. And only the largest retailers may think its worth the money and time, Mr. Cundiff said. Another concern is that the return on investment may be negligible for smaller sellers.

But Mr. Sowerby said he's been in some encouraging talks with companies in all these industries. And instead of VCs, he thinks his company could get some funding from future deep-pocketed allies. "There are potential partners, like credit card companies, who could invest in us," he said.

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