



Providing Affordable, Easy Internet-based Backup for Everyone

Imagine how you would be affected if your hard drive crashed or your laptop got stolen, dropped, burned up, or ruined when your oldest daughter's triple low-fat latte spilled.

If you are like several million other people, personal computer failures are almost too horrible to think about, and so we don't. At least not until some disaster strikes and we lose our Word™ documents, email files, and three years of digital photographs that included our kids' school plays, that once-in-a-lifetime trip to Nepal, or the day the Red Sox won the World Series.

Founded in 2005, Boston-based Carbonite provides easy-to-use, very affordable, Internet-based back and recovery that is suitable for virtually anyone who has PC files they don't want to lose. This means the market for Carbonite is huge.

You don't have to be a geek or even PC-literate to put Carbonite to work.

All you have to do is go to www.carbonite.com, create a password-protected account, provide your email address, and click the button that tells Carbonite to start backing up your files. That's it; Carbonite will do the rest.

"A lot engineering work and testing went into this," says David Friend, CEO of Carbonite. "We have 100,000 people backing up right now. We've actually backed up our almost two billionth file. We've restored 160 million files to people whose PCs have crashed, and we back up about 20 million new files every day."

Carbonite is designed to operate without affecting the performance of a client's PC in any way. "Backup can go on in the background; it's not an urgent application," Friend says. "The software runs just above the computer's idle process. Everything else that's going on can take priority over Carbonite."

To recover files, all a user has to do is logon on to their Carbonite account and click the button that says restore and then select certain files or all. Carbonite recommends that users back up data but not application files because of the potential problems that may occur by moving application software from one PC to the next. However, if users choose to back-up Microsoft Windows®, for example, they can.

Carbonite's physical site is guarded, bomb-proof, and configured for extreme redundancy, but the real key

Friend says is to ensure that the software is bullet-proof so that data can't be lost or tampered with. "We encrypt all client data before it ever leaves our clients' PCs," he says, "and then distribute it over 16 hard drives." Carbonite is the only online back-up service provided with Microsoft's Money.



Founder & CEO
David Friend

Fixed pricing subscription model offers unlimited use

"We have the unlimited pricing model so that people don't have to worry about how much data they have," Friend says. "With a subscription model, you don't turn cash positive in the early years because you are still signing up so many new customers. Right now, 90 percent or more of our business is coming from new subscribers, but over time renewals will be a bigger and bigger part our revenue. The key is to sign up people who stay with us for years and years."

To accomplish this, Carbonite provides a full-year's perpetual backup and unlimited restores for \$49.95 per PC, no matter how much or what type of data is backed-up, from emails to photographs to video. Carbonite is Windows-only for now, but the company's web site promises that a version for Mac will be available soon.

And for people who think that this sounds like one of those deals that is too good to be true, Carbonite offers a free try-it-you'll-like-it plan. "In September, more than 60 percent of people who tried it put in their credit card before the end of the period," Friend says. "That's an extraordinarily high conversion rate from try to buy."

Experienced entrepreneurs attract \$20+ million in investment capital

In less than two years, Carbonite has raised more than \$20 million. Friend, a successful technology entrepreneur for more than 25 years, and Carbonite CTO Jeff Flowers, a seasoned



technology executive, have been starting and building successful companies together since 1981.

"This is our fifth company," Friend says. "We think this is a huge market and so do the angels and venture capitalists who have invested in us. Right now studies say that most PC users aren't backing up at all, but in three years it will be very different."

CommonAngels invested in Carbonite's first round. "These are entrepreneurs who understand what it takes to start and grow a company," says Chris Sheehan, managing director of CommonAngels. "On top of that, Carbonite offers an elegantly simple solution that anyone who has a PC can use with a few clicks of a mouse."

Friend says that CommonAngels have been supportive and helpful. "A representative attends our board meetings and the group has other members who are very smart, engaged, and are interested in being boosters of our company," he says.

Capturing early awareness and market share is key

Many people aren't aware that such an easy-to-use, affordable, bullet-proof service is available. "We are investing significantly in radio talk show advertising," Friend says. "We have a whole marketing program built around different radio personalities and messages about how you don't want to risk losing the irreplaceable things that are on your computer."

For people who do care about protecting their data, the most common alternative is backing up to an external hard drive. There are hardware and software costs involved plus scheduling considerations on the part of the user. Even with automatic scheduling, you can't just hook up an external drive and expect your back-up procedures to always take care of themselves.

"An external hard drive costs from \$150 to \$200," Friend says, "but they have a failure rate of about 8 percent a year and what do you do when you're traveling, drag it along? Carbonite is with you wherever you go as long as you are connected to the Internet. We are perpetually backing up files without our customers ever having to think about it."

Howard Stern is a spokesperson for Carbonite on Sirius satellite radio. Earlier this year, he promoted a "biggest loser contest" inviting listeners to send in horror stories about how they lost computer data. The winner was a professional photographer whose hard drive was destroyed by a power surge. He lost all the photographs from a recent wedding and when the newlyweds sued him and won, his business almost failed.

Back-up considerations are just as compelling elsewhere as in the US, and Carbonite is licensing internationally. "The only requirement for Carbonite is a PC and a broadband connection," says Friend. "Two-thirds of the total potential market is outside the US, and in fact, many countries are ahead of US in terms of broadband penetration."

Foreign markets may be slower to get started and Carbonite is prioritizing marketing dollars accordingly. "The important thing is to be there early so that when the market does take off, you are an early entrant," Friend says.

Back-up isn't a business that competes on features; it's about trust and brand

"People are paying money to have someone tell them they are safe. This isn't like a photo sharing product or a cool way to print or cool new web site," Friend explains. "Our feeling is over the next two to three years a few companies will develop brands that are synched with trusted back-up, good products, and being first. If someone is paying less than \$50 a year for Carbonite and we are doing a great job, there isn't much of a reason to risk changing."

Longer term, the important thing in a subscription-driven business is to get the cost of acquiring customers down.

"You have to start with advertising, but over time we want people to hear about Carbonite other ways," Friend says. "As the field thins out, you will end up with a few competitors, and people will sign up without being prodded. Today, for example, you don't have to convince people that they need a mobile phone—they just go out and buy one. It will be several years before this business is in that state. We have a lot of evangelizing to do, but it will get there and as it does, Carbonite can grow very profitable."