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PlanetGov Swings Back Into Old Federal-Contracting Orbit

By Ellen McCarthy
Washington Post Staff Writer
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In May 2000, PlanetGov.com saw itself as the preeminent Web site for anyone associated with the federal government. It waged a high-profile advertising campaign, hired a Washington Post columnist and promised to run 200 of the most relevant news stories every day.

A year later, the Chantilly company had fired 45 employees, lost the columnist and decided to end its news coverage. PlanetGov.com's future as a Web company looked dismal, so it went back to its unglamorous but lucrative roots -- government contracting.

Since the company's return to the federal contracting circuit, it has climbed out of the financial trouble that developed during the Web venture and recently finished its strongest quarter to date, posting more than \$80 million in sales the three months ended Sept. 29.

PlanetGov was originally founded in 1983 as a small information-technology services provider, Intellisys Technology Corp (ITC). By 1999 the company, which focused largely on defense contracts, had about 100 employees and was posting more than \$180 million in annual revenue.

But by early 2000, ITC's executives, including president and chief executive Steve Baldwin, thought that bigger profits could be made by selling products to government agencies through the Web.

"We believed there was an opportunity in the government market to launch an e-commerce site," Baldwin said. "The content was to generate usage and drive traffic to the site."

By December 2000, it became clear that the model wasn't working. Although 500,000 people were viewing the company's Web site each day, few of them were purchasing office supplies, furniture or information-technology systems there. The company's funding ran out just as the venture capitalists were beginning to tank.

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"It was an interesting experience. I have no doubt that the electronic procurement strategy was at one time," Baldwin said. "I wish our timing had been better, but the market changed, so we were unable to raise additional money."

PlanetGov had never fully abandoned its government services arm; it just put less emphasis on that division in favor of its flashier Web-content unit. Once it recommitted itself to winning federal contracts, PlanetGov's revenue increased 50 percent, Baldwin said, adding that he expects the private company to have nearly \$250 million in sales this year.

Scott Orbach, president of Bethesda-based EZGSA, a consulting firm that helps companies secure federal contracts, said PlanetGov is far from being the only firm to develop a renewed interest in government contracting.

"As the economy began to deteriorate, there was a big realization that companies need real revenue sources, and as the downturn became more entrenched, our company experienced a lot of interest," Orbach said.

EZGSA, founded in January 2000, walks companies through the process of securing a place on the U.S. General Services Administration's list of vendors that can be used by any federal agency. Orbach said the company became profitable only a few months after inception but has received more business from interested vendors since the Sept. 11 terrorist attacks than ever before.

"It's been unbelievable. We've had everyone from upholsterers . . . to very high-end network consultants calling," he said. "Not only is there the need for more revenue sources, but there is also a pent-up demand among many of these companies to be available to meet the government's needs."

Blackboard Inc., a Washington provider of educational software, recently added its own government services group, while struggling business software provider MicroStrategy Inc. stepped up its efforts to win government business. Several local technology organizations and law firms have held seminars and workshops on the topic in response to the recent surge of interest.

Baldwin believes PlanetGov's switch back to contracting proved to be an extremely advantageous move for the company -- one that may have saved it from the fate of so many dot-coms in the past.

"We went from Phyllis Diller to Britney Spears," he said. "But, the government IT market is finally to be right now. We're dealing with a market that is going to grow, where customers pay the price and the projects get completed."

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