THE WALL STREET JOURNAL.
WSJ.com

SEPTEMBER 28, 2009, 5:35 PM ET

Big Government Means Big Business For Data-Sharing Start-Ups

After Socrata Inc. launched its online database service last year, it remained in beta for the next several months to see which types of customers would emerge as a fit.

Small businesses were natural early adopters of the company's online spreadsheets, which allows people to visualize, filter, comment on and search large datasets within a Web site.

But soon, a new, deep-pocketed customer appeared that encouraged Socrata to shift gears: the federal government.

Up until this year, most tech start-ups avoided the public sector because of long sales cycles that make it difficult to get paid. But a new federal push to make government more transparent is causing a noticeable uptick in business for some young start-ups in the data-sharing business.

Reuters

In Silicon Valley, where last weekend federal Chief Technology Officer Aneesh Chopra challenged the high-tech industry to join Washington in a new era of cooperation and openness, investors and entrepreneurs said emerging tech companies have a major role to play in the distribution of various kinds of government data.

"There is a very genuine intent to put this data online," said Kevin Merritt, Socrata's chief executive. "Very significant amounts of data."

Merritt said a January trip to Washington – and a conference on government transparency – changed his mind about the government as a customer. Since then, the company saw a "tremendous spike in business," he said.

Seattle-based Socrata, which raised $6.5 million last year from Morgenthaler Ventures and Frazier Technology Ventures, now counts the White House and the National Oceanic and Atmospheric Association as customers. Socrata is about to go to work on linking state-government data to a national database.

"Government data has not been decentralized and democratized," Merritt said. "We can potentially break open that opportunity."

Like Socrata, Seattle-based IdeaScale originally focused on corporate clients, providing a software platform that helps large companies collect feedback from their customers. But beginning early this year, the company, a subsidiary of privately held Survey Analytics LLC, has shifted its focus to government agencies that want the same kind of feedback from taxpayers.

Chief Executive Vivek Bhaskaran said IdeaScale's new customers include the Federal Communications Commission, the White House and the Department of Energy. In the last couple of years, IdeaScale has raised about $600,000 from company management and parent company Survey Analytics, Bhaskaran said.

Another under-the-radar company that could be poised to reap the whirlwind is St. Paul, Minn.-based GovDelivery Inc., which has been in stealth mode since 1999, and just last week closed a $2 million funding round from individual investors. GovDelivery has developed a communications platform that enables government agencies to provide information to citizens via email alerts, text bulletins and widgets.

The company, which has reached cash-flow breakeven, provides data services for the Social Security Administration, the Internal Revenue Service, the Health Department, MediCare, federal transportation offices and other departments.

"This year has been by far the best year ever for us," said Scott Burns, GovDelivery chief executive. "Since 2001, the government has sent two billion emails through GovDelivery. One billion of those have been sent in 2009 alone."