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**Focus on: Technology**

# D.C.-area software companies are thriving despite a drought in financing

Washington Business Journal - by [Darlene Darcy](#) Staff Reporter
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Despite massive cost cutting among his cash-strapped corporate customers, Clarabridge CEO Sid Banerjee said his business-to-business software company is booming, a strikingly different story from that of most companies as they trudged through the dismal start of 2009.

The Reston-based company, whose software helps convert

customer information into usable data, tripled its revenue in 2008, closing big wins with **Wal-Mart Stores Inc.**, **Walgreen Co.** and **Choice Hotels International Inc.** in the fourth quarter and signing deals with existing customers to double their software investments last year as the economy spiraled into a black hole.

In the first half of 2009, revenue is up more than 50 percent from the same period in 2008, Banerjee said, although he wouldn't provide exact figures.

Tech professionals who recall the tech bubble explosion circa 2001-02 — if it's not too painful — are finding that their industry is doing fairly well this time around (aside from companies that sell direct to confidence-lacking consumers and those with cash issues when the financial crisis hit). Tech may even be showing early signs of recovery, ahead of most other industries, especially in the Washington area, for a few reasons.

First, unlike the 2001-02 recession, other industries are the root of the problem. Second, about half of the Washington-area tech sector's revenue comes from federal contracting, which grew locally nearly 8 percent to about \$135 billion in 2008, according to Stephen Fuller, director of the **Center for Regional Analysis** at **George Mason University**. Finally, the local tech sector is dominated by software development companies, not the capital-intensive hardware manufacturers found in other tech hubs.

**Client focused**

"The [software] applications guys have been going gangbusters," Fuller said.

Clarabridge happens to be one of those guys. Its software enables customers — including AOL, **Best Buy Co. Inc.**, **Oracle Corp.**, **Capital One Financial Corp.**, Gaylord Hotels and Marriott International Inc. — to analyze and respond to customer feedback.



Joanne S. Lawton

Notching wins: Clarabridge CEO Sid Banerjee says business is booming as his customers ramp up their software spending.

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“Despite economic challenges, many of our clients are ramping up their focus on retaining and up-selling to customers,” Banerjee said.

Companies trying to maintain sales and cut costs in the recession are looking for automation technologies, industry experts say, and that is what Clarabridge and many Washington-area technology companies are all about.

Corporate clients of local tech companies have cut budgets and reduced their work force, becoming “lean and mean,” Fuller said.

“They’ve kept their best workers and are going to continue focusing on using technology to improve productivity,” he said. In times like these, those companies “buy technology before they increase work force.”

When the market finally hit bottom in March, Clarabridge’s sales slowed, and then rebounded. The company is set have its biggest third quarter ever, Banerjee said.

Clarabridge is still investing in its operations too. The company released a third version of its software this year and is hiring. In April, Clarabridge added vice presidents of engineering and product development, promoted a chief software architect and hired a Western region account manager.

**A new day**

Other local tech companies — from start-ups to public companies — are growing too, claiming the worst is behind them.

For example, last year **Broadsoft Inc.**, a Gaithersburg communications company that sells software for Voice Over Internet Protocol (VoIP), acquired competitor **Sylantro Systems Corp.** and bought **Genband Inc.**’s M6 product line. Broadsoft also achieved the strongest quarter in its history in the fourth quarter of 2008.

CEO Michael Tessler attributes Broadsoft’s 130 percent growth in the last three years to rising demand for hosted software applications, which enable customers to get computing services they need without buying expensive servers and other equipment.

Software sold as a hosted application — or software-as-a-service — is a recession-friendly product because customers purchase it through a subscription, rather than buying a license for hundreds of employees in a large, one-time investment.

Not all providers of business software sailed smoothly through the onset of the economic storm, however.

**Metastorm Inc.**, an expanding business software company, filed to go public in May 2008 to raise money for acquisitions, but as the market for initial public offerings soured the Baltimore-based company pulled its filing and decided to rely on its institutional investors, including **Internet Capital Group Inc.**, **ABS Capital Partners** and **W Capital Partners**, should an acquisition opportunity arise.

Having cash on hand has been Metastorm’s saving grace.

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