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INFORMATIONWEEK NEWS IN REVIEW

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Innovators:
Outsourcer Scores By Starting Small

A Web-hosting application business grew from solving customer problems

By Bruce Caldwell

Planet Computer Inc. has a leg up in a fledgling Web-based outsourcing market swarming with startups and major players. The tiny network services company has 28 business customers for its PlanetUplink service, launched last September, and it's adding end users at the rate of 30 a week, boasts CEO Cori Fountain, who co-founded the company with her husband, Wayne, the chief technology officer.

Planet Computer achieved its success the old-fashioned way. "They're a small company that's been listening to their customers and providing solutions," says Phil Wainewright, editor of ASP News Review, an online newsletter that covers the application service providers market. "Whether they can do that on a large scale depends on how they build up their infrastructure."

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Indeed, for Web-based outsourcing to receive buy-in from large businesses and really take off, there first needs to be an infrastructure that can provide secure and reliable Internet access to remotely hosted applications. This has driven deals such as US West's purchase of access to 16,000 miles of fiber cable from Qwest Communications Inc. and its agreement to buy access to 18,000 miles of fiber from Williams Communications. Similarly, ServiceNet, the joint venture of Andersen Consulting and GTE's BBN, signed a five-year, $300 million contract with Cable & Wireless plc for global network services. Qwest, for its part, is investing $150 million this year in "cybercenters" to host applications. The prize drawing all this interest is a network-enabled applications market that Qwest projects will be worth $35 billion by 2003.

Planet Computer addressed its infrastructure issue by relocating. Formerly based in Burlington, Vt., and West Palm Beach, Fla., Planet Computer moved to Denver last year to take advantage of that city's telecom capacity. Three fiber-optic networks terminate in the basement of the company's new headquarters, providing ample reliability and bandwidth, says Wayne Fountain.

The seven-year-old company spotted the potential for Web-based outsourcing in 1997 when it took delivery of Hydra, the beta version of Microsoft's Windows Terminal Server. "Once I started hearing rumblings about Hydra, I knew Web-based outsourcing could be done," says Wayne. As Planet Computer gained experience working with Hydra and the other Web products that quickly followed, it started pilots of its PlanetUplink service. The company focused on businesses with small, widely dispersed offices that needed technical support and administration, centralized databases, and office productivity software.

First On Board

One of Planet Computer's first customers was SC Sacramento, a Sacramento, Calif., franchise of Management Recruitment International, which has more than 800 franchise offices across the country. Planet Computer deployed Hewlett-Packard network computers and remotely hosts SC Sacramento's Microsoft Office software and PC Recruiter, a database for tracking recruits. That deal led to a network administration and support deal with another Management Recruitment franchise in Roseville, Calif.

Dave Sanders, president of the Roseville location, says outsourcing network administration to Planet Computer eliminated the need for an on-site administrator. There are only 10 people in the office, Sanders explains, and some of them were being pulled into dealing with technical server issues involved in the franchise's transition from Unix to Windows NT servers. Hiring a full-time administrator seemed inevitable until Planet Computer offered its remote support services. And unlike other services, Sanders says, PlanetUplink is vendor-neutral.

Planet Computer cut its teeth on providing its services to offices with between 10 and 20 employees, but it's ready to take on larger engagements. Its cluster of servers has the capacity to support thousands of end users, says Cori, and hosting enterprise resource planning suites for large enterprises is a real option.

The company's customers seem equally confident. "They could host us up to thousands of employees," says Bill Wein, senior VP of Intelligent Management Solutions Inc., a project-management consulting firm in Englewood, Calif. The company, which uses PlanetUplink to host all its applications, including database management, desktop publishing, and financials, has 28 employees at offices in Colorado, Florida, and Texas, and is rapidly expanding to other cities in the United States, Europe, and Asia. "PlanetUplink gives us the ability to bring on those remote offices at the touch of a button," Wein says.

Customers pay monthly fees to rent commercially packaged software hosted by Planet Computer, or, as is the case with Intelligent Management Solutions and SC Sacramento, Planet Computer can host companies' licensed or custom software, also for a monthly fee. Setup for a basic hosted database already licensed by the customer, for example, is priced at about $1,500, with a monthly fee of $45 per user. Customers access applications and database files through an Internet service provider using a Web browser or by clicking on desktop icons.

PlanetUplink services account for 70% of Planet Computer's revenue, says Cori, but these aren't the company's only offerings, nor its latest. PlanetBackup provides remote data backup, storage, and retrieval services, and PlanetBroadcast, being launched this week, delivers remote training services and video- and audio-streaming capabilities for company Web sites.

Planet Computer has come this far without venture capital or an initial public offering, though both may lie in its future as it prepares for an expected boom in demand in the second quarter. That's when Oracle is expected to launch its Web-based outsourcing offering. IBM, USinternetworking, and others are also gearing up. Real competition is close at hand, Cori says.

But Planet Computer has an advantage: its small size. With only 10 employees, the company is easy to get to know--a big plus when it comes to working with customers. "Small companies like to deal with companies they trust," says editor Wainewright. "They don't like dealing with big, faceless corporations."

Along with its friendly face, Planet Computer's innovation, momentum, and vision have the potential to carry it far.

▶ Back to This Week's Issue

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▶ Top of the Page