

Apr 13, 2001, 9:51am PDT

# DigiMine acquires CoRelation Inc.

Jeff Meisner

DigiMine Inc. has acquired Menlo Park, Calif.-based CoRelation Inc. to increase its strength in the data-mining sector.

The 122-employee Bellevue startup tracks and stores its customers' business data on a server, or data center, where customers can send queries for marketing, sales and customer behavior predictions.

CoRelation's software takes DigiMine's applications a step further - it works in real time and makes it possible for DigiMine customers to extract information from the data center.

The deal was mostly a stock swap with some cash in the mix, but DigiMine declined to disclose specifics. Five of CoRelation's 12 employees, its core technology personnel, will relocate to Bellevue.

The acquisition brings six new customers to DigiMine, including Barnesandnoble.com Inc., the online division of bookstore giant Barnes & Noble.

DigiMine has acquired 15 customers since January, bringing the total to 36 since its inception in March 2000.

Usama Fayyad, president and chief executive officer, said customer acquisition is the company's top priority in 2001.

"We'd like to have 100 customers by the end of this year," Fayyad said.

DigiMine's customer base is a melange of dot-com companies and six Fortune 500 firms.

Given a downturn in information technology spending by corporations large and small, DigiMine director and investor John Cunningham says sales could be soft in the immediate future.

"We can't deny there's an economic slowdown that will stretch out sales cycles," said Cunningham, president of Seattle-based Kellett Investment Corp., which led DigiMine's first round of venture capital financing.

However, DigiMine's software is relatively cheap when compared to its competitors and enables customers to increase sales and profit margins while lowering customer acquisition costs, he said.

DigiMine has a host of larger, better-financed competitors that track customer behavior data, including International Business Machines Corp.; Portland, Ore.-based WebTrends Corp.; San Mateo, Calif.-based E.piphany Inc., a publicly traded company; and San Francisco-based Personify Inc.

Fayyad and Cunningham say DigiMine's applications service provider, or so-called ASP model, which allows customers access to its software without the cost of hosting it themselves, makes the startup's products cheaper and more nimble.

"If you're talking about a company like IBM, you're looking at a multimillion application and installation that will take a year to roll out," Fayyad said.

DigiMine's software costs \$5,000 to \$20,000 per month, he said.

Fayyad would not disclose revenue figures for 2000 or sales projections for 2001. He said DigiMine has a \$15 million war chest and will show its first profit in late 2002.

DigiMine, which has raised \$25 million to date from the likes of Silicon Valley VC giant The Mayfield Fund, will probably need another round of venture capital, Fayyad said.