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Face value

The outsourcerer

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If you want to see where Indian outsourcing is going, keep an eye on Krishnan Ganesh



“WE ARE addressing the bottom of the pyramid,” says Krishnan Ganesh, an Indian entrepreneur, of his latest venture, [TutorVista](#). It is a phrase that cheekily calls to mind the mass poor in his native country—but TutorVista, an online tuition service, is aimed squarely at customers in the developed world. Mr Ganesh founded the company in late 2005 after spotting that personal tutoring for American schoolchildren was unaffordable for most parents. His solution is to use tutors in India to teach Western students over the internet. The teachers all work from home, which means that the company is better able to avoid India's high-wage employment hotspots. TutorVista further hammers home its labour-cost advantage through its pricing model. It offers unlimited tuition in a range of subjects for a subscription fee of \$100 per month in America (and £50 a month in Britain, where the service launched earlier this year) rather than charging by the hour. Tutors are available around the clock; appointments can be made with only 12 hours' notice.

It is too early to gauge the impact of the service on educational outcomes, says Mr Ganesh, but take-up is brisk. TutorVista has 2,200 paying subscribers at the moment (most of them in America) and hopes to boost that figure to 10,000 by the end of the year. The company is expected to become profitable in 2008. Even cheaper pricing packages are on the way. Launches of the service are planned for Australia and Canada. Mr Ganesh is also investigating the potential of offering tuition in English as a second language to students in South Korea, where high rates of

broadband penetration make the market attractive. Get that right, and China looms as an even bigger prize.

Mr Ganesh is gambling that the benefits of offshored services can be sold directly to consumers. Building trust for an unknown Indian brand is the biggest difficulty he faces. Having reassuring local managers fronting his operations in America and Britain certainly helps; so too does the fact that TutorVista's teachers are experienced hands, with an average age of 45 (many of them are retired). Quality control is vital: sessions are recorded and parents, student and teacher share a monthly call to discuss progress. As for the thorny problem of accents, Mr Ganesh points out that much of the communication is non-verbal—teachers and students write on a shared virtual whiteboard.

Mr Ganesh has a habit of spotting the next stage in the evolution of India's outsourcing industry, and his own career encapsulates its rapid development. He started in 1990, just as the Indian economy was being liberalised, by founding IT&T, a computer-maintenance business serving local firms. It was a brave decision. Capital was scarce and Mr Ganesh tackled cashflow problems by getting companies to pay their maintenance premiums upfront. Red tape proliferated and it took 26 clearance permits and nine months of battling to get IT&T up and running. Entrepreneurs were regarded with suspicion, even in their own homes. Mr Ganesh says the strongest opposition he encountered was from his mother-in-law, who had blessed his marriage to her daughter because of his stable job in corporate planning.

By the time he stepped down from a hands-on role at the company in 1998, IT&T had 400 people, 16 offices and a turnover of 200m rupees (\$4.8m). His next role, a two-year stint as the boss of a telecoms joint venture between Britain's BT and Bharti Enterprises, was more conventional. But before his in-laws could start to relax, the entrepreneurial itch flared up again. Realising that the internet would enable India to become a provider of outsourced services to overseas firms, Mr Ganesh and his wife founded a firm to offer technical support via e-mail for customers of dotcom start-ups. That market never materialised but the new firm, CustomerAsset, survived by becoming a call-centre business serving "old-economy" Western firms. It was acquired by ICICI, a business-process outsourcing firm, in 2002 for \$22m.

And for my next trick...

After a year-long lock-in period with ICICI Mr Ganesh was free to scour the horizon for his next venture. The call-centre market had by this time become far more competitive, so Mr Ganesh identified more complex, knowledge-intensive services as the next frontier in offshore outsourcing. This time an opportunity came directly to him when the founders of Marketics, a data-analysis and modelling start-up, asked him to invest in their business and to become their non-executive chairman. "They wanted some grey hair," says Mr Ganesh. The company thrived and was sold in March for \$65m.

By then, intrigued by the potential for applying the offshoring model to a consumer environment, Mr Ganesh had already turned his energies to TutorVista. Once again, he appears to be ahead of the curve. A new report from Evaluateserve, a research firm, estimates that annual revenues from "person-to-person offshoring" by individuals and small businesses will top \$2 billion by 2015, up from some \$250m now. In addition to tuition, other services that are suited to this model include tax planning, interior design and administrative support. Mr Ganesh says that TutorVista will not be his last venture in this area.

Whatever he does next, starting a new firm will be a lot easier than it was back in 1990. Financing is more widely available: TutorVista's backers include the Indian arm of Sequoia Capital, a stalwart of Silicon Valley. Employees are more willing to consider joining start-up firms. Regulation is lighter, too. The paperwork required to set up TutorVista was completed in two

weeks. But the improved business climate also has drawbacks—rivals are better funded and there is more competition for talented people. Presumably Mr Ganesh's success has, by now, overcome family opposition? “We have a saying in India,” he responds. “Behind every successful man is a devoted wife—and a very surprised mother-in-law.”