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# Bangalore Tigers

The Rise of India's Tech Industry



Steve Hamm



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November 30, 2006

## The next step in outsourcing: Math



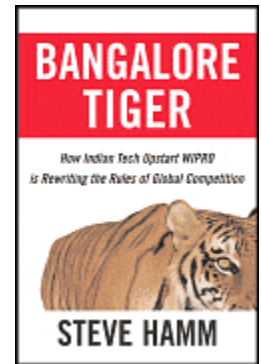
Steve Hamm

If you want to find out what's going to be the next trend in outsourcing, it pays to visit Bangalore. I dropped in on a 2-year-old startup that's delivering analytics as a service.

It's Mu Sigma, with offices in Schaumburg, Illinois, and downtown Bangalore. Founder and CEO Dhiraj Rajaram, who spent time in the US at Wayne State (MS in computer science) and University of Chicago (MBA), and Booz Allen as a consultant, is in the process of moving back to India with the goal of managing his 120-person company to the 1000 mark in the next couple of years. His idea is that it doesn't make sense for many companies to outsource their entire analytics department, but they can do a lot more analyzing at affordable prices if they augment their handful of high-priced math PHDs with teams of people in Bangalore who are adept at using the latest analytics software tools to spot opportunities in marketing, risk analysis, and supply chain optimization.

Rajaram calls it "information arbitrage." His people support the client's top analysts rather than trying to replace them. "We don't do insight generation. We don't have the knowledge of their industries and their companies to do that," he says. "We're humble enough to know we won't go all the way."

Right now, if a company taps one of the big consulting firms for this kind of service, they're committing to hundreds of thousands of dollars in expenses. With Mu Sigma, projects can cost \$75,000 or



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less. Put another way, instead of hiring junior analysts in the US for \$120,000, they can benefit from labor arbitrage and get the same caliber of talent for \$15,000 or \$20,000 per year. His people typically have a masters in math or statistics or an MBA, but he has a handful of top people with PHDs as well. Rajaram says this really is augmentation work, rather than replacement of employees. So far, he claims, not a single client has reduced its workforce as a consequence of outsourcing work to his company. If he's successful, I doubt he'll keep that record intact.

In spite of its youth, Mu Sigma has quite a bit of credibility. Its customers include Microsoft, HP, Allstate, JP Morgan Chase, McDonalds, CDW, and IBM. Rajaram showed me a couple of case studies to show how useful outsourcing math can be. In one engagement, with a computer distribution company, Mu Sigma came up with a method for spotting customers who are in danger of being lost and taking just the right action to regain them. It also devised a method for the company to analyze customers and figure out when they are ready to graduate to a new generation or type of technology—so it can send in its high-priced sales consultants when the time is right.

Mu Sigma is a highly leveraged company. It has one employee in the US: Rajaram himself, and, of course, he's leaving. He has been the company's entire salesforce, but now he's focusing on managing growth—partly by establishing a training program in Bangalore designed to prepare math grads with the domain knowledge they need to be really useful to clients. Mu Sigma will get new clients by word of mouth—a technique that has proven successful so far. The plan is to have just a few customers, but to develop deep, broad, and long lasting relationships with them.

Mu Sigma has already had one buyout offer, but Rajaram turned it down. He wants to see if he can build the world's largest analysis factory first.

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