

CloudFactory: A Growing Case Study in the Triple Bottom Line

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CloudFactory used to be a difficult company to explain.

Part software powered by artificial intelligence and data science, part human intervention to ensure customer data is accurately tagged and organized, it couldn't easily be categorized as a software or business process outsourcing company.

Nor was it clear how a Durham startup employing 2,500 "cloudworkers" in Nepal and Kenya could create ROI for investors while also prioritizing a social mission of boosting economic opportunity in the developing world.

Seven years later, the message is coming in more clear. CloudFactory [just landed a \\$7.3 million Series B round](#) to total \$13 million in venture capital. It's snagged some of the most innovative companies in Silicon Valley as customers, performing important work in advancing autonomous vehicle development, boosting leading business automation tools and even helping lead French presidential candidate Emmanuel Macron to victory last month.

And earlier this month, CloudFactory opened an office in the center of downtown Durham, where its U.S. team of 12 will grow to 26 in coming weeks and months.

"We are tripling down on Durham," says founder and CEO **Mark Sears**. "We chose this space for a reason. We want to find amazing people to come join this journey of creating meaningful work for a million people around the world."

The triple bottom line—earning a profit while having a positive social and environmental/ecological impact—is something most social entrepreneurs hope to achieve. But while many create products or services for the developing world, CloudFactory's approach is unique.

The team trains, employs and promotes talented young technologists in Nepal and Kenya while serving the real-time, on-demand data entry and analysis needs of multinational and high growth startup corporations. CloudFactory supports economies in the developing world by paying competitive wages and providing for wealth creation as its employees advance in the company.

Providing U.S. companies with an on-demand talent base

[Sears cast the vision](#) when he was living in Nepal a decade ago—he realized the quality of engineering talent and yet the lack of opportunity for those technologists to work in their local community. He began to match U.S. technology needs with this capable workforce, eventually landing customers like ESPN and Microsoft.

One of his first investors was **Henry Kaestner** of [Sovereign's Capital](#), a California venture capital fund formerly based in Durham. Kaestner bought into Sears' love for the people of Nepal and his vision of employing them and offering compelling career opportunities. But he also saw the promise of automation and data science.

Cloudworkers meet weekly to talk about client projects. Credit: CloudFactory

Kaestner is quick to point out that rather than replacing humans with computers, [artificial intelligence is allowing for human work](#) that wasn't ever possible before. Machines weren't sophisticated enough to take on large data science projects 30 years ago, and it wasn't cost effective for humans to perform them.

Today's AI work, Kaestner says, "is complete blue ocean" and in fact, creates jobs. Research shows that between one and four percent of data science work must be completed by humans.

Self-driving vehicles are a good example—three of CloudFactory's fastest-growing customers are [Drive.ai](#) and [Cruise Automation](#) . These companies are collecting data and video from sensors on vehicles that can



be used to program the algorithms that will ensure self driving cars and trucks follow state driving laws and avoid crashing.

Cloudworkers are working to tag millions of images collected from those vehicles, so data scientists can create models and algorithms. In the case of autonomous vehicles, safety is dependent on the accuracy of the data—human work is required.

"I grew up when software was writing code," Sears says. "What is happening now is a totally different paradigm(...). Instead of programmers, you have data scientists on the high end, and a routine, repetitive tagging workforce on the lower skilled side, which is what we've been building for years."

Sears says some of his most exciting client relationships can't be mentioned, mostly because AI "is an arms race right now" and CloudFactory can be a secret weapon. But one interesting recent project played a role in the campaign of France's new president. Working with a European political campaign startup, cloudworkers helped refine algorithms used to visualize voting behavior by location, finding and fixing discrepancies on maps.

Sears says that many customers start with \$2,000 to \$5,000 monthly subscriptions and then grow their work with CloudFactory by as much as 10 times in a matter of months.

In [a news release about the funding](#), CloudFactory quoted a client at Ibotta, a retail cash-back app with 20 million

users that previously used crowdsourcing and a staffing agency for verifying its large volume of claims every day. CloudFactory now handles a growing share of the work.

“Recently they helped us beat a major cost savings goal by more than double and regularly exceed our expectations in terms of accuracy and efficiency,” the release reads.

Says Kaestner, “Churn is a primary metric for companies we invest in. One of the things I love about CloudFactory is they never lose a client.”

Convincing investors on AI, human and social impact approach

It hasn't always been easy to convince investors of the opportunity—Sears says many Silicon Valley firms have been interested in artificial intelligence, without the human approach. But a growing network of impact investors and an increasing need for on-demand data work made CloudFactory an easier sell this time around.

Funding came from New York-based [The Social Entrepreneurs' Fund](#) and the [Dolma Impact Fund](#), based in Nepal. The Nepal investor, the country's first and largest private equity fund, was an ironic twist for Sears, who always thought he needed a U.S. and Chinese presence in order to fund his company.

The Series B raise solidified that CloudFactory requires a different sort of investor, one that honors the social mission and sees the business opportunity.

“We absolutely are passionate about being profitable and a billion dollar company, but maybe doing it in a way that doesn't fully align with traditional venture capital thinking,” Sears says.



CloudFactory employs more than 2,500 cloudworkers in Nepal and Kenya. Credit: CloudFactory

The new funds come just after CloudFactory's newest product launch, called Workstreams. Early traction is proving it's time to ramp up sales and marketing. Most of the new employees will hold titles in sales, marketing or client success and be based in Durham with Sears. CloudFactory has a new Chief Revenue Officer leading those efforts.

Its global headquarters will move from Hong Kong to the U.K., where half the day overlaps with Nepal and Kenya and the other half with U.S. time zones.

Soon enough, Sears will expand the network of cloud workers as well, with the goal of offering 24/7 turnaround for customers needing huge amounts of data processed quickly. Sears says 73 countries in the developing world have the talent and labor pool required for CloudFactory work. Time zones will play a big role in where they expand next.

A Silicon Valley office could be coming too. Most of CloudFactory's most active clients are based there, Sears says.

And most have tried other approaches, he adds, realizing only AI with a human touch gives the accuracy, speed and efficiency they need to build sophisticated data science operations that advance technology and the world we live in.