

Interview

The User Experience

An Interview with Victor Koo,
 Founder and Chief Executive Officer, Youku.com Inc.



Victor Koo

EDITORS' NOTE Victor Koo is the former President of Chinese Internet portal Soubu.

COMPANY BRIEF Youku.com Inc. is China's leading Internet television company that enables users to search, view, and share high-quality video content quickly and easily across multiple devices. Formally launched in December 2006, Youku, which stands for "what's best and what's cool" in Chinese, has partnered with over 1,500 license holders, including television stations, distributors, and film and TV production companies. Initial funding for the site came from 1Verge, a fund raised by Youku founder Victor Koo. Major investors include Brookside (Bain) Capital, Sutter Hill Ventures, Maverick Capital, and Chengwei Ventures. Youku recorded gross revenues of RMB 191 million in 2009.

What did you see in the market that made you feel the timing was right for this venture and that it would develop successfully?

Youku is my third early-stage media related company in China.

The idea of video over the Internet requires broadband, and the broadband penetration was at a sweet spot around 2005 and 2006 in China. At that point, short-form videos were available, but it wasn't until 2008 that long-form videos could be viewed with good user experience in China. Now we're watching hi-def DVD movies online. So the technology is moving quickly.

While our market share, at 40 percent in terms of user time spent, is similar to YouTube's

market share in the U.S., our model is considerably different. The majority of our traffic comes from traditional media syndication and that is only possible because the media value chain in China is significantly different than in the U.S. In the U.S., a small number of media conglomerates in Hollywood and Burbank constitute the majority of the video content and distribution. In China, there are some nationwide platforms, but the majority of the channels are provincial- or city-based. We started working early on with television stations to syndicate their content, as well as with serial drama and movie production companies, and started buying more movies, variety shows, sports, and music videos over the past two years.

How do you differentiate from your competition?

As the leading video platform, we help users, through a variety of product tools, determine what video they want to watch.

On a text/picture Web site, you can read 10 headlines at once. But you can't have 10 videos opened on one page. Since users have to spend so much more time and attention on video, they want to make sure they're watching something worthwhile.

With 200 million monthly unique visitors coming to Youku from home and office, and over 60 million coming from Internet cafes, the social behavior and consumption patterns relating to video content over time is useful data to guide other users.

Users come to our site to look at the comments and reviews from other users about the content before they decide to spend their time watching it. They can make their selection based on directories or top 10 lists, or in terms of most viewed, most subscribed, most commented, or most searched. We have a very thorough content management system where all of this information is peer rated so it's easy to find.

In terms of differentiation, product, community, and technology are all important. We have built our video content delivery network, which is the largest in China now, and developed our content monitoring platform. The other basic tenet of watching video is it has to be fast. Speed is king, whether it is viewing speed, upload speed, or search speed, and our proprietary technology helps us ensure that users come to Youku and have a user experience that is differentiated.

We are also trying to build the most comprehensive content library. In terms of our primary content, the media syndication component is the core business. We also have Web-based content where users upload the content as well as made-for-Internet TV series and movies – what we call Youku Original – which helps to solidify our brand and gives our platform a personality based on the content.

How will the technology change how you're delivering in the future?

The whole idea of convergence has been around for a long time, but technology development hadn't caught up to the concept until a few years ago. The holding company of Youku is called 1Verge, which is built around the idea of converging into one.

With broadband penetration increasing and widening over time – first through fixed line and then through mobile – it's about moving in sync with the technology, because our mission is to be the primary source of video content across any Internet-enabled device.

How has your recent listing on NYSE Euronext added value?

From a listings standpoint, for a Chinese company, the strategic objective is often quite different from others. Generally, companies go public because they want to raise financing. Before we listed, we had about 60 million U.S. dollars in the bank. We have been blessed with great investors who believe in the vision of the company.

Going public is strategic for us, especially from a branding perspective, because the listing helped elevate our brand, and solidify and extend the leadership we have in market share.

With all the constituencies we work with as a public company in the U.S., there is also that cachet that helps the daily operations of the business.

Looking two to three years out, what are your key priorities to make sure the growth continues?

To actualize or execute the business plan clearly, to keep focusing on the product and the user experience, and to invest in content and technology will all help us continue to grow market share.

In terms of the advertising and subscription business model, we've been able to grow our advertising business well and hope to scale this over the next couple of years. We recently launched our subscription model, so we want to make sure we refine it, officially launch it, and build a sustainable business from that. ●