

# The **5** Secrets of YouTube's Success



As the video giant celebrates its **fifth anniversary**, WIRED goes behind the scenes of the site that launched a million memes.



## It elevated the absurd.

These early YouTube hits turned unknowns into Internet sensations. We tracked down five surprise superstars to see how they've capitalized on their fame. —STEVEN LECKART

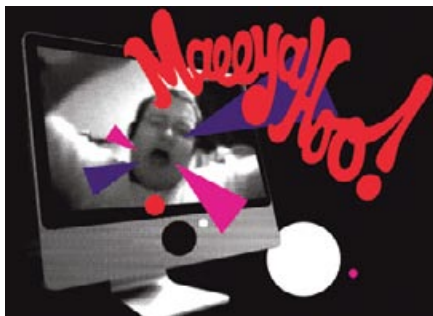


### “Evolution of Dance”

**DATE UPLOADED** 2006

**VIEWS TO DATE** 137 million

Motivational speaker Judson Laipply first performed his pop-dance montage as the finale of his act. Now it's the second-most watched clip on YouTube. His popularity bumped up his speaking fees and inspired him to publish a self-help book, *Might As Well Dance*.



### “Numa Numa”

**DATE UPLOADED** 2006

**VIEWS TO DATE** 42 million

Gary Brolsma's spirited lip sync to a techno tune inspired legions of imitators—including a spoof on *South Park*. He has since launched his own Numa Network and appeared in a Vizio commercial during the Super Bowl. The 24-year-old still lives at home with his mom.



### “Here It Goes Again”

**DATE UPLOADED** 2006

**VIEWS TO DATE** 50 million

When LA band OK Go couldn't afford to make a video, singer Damian Kulash tapped his sister, rookie filmmaker Trish Sie, to shoot it. The band's treadmill moves won the vid a Grammy, and the album sold more than 250,000 copies in the US. Sie now directs TV commercials.

## It got creative with advertising.

Once YouTube broke out of the **one-size-fits-all mindset**, the money started to flow. —FRED VOGELSTEIN

in the world. But at YouTube scale, even cheap was starting to feel expensive. As YouTube topped more than a billion clips a day, Web video began to cost Google hundreds of millions of dollars a year.

The losses proved so great—and a business model so elusive—that some company insiders wondered whether the deal might turn out to be one of the dumbest business moves in the short and frequently witless history of the Internet.

Fast-forward almost four years and it looks like the Google team that was tasked with making YouTube profitable might have cracked the code. “We’re finally at a point where more traffic doesn’t hurt us. It helps,” says director of monetization Shishir Mehrotra.

The revelation that got the company to that point seems

By 2006, YouTube was a hot property. Microsoft, Yahoo, and News Corp. were all reportedly looking to buy it. Deep-pocketed Google won the day, paying \$1.65 billion. Free with purchase: a financial sinkhole. YouTube had no profits, and no plan for creating any.

Worse, the more popular the site grew, the more money it lost—a fiscal annoyance that soon became a huge problem for Google. True, the emperors of search built their own servers and negotiated some of the cheapest bandwidth rates

THE BUSINESS MODEL





THE ULTIMATE CUTENESS BATTLE



# BABIES

VS.

# KITTENS

("BABY BREAK DANCE")

("SURPRISED KITTY")



25,563,725 VIEWS



20,355,257 VIEWS



## "Winnebago Man"

DATE UPLOADED 2006

VIEWS TO DATE 1.5 million

VHS copies of a 1989 sales video featuring foulmouthed pitchman Jack Rebney were circulating in the '90s, but YouTube made them into a viral hit. The reclusive Rebney, age 80, is now the subject of a documentary, *Winnebago Man*, due out this summer.



## "Chocolate Rain"

DATE UPLOADED 2007

VIEWS TO DATE 47 million

Tay Zonday's piano balladeering took center stage when he was still a PhD student. The 27-year-old now lives in LA as a working musician, licensing songs, selling tracks, appearing in Dr Pepper commercials, and cashing in on the ads sold against his YouTube videos.

# 03

THE LEGAL PICTURE

## It plays nice with Hollywood.

YouTube has a smart way to spot copyrighted content. And the studios are cashing in. —S.L.

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obvious in retrospect: YouTube stopped copying Google. The search giant's success is based on the premise that all visitors want the same thing: to search, find, and leave as quickly as possible. But YouTube visitors have much more diverse needs. Some come to watch short clips of cats doing silly things, others to view TV shows or how-to videos. Some have 30 seconds to kill, others spend an afternoon. Mehrotra and his team developed different advertising approaches for each class of user.

So say you want to see a TV show. Mehrotra's plan could let you choose a long commercial at the beginning or the more traditional interspersed format. He's also toying with letting users skip the ads. Amazingly, Mehrotra says, sponsors love that last part,

because viewers who choose *not* to skip them are opting in—priceless reassurance for advertisers that allows the big G to charge higher rates.

Another major step was the way YouTube approached illegally uploaded material (see "It Plays Nice With Hollywood," right). Instead of pulling down copyright-protected clips, the system lets studios and labels cash in on the ads sold against their content. Rights holders can earn a cut off videos they didn't even upload.

Between these new tactics and the ordinary ads, independent analysts expect YouTube to generate as much as \$700 million in revenue this year. That's still a long way from justifying its high price tag, but at least the sinkhole is starting to look a little like a cash cow.

### STAR RATING DISTRIBUTION



87%



3%



1%



1%



8%



From the beginning, YouTube executives knew they had a big problem. For every grainy home movie posted on the site, countless copyrighted videoclips were also being uploaded—without permission. Hollywood started to freak. But rather than raise a Napsterian middle finger, YouTube agreed to yank the content whenever requested.

The Digital Millennium Copyright Act provides video-sharing sites some protection against their users' transgressions, but it's still a legal gray area. "As traffic grew, so did the number of illegal files," says Chris Maxcy, YouTube's director of partner

BABY, KITTEN: CORBIS

development. "We started to ask ourselves, how can we even control this?"

Engineers began taking a hash—a digital representation—of any infringing video. If someone tried to upload the same clip again, it could be blocked. But the system couldn't recognize slightly different versions of the same content, so some copies slipped through. By 2007, at least six hours of video was being uploaded every minute, a good portion of it illegal.

YouTube needed a smarter system, and later that year it came up with something called Content ID. It works like this: Engineers create a spectrogram—a graphical representation of audio and video output—of each file. Unlike hashes, spectrographic data can be scanned for similarities, not just exact duplicates. When a user uploads something, it's cross-referenced with a database that's now brimming with more than a million reference files. If a close match turns up, the system checks the guidelines for that piece of content. If it's cleared for posting, YouTube alerts the copyright holder, which can choose simply to monitor its stats or begin sharing the ad revenue.

Today a third of the ads on YouTube are served alongside copyrighted content found through the system. Companies like Sony, Warner Bros., EMI—even copyright stickler Disney—participate, allowing the movie-trailer remixes and kitten videos backed by pop soundtracks to keep on streaming.

# 04

THE CONTENT PRODUCERS

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## It launched a new creative class.

YouTube's top celebs are quirky and lo-fi, but they draw audiences any cable network would envy. —CLAUDE BRODESSER-AKNER



### Fred Figglehorn

**JOINED YOUTUBE** October 2005

**TOTAL VIEWS** 452 million

Sixteen-year-old Lucas Cruikshank has been uploading videos of himself portraying a lonely kid for about five years. Annoyed by his grating, computer-enhanced voice? Wait till you hear about his six-figure income and freshly inked movie deal.



### Ryan Higa

**JOINED YOUTUBE** July 2006

**TOTAL VIEWS** 290 million

At 18, Ryan Higa was studying nuclear medicine at UNLV. Now 19, he has switched his major to film and collects a tidy allowance from his channel, Nigahiga, which offers lo-fi parodies and polemics riffing on everything from Asian TV to the inanity of Twitter.

COMMENTS)

03 "SUSAN BOYLE—SINGER—BRITAIN'S GOT TALENT 2009" (507,691)



BACKGROUND: CORBIS; BOYLE: AP

## It's willing to reinvent itself.

We asked **Margaret Gould Stewart**, YouTube's head of user experience, to explain how her redesign of the site will keep you hooked. —MATHEW HONAN



### Why mess with a good thing?

The old YouTube worked really well if you knew what you wanted to watch, but there were a lot of situations

that we could've been serving better. We want to get incredibly smart about putting videos in front of you that you compulsively have to watch.

### How do you do that?

By bringing context into the experience. Historically, the site has been designed around the video you're watching right now—related videos use that first clip as a starting point. But what if you're not just looking for content related to that subject? People who come to the site from social networks might

be more interested in what else their friends are watching. The idea is to understand the mindset that people bring with them and build off that.

### Does that mean a lot of the changes are aimed at users who have an account with YouTube?

Exactly. If you log in, you can import contacts from Facebook or Gmail, and that'll push a pretty rich set of videos at you immediately—things your friends have favorited or rated or uploaded.

### What if you don't log in?

We'll still show you the five videos that everybody should watch today. You know—a plane has crashed in the Hudson River. But it's kind of a give-and-take: We want to reward people who give us information, so they see that it's worth it.

### What's the ultimate goal?

Once we process these social signals—your behaviors and actions—we'll be able to deliver a whole playlist that's made just for you. We want you to go into passive mode, sit back, and watch.

YOUTUBE VIDEOS WATCHED PER MONTH (PER VIEWER IN THE U.S.)

JULY 2006 (21 VIDEOS)

JULY 2007 (36 VIDEOS)

JULY 2008 (55 VIDEOS)

JULY 2009 (74 VIDEOS)

DECEMBER 2009 (97 VIDEOS)



### NewsPoliticsNews

**JOINED YOUTUBE** February 2009

**TOTAL VIEWS** 57 million\*

When "doctor Jon" started posting clips of the political commentariat's latest distortions, he drew millions of views. Then he got banned for posting network content without permission. Twice. Now the anonymous MD curates the videos for Mediagate.

\* INCLUDES SISTER CHANNEL NEWS1NEWS.



### David Colditz

**JOINED YOUTUBE** August 2007

**TOTAL VIEWS** 146 million

The musician with the most subscribers on YouTube isn't Jay-Z or Miley Cyrus. It's David Colditz, a.k.a. Dave Days, whose power-pop parodies have earned him 146 million views. Colditz is at work on an album, but he might not seek a record deal. He might not need one.



### Natalie Tran

**JOINED YOUTUBE** September 2006

**TOTAL VIEWS** 212 million

A student at the University of New South Wales, the Internet-famous Tran has no interest in Hollywood. "I'm unambitious," she says. She's satisfied to upload her observational comedy while pulling down a nice income from the ads YouTube serves against her clips.