ANNALS OF TECHNOLOGY

STREAMING DREAMS

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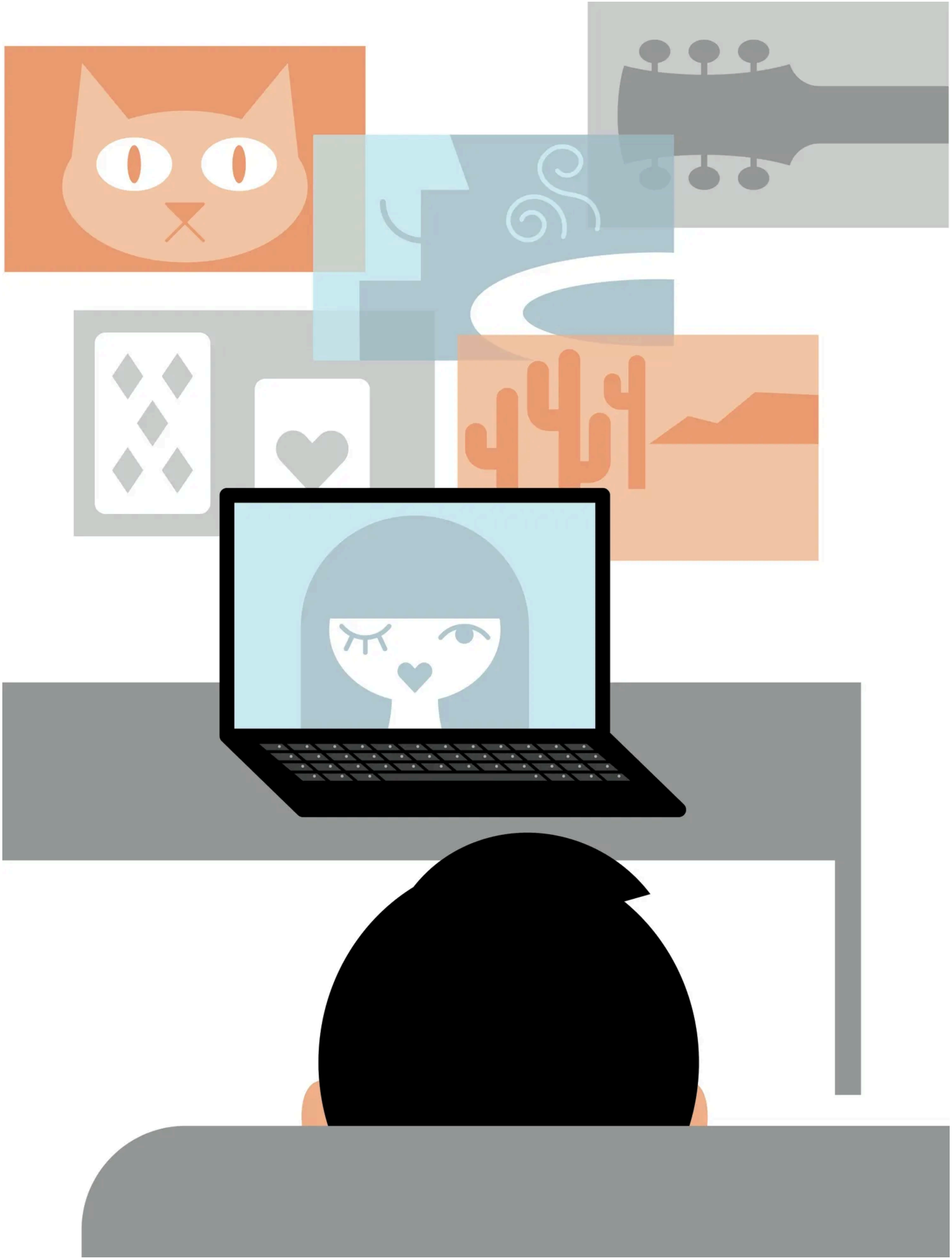

On TV, airtime is a scarce resource; on YouTube, it’s infinite. Illustration by Anders Wenngren

On a rainy night in late November, Robert Kyncl was in Google’s New York City offices, on Ninth Avenue, whiteboarding the future of TV. Kyncl holds a senior position at YouTube, which Google owns. He is the architect of the single largest cultural transformation in YouTube’s seven-year history. Wielding a black Magic Marker, he charted the big bang of channel expansion and audience fragmentation that has propelled television history so far, from the age of the three networks, each with a mass audience, to the hundreds of cable channels, each serving a niche audience—twenty-four-hour news, food, sports, weather, music—and on to the dawning age of Internet video, bringing channels by the tens of thousands. “People went from broad to narrow,” he said, “and we think they will continue to go that way—spend more and more time in the niches—because now the distribution landscape allows for more narrowness.”

Kyncl puts his whole body into his whiteboard performances, and you can almost see the champion skier he used to be. As a teen-ager in Czechoslovakia, he was sent to a state-run boarding school where talented young skiers trained for the Olympics. At eighteen, “I realized then that all I knew was skiing,” he told me. After the Velvet Revolution of 1989, he applied to a program that placed Eastern Europeans in American summer camps as counsellors, and spent the summer in Charlottesville, Virginia. The following year, Kyncl went to SUNY, in New Paltz, where he majored in international relations.

People prefer niches because “the experience is more immersive,” Kyncl went on. “For example, there’s no horseback-riding channel on cable. Plenty of people love horseback riding, and there’s plenty of advertisers who would like to market to them, but there’s no channel for it, because of the costs. You have to program a 24/7 loop, and you need a transponder to get your signal up on the satellite. With the Internet, everything is on demand, so you don’t have to program 24/7—a few hours is all you need.”

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For the past sixty years, TV executives have been making the decisions about what we watch in our living rooms. Kyncl would like to change that. Therefore YouTube, the home of grainy cell-phone videos and skateboarding dogs, is going pro. Kyncl has recruited producers, publishers, programmers, and performers from traditional media to create more than a hundred channels, most of which will début in the next six months—a sort of YouTV. Streaming video, delivered over the Internet, is about to engage traditional TV in a skirmish in the looming war for screen time.

Kyncl attacked the two-dimensional plane with his marker, schussing the media moguls, racing over and around them to the future. He drew a vertiginously plunging double-diamond run representing the dissolution of mass TV audiences as cable channels began to proliferate. Then he drew the bunny slope of Web-based channels that will further fragment audiences. According to Forrester Research, by 2016 half of all households will have Wi-Fi-enabled devices on their televisions, which will bring all those new channels into the living room, tempting people to cancel their pricey cable subscriptions. The only way for the networks and the cable companies to grow will be to buy Web-based channels.

Isn't that more or less what happened thirty years ago? I asked. The networks, which had originally disparaged the new cable channels as cheap-looking and too narrowly focussed, ended up buying them when cable took off.

"Absolutely that's what happened," Kyncl said, with a slight Czech accent. "And it will happen again."

He set the marker down on the conference-room table, and smiled. YouTube had won the gold.

YouTube was created by three former employees of PayPal, in a Silicon Valley garage, in early 2005. According to two of the founders, Chad Hurley and Steven Chen, a graphic designer and a software engineer, respectively, the idea grew out of a dinner party at Chen's home in San Francisco, in the winter of 2004-05. Guests had made videos of one another, but they couldn't share them easily. The founders envisioned a video version of Flickr, a popular photo-sharing site. All the content on the site would be user-generated: "Real personal clips that are taken by everyday people," as Hurley described his vision.

The third founder, Jawed Karim, also a software engineer, had an additional source of inspiration: Janet Jackson's "wardrobe malfunction" on CBS's broadcast of the 2004 Super Bowl halftime show. The incident spawned an enormous amount of commentary, an F.C.C. fine, and a lawsuit that went all the way to the Supreme Court, but if you missed the live broadcast you were out of luck.

On the evening of April 23, 2005, Karim uploaded the first video to YouTube—an eighteen-second clip of him, standing in front of the elephant enclosure at the San Diego Zoo, wearing an ill-fitting hiking jacket. He says, "The cool thing about these guys is that they have really, really, really long trunks, and that's cool," smirks a little, and ends with "And that's pretty much all there is to say." Civilization would never be the same.

By the time a beta version of YouTube went live, in May, 2005, its archive held several dozen videos, supplied mostly by the founders and their friends; Chen contributed a couple of his cat, Stinky. Not surprisingly, traffic was light. YouTube was like "America's Funniest Home Videos," without the fun. The founders had no outside financing at the time, and they were paying for equipment and bandwidth with the payouts they had earned from PayPal when eBay bought the company, in 2002; some of the costs went on Chen's credit card. The situation looked bleak. In a video shot that month in a garage, the founders discuss their predicament. Chen says, "I was getting pretty depressed toward the end of last week." Someone says, "This is lame." The founders decided that videos of good-looking babes might help, and they placed ads on Craigslist, offering attractive women a hundred dollars for ten videos. No one responded.

On June 20th, Karim wrote in an e-mail to Chen and Hurley, "If we want to sign up lots of users who keep coming back, we have to target the people who will never upload a video in their life. And those are really valuable because they spend time watching." What the watchers wanted was music videos, skits from "Saturday Night Live," and episodes of "South Park"—professional content. "And if they watch, then it's just like TV, which means lots of value," Karim added.

In e-mails that later became the centerpiece of a billion-dollar copyright-infringement suit brought by Viacom against YouTube, in 2007, both Karim and Chen advocated a laissez-faire response toward copyrighted content. If the content owners asked YouTube to take a video down, the site would comply; otherwise, the founders would leave it. Hurley presciently wrote, "OK man, save your meal money for some lawsuits." But he, too, went along with the relaxed approach.

In June, the site incorporated a number of new features, including the ability to embed YouTube videos in other sites and links between videos, and traffic began to pick up. By December, YouTube had several million views a day. That month, "Lazy Sunday," a skit from "Saturday Night Live," in which Andy Samberg and Chris Parnell rap about eating cupcakes from Magnolia Bakery and going to a Sunday matinée of "The Chronicles of Narnia," was posted on YouTube, and viewed more than five million times before it was removed at NBCUniversal's request.

I discovered the pleasures of YouTube around this time. Someone sent me a link to a music video, and I followed it to the site. The whimsical D.I.Y.-ness of the home page, with its clutter of clickable offerings, many sophomoric in nature, made the place feel like a college dorm. Adorable babies, angry cats, embarrassing falls, and child prodigies mingled with the music videos and great concert footage of bands I loved performing at their peak. I e-mailed links to my friends. One of them wrote back, "This is like public television was supposed to be!"

At the beginning, I used YouTube more as a radio. Almost every song I wanted to hear, from any era, was on it. (It never occurred to me that someone may have violated the owners' copyright by uploading those videos; streaming seemed more like borrowing than stealing.) Before long, I was taking online Delta-blues guitar lessons from a guy who called himself BlindBoy, and whose face never appeared onscreen—it was just the guitar, his hands, and his Lennon-like Liverpudlian accent. BlindBoy was a talented teacher and a prolific poster, and soon I was spending more time watching this headless Englishman than, say, the "The Daily Show." I was definitely one of the watchers: I would never have thought of uploading a video myself. But watching YouTube was nothing like watching TV. It was user-generated anarchy.

In October, 2006, Google bought YouTube, for $1.65 billion. (Hurley and Chen made the announcement in a YouTube video entitled "A Message from Chad and Steve"; Karim, who had left the company by that point, was nowhere to be seen, and henceforth all but disappears from official company history.) Within a year, Google had tamed the Wild West of copyright infringement that characterized YouTube's pioneer days, both through licensing deals with major content providers and through a content-management program, called Content ID, that alerted copyright holders automatically whenever any part of their content went up on YouTube. Owners can choose to remove the content, sell ads against it and share the money with YouTube, or use it as a promotional tool. Content ID generates a third of YouTube's revenue. (In June, 2010, Louis Stanton, the judge in the long-running Viacom v. YouTube case, granted summary judgment to YouTube. Viacom is appealing that ruling, and a decision is expected soon.)

Having dealt with YouTube's copyright problems, Google's C.E.O., Eric Schmidt, turned to the issue of monetization. YouTube's expenses—mainly the bandwidth costs of streaming all those videos—exceeded its revenues, which, like Google's, came from ad sales. The general impression among advertisers at the time was that YouTube was not "brand safe," because its streets "were not clean and well lit," as David Cohen, an executive vice-president at the ad agency Universal McCann, put it to me. YouTube needed to devise a strategy similar to Google's paid search. But although YouTube is the second most popular search engine in the world, many people are searching for entertainment, which is different from searching for information and harder to match ads with; "lol" is one of the most popular search terms on the site. Keyword searches are confined to the "metadata"—the labels and titles of the videos; search can't go inside the videos themselves. Often, videos are poorly labelled, and, if they come straight from cell phones, as many do, they may not be labelled at all.

If anyone at Google could solve the monetization problem, it was Salar Kamangar. Born in Iran in 1976, Kamangar came to the United States with his parents shortly before the Iranian Revolution. He got a degree in biology from Stanford, and stayed in Palo Alto to work on a degree in economics. In 1999, he attended a job fair on campus, where he met Sergey Brin, who was manning the booth for Google, a start-up that he and Larry Page had founded a year earlier. Kamangar became Google employee No. 9. Steven Levy, in his recent book about Google, "In the Plex," describes Kamangar as having "a glow of success around him . . . as a result of his work in developing Google's ad system." That glow, however, does not translate into physical presence. Kamangar is slight of build, soft-spoken, and shy, especially around reporters. He brought his laptop to our meeting, and looked at it from time to time while we talked. His eyes relaxed whenever they hit the screen.

In the fall of 2008, at Schmidt and Hurley's request, Kamangar began working at YouTube headquarters, in San Bruno, California. (Hurley remained at YouTube, but he ceded day-to-day management to Kamangar, and left altogether in October, 2010.) The airy, light-filled offices were originally designed for the Gap. There is a putting green in the atrium, with garden gnomes placed around it; red helium balloons float above the desks of new employees; the downstairs conference rooms are named for well-known video games; and a very large, triple-chute slide, also in YouTube red, is installed in the two-story central workspace. Underlying these whimsical touches is a seriousness of purpose that one encounters in small start-ups but only rarely in companies the size of YouTube (more than seven hundred employees and growing fast, to judge by all the red balloons).

"This next song is very personal, and I'd just like to hum it to myself."

Cartoon by Mike Twohy

Under Kamangar's leadership, YouTube has continued to grow. Today, it has eight hundred million unique users a month, and generates more than three billion views a day. Forty-eight hours of new video are uploaded to the site every minute. According to Nielsen, it drew eight times more video viewers last year than Hulu, which is jointly owned by NBCUniversal, News Corporation, and the Walt Disney Company, among others. It is the first truly global media platform on earth.

YouTube's Partner Program, begun in 2007, has also flourished. YouTube sells advertising against popular channels created by homegrown YouTube stars—vloggers, sit-down comedians (a form of comedy unique to YouTube), mashup artists, bedroom auteurs, Mr. Fix-Its—and shares the revenues with the channels' creators. For most of YouTube's thirty thousand partners, this means a few hundred dollars a month, but the top five hundred partners earn more than a hundred thousand a year, and in some cases—Real Annoying Orange, a socially inept talking citrus who converses with other pieces of fruit; Shane Dawson, a madcap twenty-three-year-old sketch comedian; and Michelle Phan, a Vietnamese-American beauty guru, among them—they earn much more. Tweens are more familiar with these "welebrities" than they are with the stars on TV, a grim augury for the future of traditional television.

As YouTube has grown, Kamangar and his team have struggled to keep its algorithm up to speed. The algorithm is that secret software machine that determines which videos the home page suggests for you, based on your watch history, trending videos, and the most popular videos on the site. Weighting each of those factors properly, while maintaining a sense of serendipity—those stumble-upon videos that are one of the delights of YouTube—has been a challenge. When the top hits become overly dominant, the algorithm is tweaked to encourage greater diversity. Too much diversity, however, and you get seemingly random suggestions on the home page, and you stop watching.

But there is one category in which YouTube has made little progress. The average 'Tuber spends only fifteen minutes a day on the site—a paltry showing when compared with the four or five hours the average American spends in front of the TV each day. The standard block of programming on TV lasts twenty-two minutes; on YouTube, it's three minutes. As Rick Klau, a former YouTube product manager who is now a partner at Google Ventures, said, "We give people seven or eight opportunities in the course of a half hour to opt out." People tend to watch YouTube on their computers at work. A three-minute break every couple of hours isn't really goofing off; it's more like a trip to the virtual water cooler. On TV, programmers bracket certain shows together in the hope that you won't change the channel, and channels promote upcoming shows during commercial breaks. But on YouTube you're the programmer, and every time a video ends you have to make a programming decision: what should you watch next? All too often, the algorithm isn't much help.

If YouTube could get people to stay on the site longer, it could sell more advertising, and raise the rates it charges advertisers for each thousand views, which are known in the industry as C.P.M.s. (In spite of the fact that YouTube has a much larger number of users, it lags behind Hulu in C.P.M. rates, possibly because Hulu's longer-format programming keeps viewers from leaving the site as quickly, and because advertisers prefer to be associated with the made-for-broadcast content that Hulu offers.) Advertisers spend some sixty billion dollars a year on television; they spend only about three billion on online video.

Clearly, YouTube would benefit from premium content, the kind of stuff you could watch on Netflix and Hulu. But the owners of that content were reluctant to license it to YouTube, either because they could make more money selling it elsewhere or because they didn't trust YouTube/Google. Kamangar needed someone who would make content owners realize how valuable YouTube's audience could be to them.

Robert Kyncl started his career in entertainment in the mailroom of a talent agency, J. Michael Bloom, in Los Angeles, and later worked for HBO in New York before returning to the West Coast to join a dot-com start-up called ALFY, a Web site for kids. In 2003, Netflix recruited Kyncl to help secure movies for its thriving DVD-by-mail business.

In 2005, Kyncl volunteered to look into the business of streaming video. At that time, the usual method of obtaining music as well as video over the Internet was to download the file. Apple's iTunes store, which launched in 2003, sold downloads. Streaming video, which enables the viewer to play a file that resides on a remote server, was believed to be a less desirable method of delivery, because the picture quality was often inferior. "Every single company was focussed on downloading at that time," Kyncl told me. "And then one day I saw this thing called YouTube, and I thought, Wow, a lot of people are watching grainy videos on this; obviously they're willing to trade fidelity for utility. That was a revelation."

The streaming service débuted on Netflix in 2007, offering movies and television programs, and it quickly caught on with subscribers. For the price of a subscription to Netflix, which was about ten dollars a month, you could watch as many movies as you wanted; if you didn't like one, you could start another. "It brought channel-surfing to movies," Kyncl says. For many people, Netflix was the first glimpse of a kind of content holy grail: limitless choice, all on demand, and available on any Internet-connected device. By 2010, streaming had become a major part of Netflix's business. Its stock price soared.

But, big as the streaming-video business became for Netflix, its potential was even greater. Computers were already beginning to change the experience of watching TV, by allowing viewers to access programs and movies on laptops, phones, and gaming devices. The next phase would be televisions that connected to the Internet through Wi-Fi, which would allow users to stream Web-original content on the TV. Netflix, with one foot in the old world of DVD delivery—the world of atoms, not bits—might not fully realize the new medium's potential. (Indeed, in

September, 2011, when Reed Hastings, the co-founder and C.E.O. of Netflix, tried to separate the DVD-by-mail side of the company from the streaming side, and to charge customers more if they wanted both services, subscribers were outraged.) But someone was going to figure it out.

In the spring of 2010, a recruiter called Kyncl at Netflix and asked him if he would be interested in meeting Kamangar. Although the two men seem miles apart in temperament—Kyncl is outgoing and personable; Kamangar is introverted and intense—they hit it off.

The senior vice-president of YouTube wanted Kyncl to help chart YouTube's future. "Because YouTube is focussed on a lot of different types of content at the same time," Kyncl told me, "it has many opportunities, and the hardest thing is to figure out which ones you shouldn't do, and focus on the ones you should." Kyncl's relationships in Hollywood would help in securing premium content; and, more important, he understood entertainment culture. He brought "the skill set of being able to bridge Silicon Valley and Hollywood—an information culture and an entertainment culture," he told me. The crucial difference is that one culture is founded on abundance and the other on scarcity. He added, "Silicon Valley builds its bridges on abundance. Abundant bits of information floating out there, writing great programs to process it, then giving people a lot of useful tools to use it. Entertainment works by withholding content with the purpose of increasing its value. And, when you think about it, those two are just vastly different approaches, but they can be bridged."

In TV, airtime is a scarce resource, and quality programming is scarcer still, and expensive to create. Writers spend months or years developing an idea, which they then pitch to network and cable executives, who make decisions based, at least in part, on their "gut." The majority of the ideas never get produced. If a project is green-lighted, the networks or cable channels buy it and fund its production, and the creators have to give up some or all of their control over the material.

But on YouTube "airtime" is infinite, content costs almost nothing for YouTube to produce, and quantity, not quality, is the bottom line. "YouTube green-lights everything," as Tim Shey, the director of the site's division for coaching content creators, YouTube Next Lab, told me. It's up to the audience, not the executive gut, to decide what's worth watching. "I've worked in TV, and I've been the one green-lighting projects," Shey went on. "Believe me, the YouTube way works much better." Kyncl told me that at Google it makes no sense to bring "a gut-based decision-making process to a culture that is based on numerically quantifying everything. Ultimately, that kind of decision-making gets rejected, as if it were a foreign body."

When I met Kamangar, in California, he told me he thought that screen time in general was going to expand, so the battle for eyeballs wasn't a zero-sum game. "Our data suggests TV watching is on the rise," he said. "It seems to have increased from four to five hours in recent years, and we think it will keep increasing. Screen time in general will increase. I wake up with a Droid next to my bed, and I immediately look into the screen for my instructions." At the mention of a screen, his eyes stole a longing glance back toward his laptop. "That's the trend—more screen time—and we think that will benefit YouTube."

Kyncl sees the situation in more absolute terms. He showed me a bar graph depicting the enormous advantage that TV has over YouTube in screen time. "We're absolutely nothing compared to TV," he said. "And this is why I came to YouTube. I want to take this"—he pointed to YouTube's screen time—"up, and in a big way, because I think we can. And, if we do, this industry"—TV—"is worth three hundred billion dollars, worldwide, and we hope to see value shifting hands."

In his first months on the job, Kyncl concentrated on beefing up YouTube's streaming-movie-rental business—the company's first foray into paid content—which, at that point, had mostly indie titles. He helped negotiate deals with Warner Bros., Sony, and NBCUniversal, among others. In May, 2011, the new service went live, heralded by a rare posting on the YouTube blog from Kamangar himself, entitled “Welcome to the future of video. Please stay a while.” More than three thousand titles were available for rent, at prices comparable to iTunes movie rentals. But, since most of the same films were already available for instant streaming on Netflix, for a flat monthly fee, the new service was something of a non-starter.

And popular TV shows like “Mad Men,” which Netflix also offered, were notably lacking on YouTube. When I spoke to Kamangar about this during my visit to company headquarters in July, he said that the deals were taking longer than expected to work out because so many shows were tied up in syndication and ancillary-rights deals that had been negotiated back when “no one thought that content would be watched on the Internet at this volume.” He added that making broadcast-content owners comfortable putting their stuff on YouTube “would require an attitudinal shift,” from scarcity thinking to abundance thinking, but that “there are signs this is happening.”

While Kamangar and Kyncl were expanding YouTube’s movie titles, they were also exploring a more radical idea. What if YouTube could get professional writers, directors, and producers to create original content for the site? As Kyncl put it, “YouTube already had many channels, but they were used more as a way for content creators to set up their relationship with YouTube and upload videos, rather than as a discovery mechanism for the viewer.” YouTube would not want to own or develop the content. “We’re a technology company, and that’s not in our DNA,” Kyncl said. “The focus would be on developing channels, and brands, rather than individual shows.” He added, “There is a fundamental difference between the way AOL and Yahoo behave and the way we behave. They commission individual pieces of content. What we do is commission channels. We don’t tell people how to program the channels. We have certain volume requirements”—for instance, channels would be required to supply a minimum number of hours of programming each week—"but we are not making show-by-show decisions."

Early in 2011, Kyncl began meeting content creators in a variety of media—film, TV, music, print—whiteboarding the future of television, and inviting them to participate in it by creating new YouTube channels. He offered several million dollars in funding, in the form of advances against future ad revenues, to be used as development money. Once the advances are earned back, YouTube will share ad revenues with the creators. YouTube will have an exclusive right to the content for a year, but the creators will retain ownership. YouTube will be responsible for selling ads but will not invest in promoting or marketing the channels in the way that traditional television channels do. (There will be no lavish premiere parties, and no billboards in Times Square.)

Michael Hirschorn was among the people who heard Kyncl's presentation. Hirschorn began his career in print but made his name in television, at VH1, where, as the head of programming, he oversaw hits like "Flavor of Love" and "Celebrity Rehab." He now runs an independent production company called Ish Entertainment. Larry Aidem, the former president of the Sundance Channel, knew Robert Kyncl, Hirschorn told me, and he said he thought they should meet. "None of the stuff Robert described was happening yet, of course, but I felt, having been late to several revolutions previously, that we needed to go all out for this," Hirschorn said. "I called Larry and said, 'We need to start a company *now*.'"

In all, Kyncl received more than a thousand proposals for new YouTube channels. He and his staff heard more than five hundred pitches, and winnowed them down to just over a hundred channels that would be awarded advances. Hirschorn attended more than twenty meetings. The winning proposals—branded "YouTube Original Channels"—were announced late on the Friday evening just before Halloween, at a time usually reserved for scandals and resignations, signalling that the third age of television, whatever it might be, would not be show business as usual.

Hirschorn and Aidem's company, IconicTV, has been given advances for three channels: Life and Times, which will focus on Jay-Z's cultural and artistic interests; 123UnoDosTres, an urban channel for Latin American young adults; and myISH, a channel for scouting musical talent. Madonna and her longtime manager, Guy Oseary, are developing a dance channel called Dance On. Amy Poehler is creating a channel called Smart Girls at the Party. Shaquille O'Neal is behind the Comedy Shaq Network, and there is a skateboard channel, RIDE, from Tony Hawk. Brian Bedol, who started the Classic Sports Network in the nineteen-nineties, and his partner Ken Lerer, the co-founder of the Huffington Post, got funds for four channels: Network A, an action-sports channel; KickTV, featuring soccer; Official Comedy, a standup-comedy showcase; and Look TV, a fashion-and-beauty channel. *The Onion*, *Slate*, and the *Wall Street Journal* are also creating channels, as are Hearst and Meredith. Even Disney, which had not made its films available to YouTube until November, agreed to partner with the company.

Although most of the entertainment channels fall into the variety-show format (a staple of the early years of television), some creators are attempting long-form dramas. Anthony Zuiker, who created the crime show "C.S.I." for CBS, got a deal, along with his colleagues, to develop a channel called BlackBoxTV, a "Night Gallery"-like chiller theatre. When I asked him what attracted him to the opportunity, he said, "This world of online video is the future, and for an artist you want to be first in, to be a pioneer. And that time is now. We've had amateur content on the Web, and we've had network shows rebroadcast on the Web, but now we are combining those two into a bigger game." He added, "You know, even with a hit show like 'C.S.I.' there's a lot of cooks in the kitchen. There is a lot of interference and a lot of rules. With YouTube I will have a very small crew, and we are trying to keep focussed on a single voice. There aren't any rules. There's just the artist, the content, and the audience."

And the advertisers. Like television itself, the business of TV advertising has had to learn to cope with audience fragmentation. Through the nineteen-sixties and seventies, it was not unusual for the three major networks to capture eighty-five to ninety per cent of the available prime-time audience. That made it possible for advertisers to create national brands. In the eighties, as cable caught on, with channels like CNN, TBS, MTV, and Lifetime, it began to chip off pieces of the audience from the networks. "The Cosby Show" was the last TV series to command a mass following. During the 1985-86 season, more than thirty per cent of all households with televisions tuned in. (Last year, "American Idol," the most popular show on TV today, pulled in fewer than nine per cent of all television viewers in the U.S.) On any given day, most viewers are watching niche programming, from Rachel Maddow to Rachael Ray. The niches deliver fewer people to advertisers, which isn't good, but in theory they also deliver a more engaged and more quantifiable audience, which might be good if it means that you can efficiently target the people who are especially receptive to your message. Nevertheless, many of the biggest brands continue to pursue what remains of the mass audiences of old, which is why ad time during the Super Bowl is so expensive.

On YouTube, the niches will get nichier, and the audiences smaller still. But those audiences will be even more engaged, and much more quantifiable. Advertisers have to rely on ratings and market research to get even a rough approximation of who's watching which show. Because YouTube is delivered over the Internet, the company will know exactly who is watching—not their names but their viewing histories, their searches, their purchases, their rough location, and their online social connections. As Shishir Mehrotra, YouTube's head product manager, explained to me, "Advertising will be done at the level of the audience rather than at the level of the show. Content is no longer proxy for an audience—we know who the audience is. We know what your preferences are, the types of shows you like to watch." If you posted a video of your trip to Hawaii on YouTube, chances are YouTube is going to advertise airfare to Honolulu to you. Advertising can therefore be highly focussed, not the blunt instrument it is now.

That's the theory, anyway. But audience-based buying is kind of creepy, privacy-wise, and it has alarming demographics-as-class implications. Would the one per cent watch Mercedes ads during the Super Bowl, while the rest of us watched ads from Walmart? Is audience-based advertising even practical? An agency would have to make thirty ads for thirty sub-niches. Say that a client wants to target the twenty-one thousand people who currently subscribe to Vegan Black Metal Chef's YouTube channel. "So you'd have to hire a media buyer who was an expert in Vegan Black Metal," David Cohen, of Universal McCann, said. "From a human-resources standpoint, that doesn't make sense, unless you can figure out how to automate it." According to Cohen, that's beginning to happen.

Several weeks after YouTube announced the arrival of YouTube Original Channels, it held a training program at Google's New York headquarters. Some sixty people, of varying ages, were in attendance, most with jobs at the production companies that would write, shoot, and edit the videos. They packed into conference rooms (which, like those at YouTube, are themed) for thirty-minute presentations from experienced YouTube creators on best practices. Sometimes people fanned out for breakout sessions around the vast Google floors that run the entire block from Eighth to Ninth Avenues, and which Google workers use scooters to navigate. The sessions I attended, in a room called Brass Monkey (the theme was New York bars), had the aspect of a nerdy summer camp.

Ben Relles, an employee at YouTube Next Lab and the creator of the Barely Political channel on YouTube, who had an early success with his 2007 “Obama Girl” video, featuring the actress Amber Lee Ettinger as a young Obama groupie, led off the first session. His subject was why certain videos go viral, and whether it was possible to study the data and deduce techniques that all producers can use to increase traffic. “It’s not true that viral videos are always accidents,” he said. Although people tend to think that viral videos are serendipitous, in fact, Relles said, six of the top ten most-viewed YouTube videos in 2010 were scripted and produced just like TV shows. The difference is that the poetics of YouTube favors authenticity over production values. But what looks good enough on your desktop may look cheap in your living room.

The day’s second session, on Audience Development, was led by Next Lab’s Andres Palmiter and Ryan Nugent. “The point is to bring people back on a daily basis,” Nugent said. “How do you leverage one viewer into many?” He reminded the participants to study the habits of their audience. Thanks to YouTube Analytics, the traffic-analysis program that YouTube makes available to everyone who puts up a video, creators can know both the size of their viewership and where people are watching—by country and state—as well as when they watch and how long they spend watching. If your audience is young, you want to post your video around 3 P.M., when kids are getting home from school. “Find out what it’s like to be a user,” Nugent advised.

Everybody took lots of notes, but I sensed a disconnect between the information people and the entertainment people. Familiar concepts from television, like “comedy” and “act structure” were spoken of with vocal quotation marks around them. During the Q. & A. period, someone asked, “What do you mean by ‘a show’?”

“What do you mean, ‘What do I mean by “a show”?’ ” Nugent replied.

“Well, can you talk about the difference between shows, playlists, and channels?”

Toward the end of the year, Kyncl came to New York for various meetings, and I went back to Google to see him. This time, I went to the eleventh floor, which Google has recently taken over. These conference rooms are themed according to both famous painters (an iconic work of each room's namesake is rendered in glass around the door) and hit television shows from the past and the present. We met in the "Cosby Show" room, a nice touch.

Kyncl was excited about the new YouTube home page, which represents a major change to the interface. The cluttered old home page has been replaced by a sleek and streamlined menu of categories against a luscious black background on the left side of the screen. Not surprisingly, the redesign has been unpopular with some of the old-time users.

Most of the new content, Kyncl said, would begin "rolling out" in the first half of 2012. "I think it's fair to say we spread our bets wide, and we can watch how things develop and decide which areas we want to go deep in."

A number of people I had spoken to about the channel initiative were having trouble defining what exactly it is. Is Kyncl building a Web-based Comcast or Time Warner? Some believe that to be the case, but Jim Louderback, the C.E.O. of Revision3, an Internet video network, told me, "I don't think he's building a cable-TV competitor. I think he's building the flip side of the cable business—a bundle of premium content that viewers just can't live without. I see them more focussed on creating and nurturing new original properties similar to HBO, Showtime, and Comedy Central." Is YouTube attempting to seize the means of production from Hollywood? James McQuivey, an analyst with Forrester Research, thinks so. "They're saying, Fine, you don't want to sell us your content, you want to tie everything up in distribution deals—fine, we're going to make our own deals. Not just U.S. deals but global-rights deals, because YouTube is the largest video platform on the globe, and we're going to sign Madonna and Amy Poehler, and guess what, this train is leaving the station, get on it or not."

A prominent Hollywood insider told me, with a note of nostalgia in his voice, "I can tell you what YouTube is not going to do—generate shows like 'Friends,' '24,' and 'C.S.I.' The world of TV I grew up with, where hit shows threw off hundreds of millions for the creators and networks—that's not going to happen." But others think it will; all it takes is a hit.

I wondered if there was any danger to the brand, in moving so decisively from the user-generated anarchy of the old YouTube to YouTV, where control and surveillance are centralized in the heart of the Googleplex. In its attempt to increase watch time, attract more viewers, and provide advertisers with as customized a customer as possible, YouTube risks alienating its core constituency—Chad Hurley's "everyday people." MySpace suffered steep reductions in traffic when it altered the user experience with redesigns and increased ads. Netflix lost more than half its value in the stock market and provoked a customer revolt after announcing its plan to separate the streaming and the DVD sides of the business. It's possible that YouTube could make a similar mistake, by offering bigger, more professional niches than its amateur-niche audience wants right now. For all the information that new-media companies have about their customers, they can still fundamentally misjudge when those customers are ready for change.

"It's certainly not going to be easy," Kyncl said of the new venture. "There's a lot of work to be done, to make sure this works. But, as a friend who just landed a job at one of the networks said, 'At least you guys are swinging for the fences. There are a lot of other people who are just sitting around and watching things happen.'" ♦

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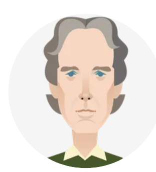

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