

Rebooting YouTube

When [Susan Wojcicki](#) took over [YouTube](#) in February, she received almost as much unsolicited advice as there are YouTube videos. One open letter not-so-subtly pleaded with Wojcicki, "So please, I'm begging you, please, please, please, don't f*** it up."

"There were lots of letters, public letters," says Wojcicki when we meet in her office in mid-June at YouTube's San Bruno, California, headquarters. "'Open Letter to Susan Wojcicki.' 'Do These Five Things.' There were videos from creators." Even her family got in on the act. "My mom is a high school teacher, so she would tell me, 'Oh, the students liked the video you posted today. Oh, the students didn't like the video that you posted today.' As though I, personally, posted a video!" she says, laughing.

Her four kids gave her a YouTube crash course. "I was just starting to get to know a lot of these videos, and they'd be like, 'Oh, no, Mom. That video came out like six months ago.' And then they would go on about the whole backstory of this content and this creator. I didn't know how much time they were spending watching YouTube."

The ambush of advice was, she admits in her amiable way, "a little overwhelming." Wojcicki, 46, is a consummate insider--she's Google employee No. 16--and a publicity deflector who isn't used to being in direct communication with a fan base as vocal and passionate as YouTube's. "She doesn't optimize for, 'Hey, I did something that would be a great article, I did this amazing thing,'" says [Twitter](#) CEO Dick Costolo, who worked with Wojcicki after Google acquired his startup Feedburner in 2007. "On the surface, you might not see her as the archetype for a leader because she's so nice," adds [AOL](#) chairman and CEO Tim Armstrong, who also worked with Wojcicki at Google. "But underneath it, she's a real fierce

competitor." Costolo calls her "the most understated operations executive in the Valley."

Her skills as a leader and operator are going to be tested at YouTube like they never were during her 15-year career at Google. Although YouTube is one of the most important brands at Google, "there's a perception that YouTube is punching below its weight," says [Ynon Kreiz](#), CEO of [Maker Studios](#), one of the leading management-production companies that work with YouTube creators to help them be more professional and make more money. "I assume even Google and YouTube believe it can monetize better. This is something Susan is very focused on."

Analysts estimate YouTube's 2013 revenue at \$5.6 billion. (Google does not break out YouTube's revenue in its financial filings.) [Facebook](#), the other [Internet phenomenon](#) with more than 1 billion users worldwide, brought in more than \$7 billion in 2013, almost half from [mobile advertising](#). Indeed, Facebook has been far more swift and nimble than YouTube in migrating both its audience and its business to phones, which is reflected in its \$170 billion market cap. YouTube, by contrast, is valued at only \$15 billion to \$20 billion.

Complicating matters, Wojcicki joined YouTube amid a rising chorus of concern that creators cannot make a living producing content for the [video site](#). The complaints: that YouTube takes a hefty 45% of revenue from ads that run with videos; and that there is such a glut of content--YouTube brags that 100 hours of video are uploaded to the site per minute--that it depresses ad rates and inhibits even the most popular creators from selling out their inventory.

The growing discontent came to a head in August 2013 at VidCon (both the [digital video](#) industry's confab and the YouTube universe's Comic Con), when entrepreneur and angel investor [Jason Calacanis](#) delivered a keynote address saying that YouTube's tariff didn't allow creators to make high-quality videos, and urged

attendees to protest. Almost a year later, Calacanis's stance hasn't changed. "I don't think it's gotten better for creators yet," he tells me in an email. "Currently, 99.999% of creators are not going to make a sustainable living on YouTube."

With both creators and their management feeling disrespected and restless, bigfoot competitors such as Amazon, [Disney](#), Facebook, Twitter, and [Yahoo](#) are circling. If YouTube can't translate its longtime dominance of [online video](#) into converting the \$212 billion global TV [advertising market](#) to digital, its would-be rivals figure that maybe they can.

To fend off the encroaching opposition, Wojcicki has to align the interests of Hollywood, Madison Avenue, and Silicon Valley--all of which play important roles in the increasingly complicated YouTube ecosystem. At the same time, she may also have the most daunting job at Google. Inside the [advertising giant](#), the perennial question is, Where is the next \$10 billion in revenue coming from? Right now all eyes are on Wojcicki.

Wojcicki's Google career can be summed up by two superlatives that have been applied to her: The Most Important Person in Advertising and The Most Important Googler You've Never Heard Of. If you know anything about Wojcicki, it's that Google was founded in her garage, which she rented to Sergey Brin and Larry Page when they were fresh out of [Stanford](#) and noodling around with turning their graduate project into a business. "I feel like I saw when it was born," she says.

Wojcicki did a lot more than just watch. She's one of the architects of AdSense, the revolutionary system that allows websites and blogs to make money on their sites by displaying Google ads. As Costolo says, "She's pretty much responsible for Google's revenue engine." Google generated \$55.5 billion last year. Wojcicki also championed Google buying YouTube in 2006, though when she tells the story, she's not bragging. "I saw some of their numbers and I just realized how much bigger

they were than we were"--Wojcicki ran the rival [Google Video](#) at the time--"and even if it doesn't look good for you at that moment, you have to make the decision that it's not really about you but what's the right long-term thing for the company."

When Wojcicki says, "I've been, like, the mom of Google," she means it literally and figuratively. She was the first employee to have kids, and she's played a key role in nurturing Google into corporate maturity. She talks about her children and several Google milestones with the breezy cheer of a proud parent.

As she sits in her candy-colored red-and-white office wearing skinny jeans and a Google T-shirt partially covered by a loose sweater, a huge roomful of millennials right outside, Wojcicki makes clear that now it's YouTube's turn. "YouTube is growing up, is basically my view of it," she says. "Growing up means our creators are growing up, they're getting more well known. We're providing programs for them to generate more revenue so they can generate even better, high-quality shows, and then also connecting them with the advertisers."

Wojcicki's approach has been a sharp departure from that of her predecessor, Salar Kamangar. An introverted techie, Kamangar, Google employee No. 9, preferred to stay behind the scenes, delegating to lieutenants such as Shishir Mehrotra, who ran product and monetization, and Robert Kyncl, YouTube's liaison to the Hollywood community. According to several sources, YouTube management seemed closed off and imperious--to both talent and the production companies that arose to manage them, known as multi-channel networks, or MCNs. "Every MCN's view under the Salar and Shishir leadership was that they were indifferent to our existence and, if anything, saw us as somebody who would eventually need to go away," says Mark Suster of Upfront Ventures, which has a stake in Maker Studios. A former executive at a YouTube network puts it this way: "YouTube reeked of Google arrogance. It was a definitive disposition that 'We know best.' "

In contrast, Wojcicki flew to Los Angeles within her first month on the job for several days of fence-mending meetings with the YouTube networks, VCs, and individual creators. She mainly took notes and listened, and her attitude went a long way toward telegraphing that YouTube would have a new management style. Suster says Wojcicki's visit "was the first time anyone [from YouTube headquarters] had ever reached out directly to me." Adds [Sarah Penna](#), cofounder of [Big Frame](#), which represents YouTube stars like Sawyer Hartman, "They tend to keep us in the loop on major product changes a lot sooner."

Wojcicki's interest in creators--whom she calls the "lifeblood of YouTube"--seems to stem from taking a real joy in them. When Wojcicki visited AwesomenessTV, the DreamWorks-owned digital studio in L.A., she caught sight of YouTube personalities Niki and Gabi and asked if she could take a picture with them. "Not only did she take the picture, then she tweeted it," says Brian Robbins, [Awesomeness's](#) CEO. "I was like, okay, she's a little bit of a groupie. That's a good thing."

Robbins calls Kamangar a "really cool, smart guy," but says that Wojcicki has impressed him in a different way. "I just felt like she really understood what we're trying to do. It's about content and talent, not just an algorithm."

In just a few months, these gestures have crucially changed the feeling among content creators and their backers to one of cautious optimism. But make no mistake--underneath Wojcicki's fangirl friendliness is someone "who really drives toward outcomes," says AOL's Armstrong. Mom may be supportive and empathetic, but she's no pushover. Wojcicki has centralized authority in her office, prompting a wave of executive turnover. And even as she makes nice with creatives, she's not budging on YouTube's share of the ad revenue. She has other ideas for how to make them happy.



Bethany mota inc.

- Date she joined YouTube: June 8, 2009
- Content: Do-it-yourself hair, makeup, outfit, and crafts tips featuring products Mota loves
- Subscribers and views: 6,464,964 and 484,050,634 (as of June 30, 2014)
- Popularity: Mota's channel ranks No. 49 across all of YouTube and is No. 3 in How-To & Style.
- Ad revenue: According to experts, between \$500,000 and \$750,000 annually from her share of the ads that run against her videos

- Outside revenue: Mota designs collections for teen retailer Aéropostale.

"Oh, this is from my line," [Bethany Mota](#) says, delicately touching the floral minidress that she's wearing one warm day in June. Her clothing and accessories collection with the youth fashion retailer Aéropostale is one of the ways Mota has leveraged her fame on YouTube, where her weekly videos featuring whatever makeup and clothing she's wearing ("What I've Been Loving!") have attracted almost 6.5 million subscribers and nearly 500 million views.

At 18, Mota is a YouTube veteran. She began uploading videos when she was 13 and "kind of bored." She adds: "I was also being bullied at the time, so I kind of didn't really want to do anything. I just wanted to stay inside."

In person, Mota, who hails from Pleasanton, California, is a cute and cheery girl. But put her in front of the camera or an audience, and she's a star with a rare gift for forging a kinetic connection with fans. Suddenly, her smile seems a mile wide and her [bubbly energy](#) becomes contagious. "Teens want to relate, engage, and connect to what is real, and Bethany projects that," says Emilia Fabricant, EVP of Aéropostale Brands, explaining why she signed Mota.

Mota embodies phase one of Wojcicki's push to grow YouTube: Promote advertiser-friendly stars who can draw more attention--and dollars--back to YouTube. The company's lack of promotion, both on and off the site, has been a consistent complaint among YouTubers, and it's something Wojcicki is addressing aggressively. During a presentation to advertisers this past April in New York, she unveiled what's internally known as Beacon: a campaign to promote the bejesus out of a [select](#) group of brand-ready YouTube stars. Mota, along with makeup artist Michelle Phan (6.5 million subscribers) and nerdy baker Rosanna Pansino (2.2 million), were the first batch to see their faces plastered on billboards, subways, glossy magazine ads, and in TV commercials. This summer, YouTube has featured

Vice, the guerilla news outlet (4.7 million), and Epic Rap Battles of History (10 million), a comedic series that stages musical showdowns such as Chuck Norris versus Abe Lincoln.

"During YouTube's presentation to advertisers, Bethany Mota outshone both Pharrell Williams and Janelle Monae."

Mota appeared at the New York event, and her involvement paid immediate dividends in exposing ad buyers to the power of YouTube celebrity. Mota's

endearing I-was-bullied story outshone performances by Pharrell Williams and Janelle Monae, and hordes of "Motavators" wearing Aéropostale T-shirts with that moniker deluged Madison Square Garden, forming a line around the block-wide arena, to steal a glimpse of her.

"Our campaign helps [YouTube creators] expand their audience to casual fans, which is what you normally get from mainstream marketing," says Kyncl. "That's how they become household names. And that in turn puts a positive light on YouTube. It changes the discussion."

"It legitimizes us all," says Aimee Helfand, founder and CEO of the [content network](#) Babyleague. "If there's a billboard for a Tom Cruise movie and behind that there's a YouTuber, people driving down Sunset are impressed." But not everyone in the large and voluble YouTube talent pool embraces the idea of trickle-down benefits. One YouTube source cautioned that there is already "ire" among some creators. "Let's define a YouTube star as anyone with over 500,000 subscribers. There are 8,000 of those," this person says. "Sixty-five thousand have more than 100,000 subscribers. And you're gonna take 12 out of all those? That's tough."

What's missing in the carping, though, is what the Beacon program represents: a big bet on YouTube's native talent. Less than three years ago, Kyncl led YouTube's "original channel" initiative, which plowed more than \$200 million into creating series developed by mainstream stars such as Jay Z. Although there were a few

standouts, such as Rainn Wilson's SoulPancake, which has 1.2 million subscribers, most of the channels fizzled. (YouTube disagrees with this characterization, citing that 86 funded channels are among the top 1% YouTube channels and 35 have more than 500,000 subscribers.)

By going after traditional entertainers, Kyncl and company miscalculated the special appeal of the YouTube star and what their audiences love about them. They're extremely good at engaging directly with fans, particularly very young ones; and they're expert at marketing their content across social [media](#). In a sense, Beacon is both a pivot and an affirmation of that original-channel initiative. YouTube still wants stars making content for YouTube; it just realized that the stars it wants have been on the platform all along.

Wojcicki seems ready to invest even more deeply in YouTubers. "We have all these pretty nascent creators. What do they look like in five years? Do they have longer shows? Can we help them economically to grow their shows? I don't think we need new creators. All that content is original content, but how do we make it even better?"

Although Wojcicki wouldn't discuss any future plans, one source says that YouTube is, in fact, already pairing some of its stars with Hollywood producers to create longer-form programs that could be cut into 11-minute segments to work both on YouTube and on TV. "Traditional content, I think it works on YouTube. I don't want to say it doesn't work," Wojcicki says carefully, "but it doesn't always take advantage of the fact that it's a new and different medium."

The ever-evolving, sometimes uneasy relationship between YouTube and its community of popular video producers.

Wojcicki is trying to eradicate, once and for all, the



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lingering perception in adland that YouTube is just "endless, endless streams of garbage," as Tony Weisman, CEO of the **ad giant** DigitasLBI, described the knock. She wants advertisers to think about people like Mota as they would a starlet on the CW--and running spots on Vice as akin to buying time on CNN. If she succeeds, she can woo more brands at higher rates.

Which brings us to Google Preferred, another key piece of Wojcicki's strategy that she introduced during her April unveiling to advertisers. Preferred lets brands target the top 1% or 5% of YouTube content in 14 categories, such as beauty, **food**, and automotive, spotlighting more distinctive programming than the lower-brow comedy and video-gaming content that dominates the site's overall leaderboard. Advertisers who opt in are also guaranteed a minimum number of viewers in the same way that they are on TV, as well as data on effectiveness. "Brands want more control over where their ads appear," Wojcicki says. "We also have a 100% audience guarantee." Advertisers and content creators have largely applauded the program, which they feel is long overdue. "[YouTube has] made it an environment that is really suitable for premium brands," says Weisman. Adds Keith Richman, president of Defy Media, a **digital media** company that owns the highly ranked channels Smosh and Clevver, "When we spend hundreds of thousands of dollars on programming, it's great that there's a pathway for that to be noted differently to advertisers and brands." In a sense, Preferred tries to manufacture scarcity, to create a more desirable tier in YouTube's vast mass of inventory. As Brendan Gahan, who

February 14, 2005

PayPal alums **Chad Hurley, Steve Chen, and Jawed Karim** register the domain Youtube.com to start "*Flickr or Hot or Not* for video."



November 19, 2005

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April 6, 2006

Judson Laipply uploads "*The Evolution*"

works with brands to pair them with YouTube stars, puts it, "It's really just a packaging job. They're trying to sell the same way people have been buying TV for decades." YouTube doesn't disagree. As Kyncl notes, "We're basically making it easy for people to buy ads on YouTube."

"You guys should be doing cool stunts. Like using 10,000 Ziploc bags to create an art piece."

Joe Penna, who goes by Mystery Guitar Man on YouTube, is advising executives from SC Johnson, Ziploc's parent company, on how to connect with audiences on the site that's been his home since June 2006. Dozens of marketers from brands such as Target and Verizon have gathered on a dimly lit soundstage at YouTube's sleek and spacious L.A. production facility to try and learn the secrets of YouTube from the creators who know them best. It's been three days of panels, workshops, and revelry (buckets of microbrewed beer are being set up outside, and caterers are firing up barbecues) in an attempt to "help advertisers become better content creators," says Jamie Byrne, YouTube's director of content strategy. "This is really about helping brands understand YouTube better, so they can commit to bigger media spends."

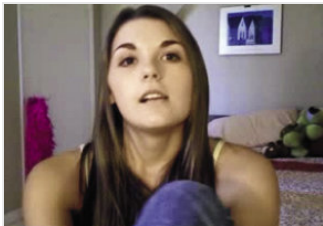
Although this program predates Wojcicki's arrival, it's functionally phase three of her growth strategy--one that largely operates independently of all of the challenges she faces in corralling stars and their handlers. Until recently, brands were focused almost exclusively on trying to create a viral video, latch onto a viral phenomenon on YouTube, or partner

of Dance," a six-minute mashup of 50 years of dance crazes--and an early viral hit.



January 19, 2007

Justin Bieber's mother posts the first of many videos of her 12-year-old son singing R&B hits. He'll be discovered by year's end.



May 3, 2007

YouTube agrees to split ad revenue with popular content creators. **Jessica Lee Rose**, better known as lonelygirl15, is among the first.

with established YouTube stars to integrate their brands into videos. "Everyone wants a big flashy piece" like a viral video, says Gahan. "[YouTube] is saying, 'Don't rely on that, though it's great if it happens.' That's really starting to sink in for a lot of brands."

In particular, YouTube is encouraging brands to develop series and build a subscriber base. "Brands are figuring out that producing video content regularly is really important," says Alison Provost, CEO of Touchstorm, a platform for brands to run digital video campaigns.

Ask around the YouTube universe which brands can create content on par with the platform's top stars, and two names emerge: Red Bull and GoPro. Both trade mostly in high-octane thrills that get young men revved up. But neither is a major television advertiser that's moving its traditional spending to YouTube. In that way, they're outliers rather than the kind of exemplars Wojcicki wants to replicate across corporate America.

More encouraging for YouTube are programs like Honda Stage, an ambitious music channel the carmaker launched in June. In a complex deal with Live Nation, YouTube, the [music site](#) Vevo, ClearChannel, and the Revolt cable-TV network, Honda will present performances and interviews with artists in an effort to reach [millennial car buyers](#). The deal was brokered by the [media-buying behemoth](#) Mediavest, and Honda tasked RPA, its ad agency, to develop ads to support Honda Stage (because, after all, how many people are bored at work and wondering,



February 14, 2008

Damon Wayans is the first celeb to try to use YouTube to grow new talent. He fails.



June 1, 2009

Google brokers a deal between burger chain Carl's Jr. and eight YouTube stars, including **Ryan Higa** (NigaHiga), to promote Carl's new Portobello Mushroom Six-Dollar Burger to young men.



February 10, 2010

Lancôme signs beauty guru **Michelle Phan** as its official video makeup artist. Phan's branded videos are a

What's going on at Honda's YouTube channel?).

As for most of the corporate world? "They aren't there yet," Gahan admits, "but they're aggressively trying to close the gap."

Hence advice from people like Mystery Guitar Man, who has 2.8 million subscribers and is now telling the intensely attentive Ziploc team, "The first 10 seconds of a video are really important. You throw them into shock," he says, smiling from behind a pair of his signature black sunglasses which he never removes.

hit, leading to her own L'Oréal makeup line in 2013.



September 18, 2010

Fred: The Movie, based on the then-No. 1 YouTube channel, is the year's highest-rated cable-TV movie. Nickelodeon signs creator **Lucas Cruikshank** to a sitcom deal.



October 22, 2011

Popular YouTuber **Freddie Wong** uses Kickstarter to raise \$273,725 for his series *Video Game High School*.



October 28, 2011

YouTube spends a reported \$100 million to fund series and channels. Celeb programming from the likes of **Amy Poehler** fizzles while homegrown talent thrives.



July 15, 2012

"Gangnam Style," by Korean pop star **Psy**, hits YouTube. It racks up 1 billion views by December and 2 billion by June 2014.



October 14, 2012

Red Bull draws a record-setting 8 million live viewers to watch skydiver **Felix Baumgartner** free-fall to Earth from the stratosphere.



October 17, 2012

Ray William Johnson, owner of the then-No. 1 YouTube channel, quits Maker Studios, the No. 1 YouTube producer, over revenue and rights.



May 1, 2013

DreamWorks Animation acquires AwesomenessTV, a tween network that's home to **Ingrid Nilsen**, for up to \$117 million. The goal: Build a media company.



November 3, 2013

YouTube's first Music Awards is marred by grumbling that YouTube cared more for traditional stars than its own creators.



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George Strompolos's eyebrows are dancing. I've been sitting in a conference room with him at Fullscreen, the L.A.-based company he founded in 2011 to manage YouTube talent, and for the past hour, Strompolos--who is tall and lean, with dark, smoky features--has been studiously soft-spoken as he talks about the evolution of his company. But now he's excited, almost twitchy, as he goes on about **O2L**, a "YouTube supergroup" that Fullscreen put together. (Think One Direction but with video bloggers.)

"You actually can make a living because of YouTube," says a source. "You just can't make it on YouTube."

O2L represents one version of YouTube's economic potential for content creators. "You actually can make a living because of YouTube," as one source puts it. "You

just can't make it on YouTube." Strompolos is more politic in his explanation. "Six years ago, it was as simple as put up a video, get some views, get some money, right?" (He would know: Before starting Fullscreen, Strompolos ran YouTube's partner program, doling out the first revenue sharing to popular creators.) "But as it's matured, it's still that, but it's so much more."

He's giving O2L what he calls "the 360-degree of opportunity," a pie that shrinks YouTube as a revenue source. "We're putting them on tour. We're in talks for

television shows. Merch is selling like hotcakes. So it's just an evolution of a new space."

"The YouTube narrative [about ancillary revenue for creators] has been, 'These are YouTube-enabled businesses. YouTube is the core,' " says a former YouTube executive. "Michelle Phan, this multimillionaire with a L'Oréal makeup line--all of that is because of YouTube." According to sources familiar with how YouTube's revenue sharing works, a top star whose videos are being viewed 25 million times a month likely makes between \$450,000 and \$900,000 annually from YouTube. When stars do an original video for brands, these deals can run anywhere between \$20,000 and \$250,000. And then there are the fan fests and tours, which not only wouldn't exist without the interaction between stars and viewers on YouTube but also benefit from the platform's largesse. "YouTube first sponsored us in 2011 and helped us get off the ground," says Meridith Rojas, cofounder of DigiTour.

Wojcicki, who several times told me that it was important to her that creators find ways to remain on YouTube, says she is thinking about other "economic incentives" for YouTubers. "Creators are going to look around and they're going to figure out, Where do I get the most audience and generate the most returns?" she says. "So I think there is opportunity for us sometimes to fund content."

Still, Fullscreen and other networks have ambitions that far exceed what Wojcicki is offering. "It's not just about being a YouTube channel," says AwesomenessTV's Robbins. Jeffrey Katzenberg, CEO of [DreamWorks Animation](#), bought Awesomeness in 2013 in a deal that could ultimately be worth \$117 million, because "he wants us to grow into our own media company."

As online video has taken off, almost all of the major studios have invested in YouTube networks. In March, Disney bought Maker Studios for \$500 million, with performance benchmarks that could elevate the deal's value to \$950 million. "Most

of the big networks are going to get swallowed up by big media companies that are still trying to figure things out," says one former YouTube executive. "They think that these MCNs have some secret sauce. FYI, they don't."

Wojcicki calls the marriage between traditional Hollywood and these networks "a huge validation of the platform," and says she hopes to see the synergy between them play out on YouTube. Multiple sources view Maker as a promotional vehicle for Disney, whereby Disney would give Maker talent access to its treasure trove of intellectual property to help the Mouse House connect with a generation that it desperately needs to hold on to.

Wojcicki's eyes light up when she talks about how Disney's animated megahit Frozen played out on YouTube for months after the film's release. "The Frozen videos have been viewed, like, 1.4 billion times," she says. "My children, for example, listened to Frozen on YouTube all day. They listened to the official songs. They listened to them in Chinese. They want to see kids their age singing the songs. They like to see a different rendition done by another famous singer."

The Frozen phenomenon happened organically, and Disney supported it rather than squelching what are obviously infringing uses of its property. "They let the covers stay up, which was really important," Wojcicki says. "It's kept the content fresh and alive, and that must have been significant in driving more awareness, more interest. My kids are watching all those Frozen videos, so they want Frozen books. They wanna go again."

If Wojcicki can prove that YouTube is an unparalleled promotional force for a brand like Disney, she'll unlock new interest from other big brands. But she can't limit the rising ambitions in the [online video industry](#). "I worry sometimes about them leaving the platform," she says of her homegrown stars. "Or going somewhere else."

YouTube in recent months has seen a deluge of big companies coming after it. Comcast is testing a new video platform through its new X1 cable set-top boxes. In March, just a month after Wojcicki's arrival, Twitter poached Baljeet Singh, a popular YouTube executive, to help produce more video to sell ads against. Disney-owned Maker launched Maker.tv, an [online video site](#) for "the best of" Maker talent, showcasing content not available on YouTube. Maker chief Kreiz insists the program is complementary to YouTube: "Our job is to reach as many people as we can, wherever they are. And not everybody is on YouTube all the time." But it's hard not to see it as an attempt to steal the YouTube playbook.

Perhaps the most brazen challenge has come from Yahoo. Earlier this year, Yahoo began meeting with YouTube content creators to try to lure them over to its network of sites, which, on the desktop at least, rival Google in terms of audience. It dangled a better revenue-sharing deal or a fixed ad rate said to be 50% to 100% higher than YouTube's. Yahoo also reportedly touted its ability to distribute its content across Yahoo-owned sites, particularly Tumblr, whose demographics are much closer to YouTube's youth brigade than Yahoo's aging users.

Even though Yahoo is viewed by YouTube brass as "a B-level company, or a C-level company," says one YouTube source, "the fact that they were trying to steal some of our artists and content was really startling. It's like you have David and Goliath, and suddenly Goliath is very afraid."

Yahoo being Yahoo, its negotiations with content creators have hit several roadblocks. Yahoo had been asking to own content and for an exclusive window to air it, onerous terms for YouTubers accustomed to more loosey-goosey arrangements. Yahoo is reportedly now okay with content living on other platforms (including YouTube), but it has yet to land a YouTuber. In late June, reports surfaced that it would make a bid for Fullscreen, paying at least \$250 million to buy its way into competing against YouTube. (AOL, the Chernin Co., and Viacom were

also reportedly interested in Fullscreen.)

The truth is, Wojcicki has several advantages that these competitors will have significant trouble matching. For one thing--and it's easy to forget this--YouTube is the only **social media platform** that has paid creators. Not Facebook, not Twitter, not Tumblr, not Pinterest, not Vine--no one. "It's amazing that YouTube pays," says Josh Cohen, cofounder of the **digital-video news site** Tubefilter and **executive producer** of the Streamy Awards. "It's built up a lot of goodwill that way."

And there's more. "The dirty secret about YouTube, which I think not a whole lot of people get at the moment and is great for YouTube," says one digital video executive, "is people who consume on YouTube don't then go outside of YouTube. So if you think of Smosh, they have 18 million subscribers. As a business, two-thirds of their revenue happens on their website. But you look at their traffic that goes from YouTube to their website, it's like 1% of the total. The rest is coming from Facebook and Twitter. So the idea that if you're Yahoo or any of these guys, thinking their subscribers will follow them, I don't think that's necessarily true."

YouTube is where creators have grown up; it's what they're familiar with, and it's where their friends and fans live. No other platform has that type of engagement. Community may be one of the most overused words in the tech industry, but even a cynic has to admit that YouTube has a genuine and hardy one. Stars support and promote one another with as much fervor as they upload videos. Grace Helbig, a comedian who had to relaunch her channel under a new name and rebuild her subscriber count from zero after leaving the digital network My Damn Channel, was nervous about the prospect of having to start over in amassing her fan base. "Everyone rallied around and lent their support and asked people to subscribe to me without me even asking them to," she says. "I'm the kind of person who has a hard time asking for help and everyone just voluntarily offered it." In short order, she had 1.8 million subscribers.

"YouTubers know how YouTube works," says Big Frame's Penna. "What's the community going to be like in these different platforms? No one knows. Until a couple of people make that leap and it's successful, it's going to be challenging." Even an 18-year-old like Bethany Mota feels the pull of YouTube. "I didn't really know that I'd ever be designing clothes or anything like this when I started," she says, "so I just want to keep making videos. Obviously, TV and movies are interesting to me, but I don't look at that as what I want to dedicate all my time to. I see it more as a way to expand what I'm doing and to draw back to my YouTube channel."

In late June, at VidCon, Wojcicki underscored her feelings about creators. While hordes of tween fans waited in mile-long lines for glimpses of YouTube stars such as Kian Lawley (a member of O2L who looks like a cross between Justin Bieber and Joe Jonas), Wojcicki addressed a more sober crowd of YouTubers in an upstairs ballroom at the Anaheim Convention Center. "You guys are the real stars!" Wojcicki said with soccer-mom enthusiasm, as she paced the stage in a pair of skinny jeans and a YouTube T-shirt. "It's strange that I'm the one who's onstage." She then rolled out a slew of initiatives, including support for 60-frames-per-second video to better showcase gaming footage and a way for fans to pay stars directly, all the while stressing that "creators are the essence of YouTube."

When Jenna Marbles, whose YouTube channel has more than 13 million subscribers and whose videos have been watched almost 1.5 billion times, ran onstage wearing a fluorescent-pink miniskirt and tube socks, Wojcicki beamed. The mom of Google has a new family now.

Get Rich Or Die LOL-ing: The Truth About Making It On YouTube

--Additional reporting by Sarah Kessler, J.J. McCorvey, and Varun Nayar

[Editor's note: This story has been updated from the print version to reflect

YouTube's response to *Fast Company's* assertion that YouTube's original channels initiative was a disappointment.]