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Interview with Marc van der Chijs from Spil Games Asia



Adrian Bye: Today I am sitting in the office in Shanghai of Marc van der Chijs, who is the CEO of Spil Games.

Marc van der Chijs: Spil Games Asia, correct.

Adrian Bye: And has also worked in the pre-interesting start up called Tudou, which is one of the top video sites, basically the YouTube for China. Marc, thanks for joining us.

Marc van der Chijs: You're welcome.

Adrian Bye: You want to tell us a little about you and like who you are and where you come from.

Marc van der Chijs: Sure. I'm Dutch originally. Thirty six years old, married with two kids. I had been in China for about ten years now. Came here originally working for a multinational for DaimlerChrysler and was a comptroller for them here in Northeast Asia. Did it for a couple of years and I saw a lot of opportunities around me that I could not really do. I saw a lot of entrepreneurial activities going on and a lot of chances in the market, things I couldn't do while working for a multinational.

So I decided in 2002 to quit my expat job, to quit my good life with a nice car, a nice house, and business flights all over the world and basically go back to a smaller apartment with a bicycle and studied Chinese for a while. That's what I did and so I got started studying Chinese on September 2002 at the university. My idea was to do it for one year and then see if I could set up my own business. But, you know how things go, after one month I realized that unuseful time is not my thing. I was finished basically at 3:00 in the afternoon with my studies and you still have a day left. I used to work very long hours while working for a multinational. I felt that well I still have a day left, so let's already set up a business right now. So, after one month I started setting up my business next to my studies, and that start to go better and better, that sort of took off and then I had a problem because I had to go on business trips, for example, I have to meet clients. I was doing basically consulting and trading with Europe and also the US. I started to get some clients and I had to go on business trips and then the university told me you can not just take classes off. The universities here in China are very, very formal in a way. You have to really be in classes at 8:00 AM. If you come to class 8:01, you have to apologize in front of the whole class to say why you're late. So, if you can not be there for a few days, they'll accept it once maybe but the second time, they're going to tell you sorry either you study or you don't study. It doesn't matter if you got results. So, I studied Chinese and I had to make a choice basically then, quite quickly. What are you going to do? Either continue my studies or set up my business. I decided I'm going to finish my first semester of Chinese and then work full time. So, that's what I did. Basically, in January

2003, I quit my studies and started my real first business full time and we're now more than six years down the road and done a lot of things over the years.

Adrian Bye: In six years, you've done more than a few things. This is an interview I have been really looking forward to doing because Marc is living in China as an expat. He is obviously not Chinese. You can't see that from the photos but he's really not. He has worked on a pretty big site in the past and it sounds like his current venture's doing pretty good stuff, too.

Why don't you tell us a little bit about Tudou how it works and just bit of the basic stats so that people that have never heard of it before can understand it.

Marc van der Chijs: Tudou is basically comparable to what YouTube is doing in the US. The main difference is we're doing it in China, and we're only doing it in China. All our servers are inside China that means the site is very slow outside China. But basically the content is similar in a way that's it's a lot of user-generated content. But it's also a lot of professional produced contents. So, there's TV shows, there's movies. Originally, a lot of those are pirated, nowadays, we are trying to make deals with everybody, we don't want to be the biggest pirate site in the world or something. We want to be a legal site, with legal contents. So, we try to make as many deals as possible with people that put contents on the site.



Adrian Bye: What kind of traffic does it have?

Marc van der Chijs: It's pretty big. We have about, currently, 85 million uniques per month. That's only China, of course. People will play about 3 billion clips a month on the site. In that sense, it's smaller than YouTube. I mean, YouTube has a lot more unique users, but our viewers actually watch a lot much longer time. They go to the site a lot longer than the YouTube watchers do. If you look at YouTube, I don't know what they're stats are, probably around 10 minutes per session. On Tudou, it's more like an hour per session. So, at least six times longer per session than YouTube.

Adrian Bye: What kind of stuff are they watching?

Marc van der Chijs: Well, they watch a lot more TV content. It's more like a substitute for television, much more than YouTube is. Because there's a lot more TV shows. There's a lot more movies on there. We have our own HD channel called Feido, which is a sub domain of Tudou. That's really professionally produced contents that is distributes to us by the producers themselves, which is getting some traction at the moment, which is really a high quality...a bit like Hulu actually, what Hulu is in the US... that's the equivalent of what we're doing here with Feido. That's what people like to watch. It's much more than just the funny clips that you see a lot on YouTube, they're there as well, but it's just one part of it. Professionally produced content is much more important. It's also the direction that we are going into ourselves. We are co-producing feature films at the moment. We do invest in our own production.

Adrian Bye: So, it's actually becoming a TV network like ABC or CBS?

Marc van der Chijs: Yes, but on the internet.

Adrian Bye: But on the internet.

Marc van der Chijs: You can compare it maybe with what's HBO has been doing when they started. HBO started investing as well in its own productions, because we really think that's where the future is of online video. It's not really in the user generated content, that would be there always. But it's not what people really always want to watch. It's more like sharing your things as people, but the real future of online video is in the professional videos content. We need to build a brand. HBO did an excellent job. If you watch an HBO show, you know it's high quality. That's what we want to achieve, as well, with Tudou's future.

Adrian Bye: What kind of content are you trying to make?

Marc van der Chijs: It's a mix of feature films, of high quality television content basically. A content that's new, that's innovative, that may otherwise not be produced.

Adrian Bye: Like in where I live in Latin America, novellas are very popular. Like the soap operas you're doing, that kind of stuff.

Marc van der Chijs: We work together with SMG on a soap opera. It's different things. It's not just one thing.

Adrian Bye: Stuff that fits Chinese culture?

Marc van der Chijs: Of course, yes. I mean we're looking at the Chinese market here. If you look at, for example, the content on Tudou people watch, it's mainly Chinese, Korean, some Japanese and some Hong Kong movies and films, TV shows. It's not the American things. If you look at American movies, American TV shows, it's mainly 5% or something of the websites. So, people are always thinking how we were, that Tudou is really showing all the American TV shows. They are on there probably but people don't really watch them. People in China want to see their own content, their own Asian content. That's what they're watching. So, that's where we are focusing on as well.

Adrian Bye: So, in terms of the content, like how does the legality of all the work?

Marc van der Chijs: Basically, when we started, it was just user generated content. We never really thought about the fact that people would upload illegal stuff, because we were really one of the first people doing these things. Once the first show appeared, like what do we do with it? I basically took the decision to wait and see what will happen. When the first people came to us and asked us to take it down, we said, ok, we can take it down. We'll take it down right away. That's for sure. If people ask us to take things down, we take them down right away. But we also approached them directly and then we have revenue share deals. You can not get your stuff on television in China because it's very difficult to get things on television. To cut through the sensors, to cut through the system. Only a few films can be on television and in the movie theaters every year. So, if people watch things in China, they watch it on illegal DVDs which you don't earn a penny on. At least, at Tudou you can earn maybe a penny or whatever. It's a small amount at first, but it's going to add up because we have a lot of traffic. That kind of deals we are trying to make as much as possible right now, and those work actually.

Adrian Bye: How do content producers react to that? When you're saying that, well, something is better than nothing. Don't they say, "No, mate, you're just devaluing my content?"

Marc van der Chijs: No. They also see that as the future of shows, that it's online for a large part. It depends on the producer, of course. There are people who don't want to do it, but I think many of them are seeing

that we are a big platform for at least Chinese audiences. It gives them additional monetization. If they don't work with us, the shows are maybe on other sites, people watch it there, and they can not do a revenue share deal. We can offer them more. If it's really good content, it could end up on Feido, on HD quality. It's not just people uploading it illegally, it's also, we offer a lot more than that.

Adrian Bye: Yes. Fair enough. I guess I can relate to it because I haven't had a TV in seven or eight years. I get all my TV off the internet in the last five years, exclusively. I can certainly relate to what's going on.

Marc van der Chijs: It's getting easier and easier.

Adrian Bye: It certainly has been harder. I'm interested that you mentioned Hulu, which is only for use in the US. Can people access that from China without a problem?

Marc van der Chijs: No, you can use it through a VPN, of course. No, people don't really watch it much, I think.

Adrian Bye: It's like guys like you who want to keep up with what's going on?

Marc van der Chijs: Yes, it's too slow actually. So, even through a VPN it doesn't really work and they're closing down some ports as well. Making it more difficult to watch through VPN. Actually I don't really watch anything on the internet.

Adrian Bye: Too busy watching TV.

Marc van der Chijs: Too busy working, doing my work actually, and I have a family with two kids.

Adrian Bye: How do you compare Tudou to PPLive?

Marc van der Chijs: Well, PPLive is a peer-to-peer network. Tudou is a very small, we also have some peer-to-peer in there. Tudou is really a community site, a site where everything's on there. There's actually a lot of direct streaming, only with better quality, available directly when you want to watch it. So, it's a different site. I think this kind of question that you should ask Gary. Because Gary is really the guy who is running Tudou. He is more the...I'm on the Board of Tudou, but I'm not active in the operation of the company. So, if you really want to go into details about these things, it's really better to talk with Gary.

Adrian Bye: Can we just talk a little bit about how you got started there and how you found working here as an expat? Because you're not Chinese. How fluent are you in Chinese now?

Marc van der Chijs: Not fluent. I can get along.

Adrian Bye: Can you write?

Marc van der Chijs: About 1,000 characters. So, it's basic. Basic things. I can read the basics and write the basics. I'm able to get around, but it's basic.

Adrian Bye: How did you find your partner Gary to get started and how did that work? Don't they look at you as an expat and say, well, you don't understand the culture, you don't understand what real Chinese people

want, you don't speak the language, you can't use the site properly. How do you really contribute value, but clearly you have.

Marc van der Chijs: The thing is when I met Gary, I've been in China for five years already or six years. Five years. So, I was not new to China. I was not somebody who just landed on a plane and wanted to do something. I've been here for a while. I already set up two companies here by that time. I've been doing fairly well, not extremely well, but doing fairly well. I was different from most of the expats that came here and sort of set up a game plan to strike it rich here. That was not my plan at all. I just had some ideas. Basically, I met Gary by coincidence during the first Formula One race here in Shanghai. We sat next to each other and had a beer afterwards. We sort of liked each other and decided to play golf together a few weeks later. During that round of golf I told him about my ideas for a podcasting websites. That was the original idea that we have for Tudou, and he also liked it.

Adrian Bye: What was he doing at that time?



Marc van der Chijs: He was working with Bertelsmann, the German publisher, doing strategy for them and he liked it actually, and we decided to set something up, and basically it was in October 2004, and three months later the company was officially formalized, and Gary quit his job, his daytime job and he started running the company. April 2005 it went live and from there it's just one big growth, actually that we have seen.

Adrian Bye: If you don't mind, are you willing to talk about some of those scalability, and how you dealt with that on the early days?

Marc van der Chijs: Well, that's actually more Gary. Gary is the technical guy. I don't know anything about technical things. I can program websites, but that's about it.

Adrian Bye: So, what did you focus on in the business? What where you doing?

Marc van der Chijs: It's more like new ideas and looking at early financing. Basically, looking at the things happening on the web. That's what I'm still doing actually. I'm reading lots of web blogs, reading and talking to people. Finding out what's going to happen on the internet in the future. I guess I'm somebody who is always looking at new things. Having new ideas. I literally have probably one business idea a day. Every day.

Adrian Bye: And you don't know what to do with them all.

Marc van der Chijs: How can I integrate them? Where do I see things going. What might not work. People have to stop me sometimes because I have too many ideas. That's a bit of a danger. I have problem just focusing on just one thing.

Adrian Bye: ...getting execution done.

Marc van der Chijs: I think that's where a lot of my added values is, finding new ideas and...

Adrian Bye: ...and getting people excited about it.

Marc van der Chijs: Getting a team excited and start to do things. If you look at my current company, Spil Games, it's really getting people to motivate and to start looking at new things. Implement them. I like to work with small teams. I don't like big companies actually. Even this company is way too big for me actually. Yes, I prefer small like a 20-person team. That's fine. You have to have a good management team in to move that big a company, but right now, I don't really have a very strong management team. So, it's kind of difficult to when the company grows to really manage it. I prefer to work in small teams and look at strategy, do enough of these things and do some PR. It's the sort of thing I really like to do, but operating a big company like is sort of not really my thing.

Adrian Bye: Is that one of the reason you left Tudou?

Marc van der Chijs: No. Actually, I've never been full time involved in Tudou. Because I have my other companies still running on the sides, I was still involved in consulting. I was doing trading. I decided not to become fully involved in Tudou on a full time basis for the simple reason...there were different reasons, but the main reason was that I felt that it was a very Chinese company and I didn't really feel like, it wasn't as international yet as it is right now. The language was the Chinese. The culture was very Chinese. I felt this may not be the thing for me. Gary is a great guy. He is my best friend, actually. But I also felt that working with him might not be good for our friendship in the long run. That kind of thing and I like to run a company. He is clearly much better as a CEO than I am for Tudou. So, there's no reason why I would ever think I could do a CEO job at Tudou. He is the one who's doing it and he is doing it perfectly well. So that. Then other opportunities come along, this thing about Spil Games, I felt like it's actually something I can really do and build up myself and that's just what I did. But I'm still involved with Tudou as a Board member, of course.

Adrian Bye: Why don't you tell us about Spil Games?

Marc van der Chijs: Yes. Spil Games actually is originally a Dutch company. It was started by two Dutch guys in 2001. They did a lot of stuff in the early days, affiliate deals, chatting and all these kind of things. In about 2004, they decided to look at online games as flash games, and they built some flash games websites, mainly in Europe at that time. In 2005, they just started to look at more international markets. They contacted me in late 2005 and asked me to help, can you set up a website for us in China? I said, "Well, we could probably do that, as a consulting, basically, that's how it started out at first. Then I met them and I really thought these guys have very good ideas. They really understand the online game market. They really understand now what drives traffic, what drives game sites to become bigger. So, I said okay, I'm going to do this for you guys and I'm going to do it for a few months probably and see how it goes. But then when I started doing it, I was building the first website here and trying to get the licenses and all these things in China, I realized that the game market is going to be huge. So, after about one or two months, I called them, I said, guys, I'm doing it part time right now, I think I want to do this full time. I think I see a huge opportunity here, but I want to do it

independently. I'm not going to be like a subsidiary to your companies. Let me handle this here. Basically, they invest money in the company, but let me run it. Don't interfere too much with it. That was the original deal. Then it became a bit bigger than we originally thought. Because, originally, the idea was to build one website in China. Now, I have two big portals here. We're probably number two in the market for flash games at this moment. It's about 32 million uniques.

Adrian Bye: Per month?

Marc van der Chijs: Per month, yes. We have a game studio here now. There are about fifty people making flash games. Probably the biggest flash games studio in the world. Because I'm not sure, I never saw any bigger ones. They produce one or two games a week at the moment.

Adrian Bye: One or two new games a week.

Marc van der Chijs: New games a week. Yes. It's like a factory. We run websites in India and Indonesia. Indonesia, we're number one at the moment actually in the flash game markets. Malaysia. We just started in Japan. We do it all from here. Basically, the center of online games here is in Shanghai for the Asian markets. It's fun. It's a market with a huge potential. It's a fun market. I'm not a big game player myself, I mean, I don't really watch videos, so I don't really play games either.

Adrian Bye: Play the, they're fun, come on.

Marc van der Chijs: The thing is for me, it's always, I love to play. I have a Nintendo DS, I have a PSP. But I feel like, I only have 24 hours in a day. I do it when I don't have anything else to do. Like, mobile games, for example, that's what I love. Because those I use when I'm waiting for a train or waiting in line somewhere.

Adrian Bye: Do you have an iPhone?

Marc van der Chijs: I used to. I have changed it to a G1 two or three months ago.

Adrian Bye: Alright. I play too many games online.

Marc van der Chijs: Yes. It's so easy now. You can actually download. That's where I spend a lot of money on, actually. It's fun. But I mean playing like an MMO game or something. I really wouldn't do it because I know I'm going to be hooked on them and it's going to take too much time.

Adrian Bye: Can you help me understand the market for gaming now? This the market called casual gaming? So, people log on their website, play a flash game. I guess I should be embarrassed for teasing you about it, because I don't play any of these games, either, I used to when I was growing up. I played every game that I could on the Commodore 64.

Marc van der Chijs: Just like me.

Adrian Bye: And now I don't. What is casual gaming and what's the business model behind it?

Marc van der Chijs: To start, if you played Commodore 64 games, basically I often explain to people, it's similar to those games you had on the Commodore 64. They're normally single player, some have multi-player games, but it's relatively simple games. A couple of levels, the quality is a bit better of course than the

graphics you had on a 64 because then only 64K available. Now, these games are 3-400K some maybe even more. The graphics are a lot better, but they're still simple. They're fun to play. You play them for 10-20 minutes maybe. The users are different. It's not something you play for hours like World of War Craft or lots of big MMO games. The business model at this point it still mainly advertising. Either advertising around the game or advertising inside the game. For example, a pre-roll before you start playing the game or inside the game that you have billboards, for example, inside the game. But mainly it's around the game. So you click on a game and it opens a small window and around this window you see some banner ads, for example. At this point, that's still the main business model. But I see the business model changing to virtual items more and more. People will not pay for these games because they're too cheap, I guess. But people may want to play for additional levels, for example. When they play four or five levels the game is finished and they will pay like twenty five cents or whatever to get three more levels. They may do this. If you build them into a social network, either your own social network or play them on facebook, for example, people maybe willing to pay more to get a better sword or a better car, or whatever to get a high score, to beat their friends. Actually, I think that's going to be a new revenue stream for flash games. You see that already in the big, massive multiplayer online games. But I think it's going to be something in the more simple flash games.

Adrian Bye: Because the problem with simple games, I would imagine these people are less engaged, so it's less critical for them to pay money for things.

Marc van der Chijs:

That's why a social network event is more important than people might be willing to do it, and when they're hooked to a game, and the game only has five levels, but you know there's three more, you can see that in the game but you can not enter them. You have to tease them a little bit. Then maybe they'll be willing to pay a small amount. It's really not paying like five dollars, it's really like a quarter or fifty cents, whatever, making people feel like, okay, well, it doesn't really matter if I pay a quarter right now.



Adrian Bye: That's a direct marketing model, right? You give people a taste of something that gives them a huge amount of value and of course, for something relatively insignificant relative to the value, then they'll do it.

Marc van der Chijs: Yes, of course. People don't really do it yet. I mean there's still companies working on it at the moment. I think that's something we should be in this role. The other thing for casual games is it's

going to be on mobile phones, I believe. It's still not that big, of course, the apps on the iPhone, but I think Spil Games could do a lot more in a few years.

Adrian Bye: So, I guess you would love to see flash on the iPhone?

Marc van der Chijs: It will be there eventually I hope and we've been waiting for it for three years now, but it's...

Adrian Bye: And don't hold your breath?

Marc van der Chijs: Well, I mean, Nokia has it, of course. Eventually, Apple has to have it. I mean, if they don't, it's going to be a problem for the iPhone.

Adrian Bye: There's too much in the app store though. Where do you see that going? And that's a really interesting equation. But I mean the app store is trying to get into a multibillion dollar model. They're not going to just throw that away.

Marc van der Chijs: They won't. It probably will be there, but the thing is you can integrate flash games in the app store, of course. It doesn't mean that everything is going to be for free.

Adrian Bye: Some people would pay to use flash, for example?

Marc van der Chijs: There's going to be free and paid flash games, I think. The basic ones are going to be free and the more advanced ones will be, for 99 cents or whatever. That's what I think. I don't think Apple is not using flash because of the app store. It's really because they feel that the iPhone is not strong enough to really give the user experience that you want to have. Maybe the new iPhone 3GS it may be different, but I don't know what the specs are. Maybe that will be the chance to finally get flash running on there.

Adrian Bye: Interesting. And so the model today like, is the company profitable? You raised money to get started, how was it like working out? I know there would be some restrictions on what you'll talk about. Tell us what you feel like you can tell.

Marc van der Chijs: Well, it's basically, it depends how much we spend on marketing. How much do you want to grow and how much do you spend on marketing. We're making money. I was spending all the money on marketing again to grow further. Because in the Chinese market, I feel now is the time to grow. If you sit down and relax and think that things are going well, people are going to pass you, left and right. You have to keep on growing and investing in the company. So, that depends how much you want to spend on marketing. We decide to spend almost everything that we've earned and put it back into the market, marketing through building new good games, marketing through being present on direct websites. We don't really use things like Google ads or Baidu ads. But be out there. People should know you. That's important.

Adrian Bye: So what are the kind of channels you're using for marketing? When you say marketing are you doing brand type advertising?

Marc van der Chijs: It's more branding actually. A lot of what we do actually is we use our games to do the marketing. So, we build new games. Give these away for free to other websites. They put them on there, and then these websites are competitor based, they got free content but they're branded, with our website game.com.cn. So, people see one or two new games a week, every week on their website where they only

play games. Eventually they will click on our logo because our logo is clickable in the games. They go to our site and they realize well, actually game.com.cn is a little bit better than the site they are currently playing on. That's for us the major reason why we grow so much over the past two to three years.

Adrian Bye: As you do these campaigns, are you like tracking response rates around things? I mean when you buy advertising, how do you know that it's effective?

Marc van der Chijs: We track everything. We look where this traffic come from. We don't go into extreme details but we look for each campaign what's the return we are getting. How many people keep on coming back. We track those things. I think that's very important, because some sites don't really, they maybe cheap but they don't deliver you any traffic. Other sites are more expensive or extremely expensive sites, but they're worth it.

Adrian Bye: What have you found to be the more effective places to advertise?

Marc van der Chijs: The best one used to be a site called hot123 which is like a directory site. A bit like Yahoo in the early days. That got us a lot of traffic over, the first 2-3 years. We stopped advertising there because it become too expensive. They increased their rate cards by fifty percent per year. Not only per year, per half year probably. Each half year they become fifty percent more expensive, and we decided forget it. It's just not worth it anymore. But that helped for the branding actually. You have to be on there when you're new in the market. A lot of people who are new to internet in China go there. So, on their first time on the internet they go there to find the right places to play games, watch videos and do other things online. So, you have to be there at first to introduce your brand and for people to get to know you.

Adrian Bye: But you don't force your users to register?

Marc van der Chijs: We don't force them, but many people do because they can chat on the websites, and of course, they can...

Adrian Bye: Do you have an amount you spend per user? What's the metric you use to know that a media buy on the site is useful? What's the metric you use? A lot of stuff we use is cost per lead or cost per sale, cost per acquisition in some form. What's the metric you use to know that buying from this site worked and this site didn't.

Marc van der Chijs: We basically look at how many new IPs come to the website. We don't really track it on a cost per user basis. It's more like we give a certain budget for a month, we look at which sites have a lot of new users for us that we haven't seen yet before and we spend some money on there. We don't really calculate it on a per user basis.

Adrian Bye: Okay.

Marc van der Chijs: To come back to forcing people to sign up. For example, we have a passport function in the websites that works for all the subdomains because we do a lot more than just flash games actually. We have browser based games. On the site we have mobile games. We have a sort of Chinese version of congregates which is where people can develop, actually put up their own flash games and we monetize for them, we distribute for them. All these things work with one central login. So, if you want to use these different parts of the site, it makes sense to really log in, to really benefit a lot more from it. A lot of people do it. We have millions of people who have access to the website. It's pretty big.

Adrian Bye: And you have like new services and things as well?

Marc van der Chijs: Yes. It's online. People come back. They know we have new games all the time. I think the one of the most important things for a game website, every single day your site should be different. People will come back every day, they want to see different games. So, we license a lot of games.

Adrian Bye: How many games have you got?



Marc van der Chijs: On the site, how many we have? Thousands.

Adrian Bye: Thousands.

Marc van der Chijs: Thousands, yes.

Adrian Bye: And what is the most popular game?

Marc van der Chijs: The most popular, probably, there's a few ones. One is called Uphill Rush. It's doing extremely well. It's been doing well for months actually already. It's basically...you're riding a dirt bike and there's a course and you jump and you make looping and whatever, you race against others. It's extremely addictive because you can do a lot of different tricks and you can beat your own time, you can beat your friends. If you're good enough you can go to the next levels. So people keep on playing so they can do the next level and when once they're on the next level they have to be even better to get to the next level. And people keep on coming back. It's extremely addictive.

Adrian Bye: Is the guy that made here in your office?

Marc van der Chijs: Yes. They're here.

Adrian Bye: So, you have some really good guys. Do you have guys that consistently turn out top games? Or it just seem to be more of a fluke?

Marc van der Chijs: Well, the main thing is the game designer who designs the game, who makes the concepts. That's very important. And then the person who decides the way it looks. What does the game look like. What are the graphics, the game play. It's not really about who programs this. The programmer has to be good, but it's more like, what's...

Adrian Bye: Like the director of the movie, the guy that puts it all together.

Marc van der Chijs: That's the more important step. It's the hardest step.

Adrian Bye: I'm going to be interviewing, I'm going to mispronounce the name, but I'm going to be interviewing Kaishin 001 next week and they have a game called Vegetable Patch. I guess that's like one of the most popular games in China at the moment. I'm interested, what do you think of that game and is that a sort of thing you do, have you knocked that game off? And how to knock off work in China?

Marc van der Chijs: No, we haven't knocked it off. Of course, we're looking at it because they're extremely successful.

Adrian Bye: So, just for those listening, Vegetable Patch, I'll be getting into that game in more detail, but basically the concept is that you have a house with a vegetable patch behind your house and your neighbors come over and try to steal the vegetable from the vegetable patch and you're going to try to stop them from stealing the vegetable. I think that's right, isn't it?

Marc van der Chijs: That's correct.

Adrian Bye: It's very popular in China.

Marc van der Chijs: Well, there's a couple of these games actually on different sites. The original one is similar to Parking Wars actually, where you park cars on your own streets. You buy cars, you park them on your own streets, but you try to park and you have to pay to park you know. So you want to park on other streets, your friend's street, for example. If you don't pay to park, as long as they don't find out then you can park for free, but if they find out they give you a fine. So, basically what you do is you wait until your friend's on a business trip or in a meeting, you park your car during the meeting there so that your friends can not check their internet connection, they can not check their streets. That's basically how these games started. Vegetable Patch is similar to this actually in a way. You have to go there and steal things when people aren't watching you. It's a very viral game. And it's something we don't have at this point. We're looking at it, of course. Kaishin is actually also putting these games on different websites. We don't have it on our site, but we're thinking about maybe doing something with them on this field.

Adrian Bye: So, how do knock offs work here and how do you guys defend against them? How do you knock things off yourself? I imagine it's what happens and what everybody does. Can you give me your perspective?

Marc van der Chijs: It's not a big deal. I mean people copy all the time. That's fine. We always think that we only have better and better game designs, better game play. So, copying is not enough. You need more. You need some innovation. You need to understand the game play. People copy our games, fine. Go ahead. It doesn't really matter. That's also why we give away our games actually. We feel that if we give our games, we have branding. If people copy them, the game play wouldn't be as good as our game play, so it doesn't really hurt us that much. People realize probably that the brand of games that we distribute over the internet are a lot better than the people who copy our games.

Adrian Bye: So, when you say distribute, like YouTube allows you to embed a video in a different web page. Do you have that ability with games as well?

Marc van der Chijs: We do.

Adrian Bye: So I can put a game on my blog and say this is my favorite game.

Marc van der Chijs: You can do that stuff. That works well. It's just distribution. It's not about just one site anymore. It's about being out there with your brand, and then people eventually will come back to your site. That's what I believe in. You're sending people away will lead to more people coming to your site eventually.

Adrian Bye: Maybe we can try and embed one of your top games in your interview.

Marc van der Chijs: Sure. It's possible.

Adrian Bye: I'll make a note. There was just a gaming law change just the other day in China about no more gold farming. Can you maybe talk about that and if that has any implications for what you're doing.

Marc van der Chijs: It doesn't really have a big implication. Basically what they're saying is it's you can still use virtual currency, but you can not change it into real life things. You can not use virtual currency to buy real objects or change it for real money. They want to make sure that virtual currency stays virtual. That's the biggest thing. It doesn't really make much of a change for us at this point. There's still going to be a lot of companies doing this on the side illegally with virtual currency. So, there'll be other people setting up websites where your currency can be changed for real currency, probably.

Adrian Bye: Was it expected that this law was going to happen?

Marc van der Chijs: Yes. It has been talked about for two years. I mean two years ago, the central government already warned QQ, the biggest instant messenger in China who does a lot of other things, the biggest social network probably as well. They warned them that the QQ points were basically becoming a threat to the RMB, the Chinese Yuan.

Adrian Bye: QQ points were becoming a threat to the Chinese currency?

Marc van der Chijs: Yes. They were so huge. Everybody was using them. It's crazy. Now, they realized that virtual currency was getting so big that something had to be done about it. So, from that point on people knew something would be happening. Basically the big sites, they have their own virtual currency systems but they don't run their own exchanges, there's people doing this on the sides where you can change the points to products.

Adrian Bye: So that will continue. It will just become more of a black market thing.

Marc van der Chijs: I think so. I don't think it's going to be a big change.

Adrian Bye: But that had put hundreds of millions of dollars out of business hasn't it, in various business models, I guess, the more aggressive ones.

Marc van der Chijs: Yes. Sure the most aggressive ones, of course, those won't work. But I think they won't bring much of a change actually.

Adrian Bye: Business as usual?

Marc van der Chijs: Yes. I mean. There's always going to be ways to change points to money and to use virtual currency for other things. Maybe not in a completely legal way, but there's always ways in China. People are very inventive and coming up with new and innovative ways to deal with these laws.

Adrian Bye: You talked a little about social networking. Is there any kind of social networking built into Spil Games or is that going to come out in the future? Or are you going to integrate with sites like facebook?

Marc van der Chijs: Well, actually we're working very hard on these things. At this point, in China, we actually have social networking functions, it is part of the passport function we have, but it's not enough. We're now seeing that actually social network are becoming competitors like Kaishin001, the people you're going to meet next week. Those are the new competitors. They were not competitors a year ago. But the social networking sites in China are more gaming sites than real social networks. People there, they don't really post their private life and their pictures anymore, but they post their high scores and they post their screen shots from the games. That's actually something I underestimated myself. I didn't really see it coming. I've seen it in the last couple of months. So, yes, we're going to react to this and do something about it.

Adrian Bye: Maybe you can explain a little bit more about the big thing has become...is it trash talking, here is my screen shot, or is it friendly, open like, hey...

Marc van der Chijs: Actually, the system pushes you to do it. It automatically posts it for you. It's extremely viral. Kaishin is forcing you to post these things actually on the site. But also send out things to your friends. You have to post your address book in there, for example.

Adrian Bye: And you can't stop hearing from your friends, right?

Marc van der Chijs: True. I mean it wouldn't work outside China probably, but it does work here. I don't like it myself. But apparently, the Chinese don't mind. They have a lot of time on their hands, they go, cool, I got a message. Oh, you beat my high score, I'm going to beat them back. If I was in Europe or in the US or Australia, people would get this message and they would be annoyed, like, come on, another message, I don't want to see it. Here in China it's different. Most people have so much time with nothing to do. They're like happy to see that, oh, you beat my high score. Oh, I'm going to get them. It's a very different concept.

Adrian Bye: So, effectively, what you are saying is that Kaishin is out there using aggressive address book spamming to drive traffic and people are okay with it?

Marc van der Chijs: Correct. Yes. That's exactly how it is. The market here is so different from the market outside China. The things that work here would never work outside China. If I look at pop ups, for example, on our websites, I always assume that the pop up would be death for the website. Actually, we don't see any change in traffic. If you put pop ups on there, it's just exactly the same on the people going on to the site as people if you wouldn't have pop ups. It doesn't deter people. They don't mind.

Adrian Bye: I couldn't quote you any stats in the US though, but I would imagine that would lead to some sort of drop, a lot of sites do have pop ups. Maybe it's not so bad in the US.

Marc van der Chijs: Yes. If they make money, and if people need money they may do it. But I think generally people complain about pop ups. Here you don't even have complaints.

Adrian Bye: Could this be because China is still on a state of change and not all these people are engaged in what they are going to be doing yet?

Marc van der Chijs: No, it really has to do about the fact that people like a chaotic look on the websites. To give you an example, when I first started the first Spil Games websites, I used a design from Holland to get started, a very clean, nice design, very easy to find the right games all in categories, not too much advertising. Simple basically and we launched it, and we drove some traffic there. People started playing the games but they didn't come back. We were like, what are we doing wrong? We tried it for about a month. Some people were coming back, but most people just came once and didn't come back. That's very weird. So, I thought okay, maybe we are not doing the right games, we didn't really know. Then I was talking to my team and we said, well, let's give it a try with a very Chinese looking site. I didn't really believe it, actually, I thought it's going to be worse actually if we're going to have this very flashy site, but I did say okay let's give it a try. So, we built a Chinese website which has blinking ads with chaotic look, with pop ups. In my opinion, very bad looking, terrible looking actually. We launched it and that from moment on it started growing. People came back and started coming back. We drove traffic there and people stayed and came back. It completely blew me out, it's like China is so different. In every single country in the world, even India, we use a similar design for our website, except for China. The design doesn't work. China is really different.

Adrian Bye: Why do you think people are attracted to a more chaotic look?

Marc van der Chijs: I think they're used in livery to a more chaotic life. If you look on the streets, you look at all the neon advertising, to the sounds blaring from all those stores, the honking cars, people screaming. They're used to this. I think they're sort of looking for it in the internet as well. I feel they may not feel happy when it's too quiet somehow. That's the only thing I can think of. It's probably in the minds of people. They're used to a chaotic life.

Adrian Bye: That's interesting. That would say maybe a third world country state that as well, but I mean Shanghai is cleaning itself up pretty quickly isn't it?

Marc van der Chijs: Yes, but if you look at the streets here, it's still extremely chaotic. But I don't know. I've never seen any real good explanations for this, but we really saw these on our website and for me it's just...

Adrian Bye: Give the users what they want. Keep them happy. A slight change of topic, but there's something I'm interested in. What do you know about people faking their Alexa ranking in China? Is that something common?

Marc van der Chijs: It used to be common but nobody looks at Alexa anymore.

Adrian Bye: So what do people look at? What is someone's metric?

Marc van der Chijs: There's not much you can trust. The whole thing is people have been doing it for so long in China and nobody really believes the figures anymore. Nobody uses it anymore. There's no real good measure to measure them. You may look at Comscore but then they're missing the whole part below 15 years olds, which is a huge part of the Chinese market. So, there's no real good measure to look at sites.

Adrian Bye: What's the best guess?

Marc van der Chijs: What we do, we look at the IDC, do it ourselves, we know people in the IDCs, we can see what competitors are doing. How much...

Adrian Bye: The data center.

Marc van der Chijs: The data centers, yes.

Adrian Bye: So, you go to the data centers and you access it.

Marc van der Chijs: Yes, that's how we do it. I mean there is no objective third party data. People used to do it a lot to fool either the VCs. As a foreigner I feel bad when I read those things, it still happens. Competitors are going out there saying we're so big, we're doing this. We just know it's not true, but what can you do.

Adrian Bye: I mean coming from the outside, I got to have something to look at. I don't know what to look at. If I can't look at Alexa, what can I look at?

Marc van der Chijs: I would say look at Comscore. If you look at something look at Comscore, it gives probably the best guess that you can get. Alexa, certainly doesn't work here. It's been gamed so much over the years that nobody trusts this. Three years ago, you could use it but not anymore. It's useless here. Nobody has installed it either. I mean they install it though that's what makes it easy to game it. So, Comscore, you could use. Yes, that's all there is. Because I wouldn't trust internal data from companies.

Adrian Bye: In terms of moving to China, I'm interested, do you like it here? You live here obviously, but are you happy in China?

Marc van der Chijs: I love it here.

Adrian Bye: If you could live somewhere else would you?

Marc van der Chijs: Eventually, yes. I wouldn't live here my whole life. I like the Valley actually.

Adrian Bye: Silicon Valley?

Marc van der Chijs: Silicon Valley, yes. I like the lifestyle there anyway. I like...

Adrian Bye: Clean and organized?

Marc van der Chijs: Yes, but there's still the entrepreneurial spirit. That's what I need. That's what I love in China. People are very entrepreneurial. They really want to go for a lot of stuff. But I also would like to do maybe is eventually maybe just setting up a vineyard somewhere. New Zealand would be an idea. But then, not yet. I'm still too...

Adrian Bye: Silicon Valley could be the place? Then you get Napa nearby.

Marc van der Chijs: True. It's quite expensive there.

Adrian Bye: Once you make money, and you make one of your big homeruns, then you'll be fine.

Marc van der Chijs: Maybe. But I love China. I like the people here, they're so hardworking, they're so entrepreneurial. For them, risk is a good thing. I don't like people who are very risk averse, especially when I'm working with them. I always feel like, I see risk, but I feel like risk as an opportunity, because I want to give it a try anyway. That's what I like here. People just go for it. They think about something. They don't write a business plan, they don't have meeting for weeks or months and do something. No, they think about it for a day and just do it.

Adrian Bye: One of the things I see working with a lot of people off shore is I've been a little bit uncomfortable about working from people in China online just from the quality of work. How do you deal with that?

Marc van der Chijs: You have to manage them differently. You have to manage them directly. You have to be there. Like in the game studio here, you have to really check on a daily basis on what they're doing, how they're doing. Outsourcing is always a bit dangerous here. You have to really manage it much better than you would in the US or in Europe. Don't wait until they deliver something, but check it maybe on a daily basis or at least on a weekly basis. That's what I have been doing. Are they going on the right direction, are they saying the same things as they're producing, don't trust everybody right away. That's very important. The thing is, if you find the right people for the right companies, it certainly could work in a more easy way. But especially when you start working with a new company with new people. Check them very regularly.

Adrian Bye: In general, for expats, for someone who's going to move to China, I'm fascinated by China, if I want to move to China and get started here, I mean you've blazed a trail, what would be your advice to someone like me.

Marc van der Chijs: Learn Chinese. That's the mistake I made I think originally. I should have learned more Chinese. It would have made my life a lot easier. I still need translators for meetings, because you want to make sure you understand everything. Second of all, is spend some time here before you get started. Build your network. If you're really right off the plane, you can not start up a business here, because you just don't know how it works. It's different from what you read in the official laws. I mean, things work differently. You need to know the right people.

Adrian Bye: Third world country.

Marc van der Chijs: Well, not third world. In a way, it's not far from our country when you're in Shanghai, but some of the things are still done the old way. You need your network, really need your network here. You can not rely on regulations and you need to really understand how it works.

Adrian Bye: Any other suggestions?

Marc van der Chijs: Find a good business partner. I think that's very important.

Adrian Bye: A local business partner.

Marc van der Chijs: Like of course, Tudou, Gary really built that. It's in a form I could never, never build. I mean I don't have the technical background, even if I had, I couldn't have done it. There's so many regulations you have to go through and you need to know the right people. And as a foreigner, you're not going to do it, you're going to fail. So find a good Chinese business partner then the chances of success are a lot higher. That's the way you're going to do it. If you're going to work for foreign companies, for example, if you look at

what Google has been doing or Yahoo over the years here, none of them has really been successful. The main reason is, they're too dependent on their mother company. If you do something here, make sure you're independent. That you can decide what to do, that you don't have to wait for them to make decisions. Example, last year we had the earthquake in China. Then, there was a three day national mourning period. All the sites had to close down. We were informed about it Sunday night at 3:00 AM to do this. If you have to wait for your headquarters in the Valley, for example, to wake up that would be like eighteen hours later to get their approval to do this, maybe they need to have their meeting there. You're going to be too late. I mean you're going to be punished for this because they didn't close their sites. That's or of thing, you need to be able to be flexible and react quickly. If you have to wait for your headquarters to make a decision, you're going to be too late, because the local entrepreneurs can take decision right away. Within five minutes basically.

Adrian Bye: And they know what needs to be done.

Marc van der Chijs: Sorry, if you can not do that if you're going to lose. Google has so much trouble in China and I think it's mainly because they're not independent. They can not do...they probably know what to do but they can not do it because headquarters are telling them I don't think it's right. It's just stupid. They're not independent. So, if you do something for another company, make sure you are independent, and you can run your own business here the way you think it should be done, otherwise it won't work.

Adrian Bye: Is there anything we haven't talked about that you'd like to talk about?

Marc van der Chijs: No. Nothing comes to mind right now.

Adrian Bye: I know I asked you a lot of stuff.

Marc van der Chijs: Yes.

Adrian Bye: I told you would and I did.

Marc van der Chijs: That was fun. It was good interview. For me, China is a great country. This is where it's happening right now. Even though there's a recession, there's still growth. People are still looking at the future and still positive.

Adrian Bye: I don't actually believe there is a recession in China. I hear like in Dubai they like stopped all the building but the Chinese just keep on building. Everywhere I see, I have never seen anything like this with so much construction. I've never seen this.

Marc van der Chijs: But it's a lot less than a couple of years ago, actually. A lot less. You have seen they have put on the skyline on the other side. Have you been to the river?

Adrian Bye: Not really sure.

Marc van der Chijs: There's this river, and if you look to the other side, there's all these skyscrapers...

Adrian Bye: Yes. Yes.

Marc van der Chijs: When they were building that I mean that was amazing, like 10 years ago, even less that 10 years ago, 8 years ago? That was crazy.

Adrian Bye: Amazing. Absolutely amazing. Marc thank you so much for your time.

Marc van der Chijs: You're welcome.