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## Interview with Chi Yu from kaixin001



**Adrian Bye:** Today, I'm here in the office of Kaixin001 in Beijing, China. This is a very interesting interview. First time, as far as I know, that there is an English language interview with these guys. I'm sitting here with the founder who is Yu Chi and also the VP Marketing who is Liu Qian. This interview is being done through an interpreter. One of the things that for me is very interesting in this company is their native language is Chinese and they don't have to speak English. They're a very successful company in China and they're very successful with not so much English, which is a trend I want to talk about during the interview. So, maybe guys you can take it away. Can you tell us a little bit about yourself?

**Chi Yu:** Liu Qian have told us the brief background of the Kaixin. Yu Chi, another founder, worked in Sina before. In Sina, they found that the SNS will have a beautiful future, and (grow) very fast. They moved out from Sina and set up the Kaixin company. They moved from Sina end of 2007.

**Adrian Bye:** Did you come from Beijing? Did you grow up here?

**Chi Yu:** No. I'm from South China, Zhejiang Province, and he's a Beijing native.

**Adrian Bye:** How long do you live in Beijing?

**Chi Yu:** More than 18 years.

**Adrian Bye:** Eighteen years. So now, you are a Beijing guy.

**Chi Yu:** Yes. I came to Beijing in 1991.

**Adrian Bye:** Your English is very good. I'm very surprised. Very impressed.

**Chi Yu:** We do not use English for many years. We just learned it in college.

**Adrian Bye:** And that for me is very interesting about your company. If you are comfortable to keep speaking in English, that's okay. You can translate. It's your choice.

**Chi Yu:** I can only say simple English here.

**Adrian Bye:** And where do you come from?

**Chi Yu:** Liu Qian, the VP Marketing, just told us that he also worked for Sina for over 10 years, and then he found that the SNS in China has a good possibility and then he joined the team in the beginning of this year.

**Adrian Bye:** I speak some Chinese. It seems to me that the business model for Kaixin, what you are doing, for me is very, very interesting because it seemed that the market was very full for social networking, and there was no need for a new social networking site, but then came Kaixin. How did you come up with the idea that this would work and why do you think this worked in a market that is very full?

**Chi Yu:** He just told us the two main reasons for the set up of the Kaixin company. First of all, is that they don't believe the market is full and also they believe it is just the beginning for the social network in China. The second one is you are right, there are a lot of social media in China, maybe over 20 or 30, but some of them they are what we need, but the rest of them, no. Their business model is not good. They believe that Kaixin will be a new concept in the social networking in China.



He addressed that up to now the social network marketing in China is not full at all and there are a lot of chance. Competition is very difficult.

**Adrian Bye:** One of my understanding is the way Kaixin001 got started. Is it correct to say Kaixin001? Is there another way I should say the name of the company?

So, I say Kaixin001, right? Is it correct the way you got started was through tell-a-friend addresses, so people sign up in their address book and then they invite all of their friends and all their friends and all their friends?

**Chi Yu:** Yes as you said, they use this kind of way to invite more users for Kaixin001, but first, the users believe that Kaixin001 is a good social network, then the users began to invite their friends, but not the system pushed them to invite more users. But the users invited their friends by themselves. They really believe that the social network is good and they can feel fun with the system then they will invite the users, not the system pushed the users to invite more users.

**Adrian Bye:** So, what you are saying is the viral marketing is permission based?

**Chi Yu:** It is a kind of word of mouth. Besides email, in addition, they also use IM such as MSN, QQ.

**Adrian Bye:** Oh really, use IM.

**Chi Yu:** They paste the URL to the chat room from IM software.

**Adrian Bye:** They pay the companies to promote their IM?

**Chi Yu:** No, no pay. Because the users feel our website is very fun, he shared to his friends, so through the IM software, he tells somebody, "This website is very fun. Come here and join us, just like this, these are all done by users themselves.

**Adrian Bye:** So, the users do it or are it automated by the system or is the user doing it?

**Chi Yu:** The user type in the IM software. We do not use automated systems.

**Adrian Bye:** The automated side for joining Kaixin001, that is through email, is that right?

**Chi Yu:** The email, in addition, is also on the basis of the users. They mean the users will invite their friends, that is their own choice. If they won't, the system won't. It is based on the users in this way. In China, we know some companies or some SNS or other websites, they do this way, just email all the user's address book, and send invitation mails without the user's permission.

For some of the other social network, they use this data base from the users without users' permission, but they believe that this kind is not legal. The second one, is we will hurt the users feeling. The third one, it's not good for the users. They will not believe this kind of social network. So, they chose on the basis of the users themselves. They invite their friends.

**Adrian Bye:** Because for me obviously your site is not in English? I wish, you should make your site in English so that we can use it. I vote English.

**Chi Yu:** But translating it to English is such hard work. The users who have it in English is not like in Chinese.

**Adrian Bye:** That's what I want to talk about because it seems very interesting to me when I talk to foreign people in China, Americans, who use Chinese internet, they say, "Ah, Kaixin001 so many emails" and then they say, but my employees they love it. All my people, they love Kaixin. They all use it. So, maybe this is a cultural difference between China and US or China and the West is the amount of email that you can send. Do you think that is the case? For me it is very interesting.

**Chi Yu:** I am sorry your question again.

**Adrian Bye:** Is this the case, it seems to be a very interesting difference between the West and China in the amount of email marketing you can do for social network.

**Chi Yu:** First, they think the email invitation is common in China, but some of the companies, they do a lot of works in the email invitation. They did a lot. But some of the companies, this kind of network company, they did not to do that for their business.

There are secrets to develop their market, to develop the database of the users. They work for SINA before, and then, the first users of Kaixin001 tell their friends via the telephone and tell them, "Okay come on, we set up a social network."

**Adrian Bye:** By telephone or by call center? You call?

**Chi Yu:** Yes. All our staff called. All our friends.

**Adrian Bye:** So, you didn't email them. You called the users.

**Chi Yu:** Yes. They register in Kaixin, and feel well and they invited their friends. This is the first beginning.

**Adrian Bye:** How many users did you get from phone calls?



**Chi Yu:** From the telephone invitation, not too much. Maybe only several hundred?

**Adrian Bye:** You got several hundred very important users.

**Chi Yu:** Yes, very important. Then they informed the whole Sina, and Sina informed the Soho and Ala.

**Adrian Bye:** That is brilliant. Very good. I've never heard of a social networking started by telephone. That's amazing.

**Chi Yu:** First, they believe that social networking is a tool between friends so they tend to make sure from telephone. At the same time, they can receive a lot of emails invitations from different kinds of websites. Some of them they believe they are worms, so they don't believe it, they don't trust it. They would like to make sure from the telephone.

**Adrian Bye:** Very cool. Have you heard of the website called [HOTorNOT.com](http://HOTorNOT.com).

**Chi Yu:** I know. They have a PP in Facebook.

**Adrian Bye:** Yes. Have you heard of James Hong, who is one of the founders. He is a friend of mine in San Francisco, and he posted this on Twitter. You can see the picture. He took this photo in California last week and it says the massive Chinese social network, Kaixin, it's a photo of a license plate on the back of a Mercedes convertible. So, he asked the world, the massive Chinese social network Kaixin or someone's name or a Chinese phrase. And so I ask you. Did you know that someone has Kaixin in their license plate in California?

**Chi Yu:** I think no one is named Kaixin in China. Kaixin is a very popular word in China. It means happy. They believe the car owner is a Chinese.

**Adrian Bye:** You can keep this if you want. That was parked in Silicon Valley, in California. But explain it was in Silicon Valley, it was near where Apple and Google, and Yahoo, that's where that is from. So, you guys have grown very fast. How long ago did you start? When did you start phone call "Hey join Kaixin?"

**Chi Yu:** Briefly, they set up the website from October 2007 and then they test it in the beta until the 2008 March they launched.

**Adrian Bye:** How long was the beta?

**Chi Yu:** It began beta from 2008 January and then they set up the company. They registered the company in February. The website launched in March.

**Adrian Bye:** So, beta was three months?

**Chi Yu:** Yes.

**Adrian Bye:** Did you publicly invite people in March 2008?

**Chi Yu:** They started from end of March, they began to invite the users.

**Adrian Bye:** So we are now 1 year and 3 months. So, how many users do you have? Registered and active if you can say.

**Chi Yu:** 38 million.

**Adrian Bye:** Is that registrations or active?

**Chi Yu:** Registrations.

**Adrian Bye:** And how many active users do you have?

**Chi Yu:** About one third. They log in everyday, just yesterday, about 1/3 of that 38 million.

**Adrian Bye:** Amazing.

**Chi Yu:** Its very active users. In any other website we've watched it done before.

**Adrian Bye:** Why do you think they're so active?

**Chi Yu:** Firstly, the users needed this kind of service. They do not experience this experience before. Because in China, people are very hard working and. First, they believe the users need it. You know, the Chinese workers or most of Chinese workers, they are hard working everyday, every week and they need some place to release, relax and then they can find fun from Kaixin001. The relationship between friends is more content than offline. So, they can have more trusts online. So they register and have fun in Kaixin001.

**Adrian Bye:** When we register a website in the US or in English, we always make sure we get .com and we get a very clear name. So, for us to register domain like Kaixin001.com we would never have a number in a name. Why did you do it this way?

**Chi Yu:** Because, when we start up, we do not have enough money to buy Kaixin.com. The domain name was owned by a USA domain trader. He told us the price was very high and we can not afford it at that time.

**Adrian Bye:** How much did he want or the price?

**Chi Yu:** About two hundred thousand.

**Adrian Bye:** He wanted two hundred thousand?

**Chi Yu:** First time.  
Dollars. US dollars.

**Adrian Bye:** The problem now is someone else bought the domain for USD1 million. Do you want to talk about that? I know there's a legal problem, so if you don't want to talk about it, no problem, if you can, tell us what you're comfortable with.

**Chi Yu:** When they start up the company, the domain name is cheaper, only USD 50 thousand.

But when they grew, the price goes higher. Then another company, a Chinese company buys the domain name. Then when they saw the Kaixin001 grow, and then they sell the domain name at a higher price.

**Adrian Bye:** Then they sell it for USD1 million, right?

**Chi Yu:** They've heard of it but they're not sure about it.

**Adrian Bye:** Oh, they don't know the price? This was a comment I read online. Because I haven't used Kaixin, I can't because of the Chinese, but what I read was, Kaixin001 is a copy of Facebook, and Kaixin is a copy of Kaixin001. So, it's like a big circle of lots of copying. Is that accurate? If it's not accurate, then I'm interested to know.

**Chi Yu:** First, they believe the social network is the same. They believe that Kaixin001 is the same as Facebook in that they are the same social network system. But the Kaixin001 has their own content and their own features, and the user's experience is quite different from Facebook. Also their product is also different.

**Adrian Bye:** You offer 1GB in storage space.

**Chi Yu:** And also another is that it's okay that somebody copies Kaixin001, the idea is easy to copy, but the name copy is a problem. Another company is also called Kaixin. It is a problem.

**Adrian Bye:** For us in the US, same market, this level of copying, we don't understand this. You are in the middle of very competitive.

You had something you wanted to say?

**Chi Yu:** Just now you mentioned email invitation. Actually, some of their competitors use this kind of way to invite the users but not their behavior, but the competitors invite users from the email and then now they try to sue the competitor.





**Adrian Bye:** Really?

**Chi Yu:** You know, there are another company named Kaixin. Another company, they use this kind of email invitation, very rudely.

**Adrian Bye:** They copy your invitations.

**Chi Yu:** No. They copy the names. They copy the name Kaixin. It's a kind of imitation, but their content is automatically by the system, and then they send to lots of users at the same time.

**Adrian Bye:** And they make the users very angry.

**Chi Yu:** Yes, and somebody don't understand that it is not our Kaixin service. They are very, very angry.

**Adrian Bye:** It affects your brand. So, they were using very aggressive, non-permission based invitations, and yours are permission based. You are aggressive but permission based.

**Chi Yu:** Yes, and they send this kind of invitation emails, not just once. If once, you do not care. Next day they send you another content. They send you again and again.

**Adrian Bye:** So, now there is a lawsuit, right? You're going to court?

What I want to understand is the reason for registering a domain Kaixin001. In English, if I want to register happy.com and I didn't have the USD 50,000 to buy the domain, I would register happyday.com or happylife.com. So, I would call the social network Happy Life. Whereas you didn't do that, you named it Kaixin001. Is it something in Chinese? Is it more normal to put numbers in the domain?

**Chi Yu:** It's normal. Somebody just add a digital number in their name. It's very normal, but nobody had a 001.

It's common use for URL name or domain name, but seldom use 001. They are the first one to use 001 in a domain name.

**Adrian Bye:** So, now everybody remembers you as 001?

**Chi Yu:** It's very easy to remember this.

**Adrian Bye:** I was reading some things about China yesterday, and one of the things that I learned was in China, we know from USA and from Australia, the Chinese people are very good at math, and it's a generalization that we have. Do you understand?

One of the reasons is because the numbers in Chinese are very easy. It's very logical numbers, whereas the numbers in English are not logical, 11, 12, 13, 14... It's very confusing. So, maybe the number in the domain name it's easy for people to remember in China, because numbers are easier for Chinese people. Could that be correct?

**Chi Yu:** He didn't know the digital, but he believes that 001 is very easy to remember in China.



**Chi Yu:** About 60.

**Adrian Bye:** I read online that you had about 30 employees.

**Chi Yu:** Sorry. About last three months, it has increased to 60.

**Adrian Bye:** So, for me that's very interesting that you copied a lot of what Facebook has, and also some other games with 60 employees. That's amazing leverage to have so big with so few people. Maybe you can talk about how that's not many people to have a big influence. Can you talk about that? It's very impressive. Do you understand the question?

**Chi Yu:** Some of the employees are employed in the Funder. They have a wonderful or good experience in management, development and marketing before. So, they can use the experience in the new company Kaixin001. So, they have a very efficient work and they can do a lot in a short time.

**Adrian Bye:** In English it's not. For us, it's more of what is interesting about your company, and I think you are showing the way for many more Chinese companies. That you do things in your way, you don't care about the US. You do things in your style and that's it.

**Chi Yu:** But they don't understand the habit of overseas users, so they don't focus too much energy on that.

**Adrian Bye:** Actually, let's talk about that. Do you have plans to expand outside China?

**Chi Yu:** No. Not yet. Even in Asia, we know the habits of users are so different, and the cultures are so different, for example, in Japan, in Korea. In Japan, their famous SNS is Mixi. The culture is so different. I feel I can't use Mixi too.

**Adrian Bye:** So, Mixi is very different again from Kaixin? Do you think what you do with Kaixin would work in Japan?

**Chi Yu:** I don't think so.

**Adrian Bye:** Really interesting. How many employees do you have?



**Adrian Bye:** In my experience, and in talking with a lot of people and a lot of industries. The best internet companies are like yours. Small team, big results, and that's the best way. Once a company gets too big, problems happen like MySpace whereas you guys are doing alright.

**Chi Yu:** Actually they already control the business scale now. They believe if there are more people, there will happen more problem.

**Adrian Bye:** So you're holding the size back?

**Chi Yu:** They control the business model from the very beginning. They control the scale, they control the amount of people, the employees, everything. We control the scale of the staff. Not because we cannot pay their salary, it's not that. We think it's a very risk to grow the staff so quickly.

**Adrian Bye:** Very clever. The big question that a lot of people have about Kaixin001 maybe you know the question and I'll ask you, is if or when will you open the network to third party applications.

**Chi Yu:** They have the plan, but they won't open the application market...not totally open to the market.

**Adrian Bye:** But you will partially open the network?

**Chi Yu:** Yes, partially.

**Adrian Bye:** What does that mean? Partially open?

**Chi Yu:** The business model in China and the USA is quite different. The company who develop the applications, they just focus on the make money not focus on the users. They are focused on the users so we do not totally open the market.

Maybe if we open the market for application companies but not to private or the users who can develop.

**Adrian Bye:** So, does this mean some companies will be allowed to develop and some not? Maybe a private approval process? And what is your time frame for this?

**Chi Yu:** No timetable. About totally depend on the app company and how they are having their new product.

**Adrian Bye:** Because I think for me, it's an interesting point. I was thinking about this over the weekend. If the applications become very, very, very complex it makes it hard for you to make them and so you will grow bigger with other companies making the applications. If they are simple, then it's easy for you to continue making them yourself. Is that the balance? Like the level of complexity in the applications of whether you'll open or not open?

**Chi Yu:** Definitely, we will cooperate with application companies who can develop very difficult or complicated software but on the business consideration of the user, not on the application itself. So, the user is the main factor for them to find the partner.

Let me talk about the easy applications. We also like to find a partner who they also think on the bit of the user and also a partner they trust to build the business with them.

**Adrian Bye:** And when you give the business, does that mean you would charge them to be on the network or it would be free?

**Chi Yu:** Their business model in this field, the application is free, but when they have the income they would like to share with the third party or the application companies. No matter where the money come from, from advertisement or from the users. They would like to share with the company.

**Adrian Bye:** So, what happens if you have an application that makes a lot of money but is aggressive with users?

**Chi Yu:** Pardon?

**Adrian Bye:** What happens when you have an application that makes a lot of money? It's very, very good like users pay a lot of money, but then some of the users are angry. Let's say, it makes ten times more money than another application which the users like. Will you put it on the network or not?

**Chi Yu:** They believe that some of the competition earns a lot of money from it, so this is one of the reason they are looking for a partner very carefully. When we talk about the money, maybe the company will only focus on the money or the market, but not the user's feelings or experience. So, they also like to emphasize that they are focused on the user's feelings or the trust. They do not want to let down the users.

**Adrian Bye:** So you want the applications that make the most money but they respect the users trust. Is that right?

**Chi Yu:** They like to change the order, first is the users and then to make money.

**Adrian Bye:** I think that would be an issue in the future of how far you'd go with trust versus money, no?

**Chi Yu:** They believe that Kaixin001 value its users and they hope all the users will trust Kaixin from the beginning to the end. So, on the Kaixin homepage or interface, when you log in, you can see some of the advertisements, but most of them they are the big brands. Sometimes they feel that little brand who can pay money for the advertisement but they refused. They only trust the big market, the bigger companies, the big ones.

**Adrian Bye:** So, for you it is trust, everything.

**Chi Yu:** Yes. Also they told me that they believe the user's trust is more than make money. Is that right?

**Adrian Bye:** I have asked you a lot of questions and you answered very well. Thank you. Is there anything that you want to talk about that we did not discuss in this interview?

**Chi Yu:** They would like to scan the interview draft before it is published.

**Adrian Bye:** Yes. Of course.

**Chi Yu:** And sometimes, they can add some more content, if you agree.

**Adrian Bye:** Yes. Is there anything else around the interview that you wanted to say before I turn this off in a while?

**Chi Yu:** That's all. Thank you.

**Adrian Bye:** Thank you.