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## Interview with Dan Brody from 360quan



**Adrian Bye:** So I am talking today with Dan Brody who is the CEO of 360...I cannot pronounce it.

**Dan Brody:** Koolanoo Group is the holding company.

**Adrian Bye:** Koolanoo group is the holding company. And 360...

**Dan Brody:** 360tren.

**Adrian Bye:** So, in English, we would say 360quan.com, which is the incorrect Chinese pronunciation. Dan was just showing me around his offices here and they are pretty stunning, so we will certainly talk about that and what the business is doing. Dan is a pretty interesting guy. He seems like he almost speaks Chinese better than the Chinese do. He certainly speaks well and is probably more integrated than most foreigners that I've come across here. Dan, tell us about who you are and where you grew up.

**Dan Brody:** I wish I had a log cabin story to start out with but I was born and bred in Washington, D.C. I went to school there all through college, graduated from Georgetown School of Foreign Service, studied International Relations. I wanted to live abroad so I studied abroad in China. I came here in 1994 in Nanjing University. After graduation, I didn't know what to do with my life so I figured I might as well get my Chinese done before doing other things. So, I came out here in 1996, lived in Nanjing for 2 years, student, teacher/translator. Moved to Beijing in 1998 and I have been here ever since.

**Adrian Bye:** Do you like China?

**Dan Brody:** It's home. It's hard to say if I like it or not. There're obviously things that make it fun to live here. But I have never decided I was going to live here for so long which just sort of happened by accident. There had been lots of chances to move back to the States over the years and occasionally, I've thought about it. Every couple of years I think about going back to the States, primarily when my family guilts me into doing it. But every time an opportunity comes up I think, "Then I'd be missing out on what's happening here and there's such a great opportunity happening in China." So, every time I just stay, just a little bit longer.

**Adrian Bye:** Is your long-term goal going back to the States?

**Dan Brody:** Maybe. I'd love to go live in Europe at some point. I think after living abroad for so many years, going back to the States is a bit of a culture shock, especially, ever since 9/11, such a constant war over the past seven or eight years now. People complain about China being a police state and there was this massive disturbances in Xingjian Province a couple of days ago, but there's no feeling of fear living in China, living in Beijing. There's such a positive energy that comes from 20 or 30 years of uninterrupted economic growth.

**Adrian Bye:** I can talk about that but we'll try to stay on the business side. So, you've been out here for a while, married with kids?

**Dan Brody:** No. Single.

**Adrian Bye:** So, single and living in Beijing and maybe you can tell us about Koolanoo Group. You said you previously worked at Motorola and Google.

**Dan Brody:** Yes. To do the tech history, I moved into the tech circle in 1998. I started working; I ran a small office called the US Information Technology Office rep office. It's a trade association rep office representing the American tech industry. So, I got to meet a ton of people, both companies large and small. From semiconductors to software, including everything in between, telecom equipments, telecom services, electronic manufacturing, and a lot of other industries, doing both business development and government relations. After that, I moved to Motorola. I was in charge of government relations and BD director for China. Then after that I went to work for Google. I was the first employee for Google in China. Had to watch the growth, which is pretty fast and pretty furious. Stayed there for about 3 1/2 years, and then left to join Tudou which is sort of the YouTube and Hulu of China, sort of the largest online video platform in China. After a year there, I came here to Koolanoo about 6 months ago, to takeover as CEO for the Koolanoo group.



**Adrian Bye:** Just to give the people listening an idea, the offices in Shanghai tend to be bigger and nicer in Beijing the offices of companies tend to be very much small start-up style like scrimping on every cent. And so I was a little bit surprised coming into Dan's offices and they are pretty impressive. Almost like Silicon Valley late 90's, like big, impressive styling offices. Very impressive. Why don't you tell us a little bit about that and how that fits in with what you're doing here with the Koolanoo Group?

**Dan Brody:** So, Koolanoo is a new media and internet investment company. So, when we took this space about a year ago now, our founders actually have some interests in property in Europe, and so as well as interest in designs, boutique hotels, so they decided that we wanted to incorporate elements from the 798 Factory into our offices then. 798 Factory is an avant-garde art space in North Eastern Beijing. It's an old 1950s East German industrial machinery plant that was taken over by these artists over the past few years. It has these beautiful loft spaces. So, in our office design, we decided two main things. One, we're going to make it as large and open with loft-space like if possible, and two, we are going to put bricks on the walls. It is going to be a New York loft. So, I wanted to have brick walls. Actually real brick, not just painted on bricks. So, we had brick walls and open ceilings and cement floors. And after that, everything, it doesn't actually cost that much, but it looks really cool.

**Adrian Bye:** That's very impressive.

**Dan Brody:** We're pretty happy with that. One of the things that we are happy to be able to provide is a relatively nice work environment for our employees.

**Adrian Bye:** And hopefully we can see photos along the side of this. Can you tell us a little bit about Koolanoo Group? You guys raised a bunch of money, do you want to talk about how much, what you're doing with it, and how long you've been going, internals and stuff.

**Dan Brody:** Sure. So Koolanoo has been going for around two and a half years, maybe three years now. Initially raised about a million or so to get started, went out and raise another 4 or 5 million, and then raised another 20-some million. Over the course of 3 or 4 rounds, we ended up raising around 35 million of which we have 27 to 28 left. Our timing was incredibly perfect actually. We raised our last round in the Spring of 2008. Late Spring we closed and so in Summer of 2008 when the market started to get into trouble, we actually found ourselves situated sitting pretty because we were sitting on a pretty large hoard of cash. Having come from Google and Tudou I can say that the burn rate at a SMS slot, under the group we also have a browser company, we also have several other websites, gaming websites, fashion websites, several other websites that we work with. But since we're not a Google, we don't have to have thousands of machines and since we're not a Tudou, we don't have to have massive amounts of bandwidth. So, our actual costs of operations are relatively low.

**Adrian Bye:** Why did you raise so much cash? I mean that's an incredible amount of money especially in China. You haven't spent that much yet. It maybe hard to spend it all.

**Dan Brody:** From our perspective, we were looking at it in two ways. So, the primary ways to grow core businesses and the main ways to grow is by promoting our current properties as well as launching new properties. One of the ideas we had is almost like a mix between investment model and incubator model. So, some of those teams will just hire a bunch of kids and give them their own room and let them run with their own concepts. Some of those teams will actually acquire and bring over and you can build on their acquisitions. So, those acquisitions will require funding.

**Adrian Bye:** Are you along the lines of Demand Media in LA?

**Dan Brody:** That, I don't know.

**Adrian Bye:** They seem to be like a media group that has a lot of media properties and the funding creating more properties. What would be a model in the US that we would be familiar with it?

**Dan Brody:** I'm not sure. Demand Media sounds very similar but I'm not familiar with it so I can't say. I'd love to learn more about that. I'm not sure I can find an exact comparable to the US because I haven't been following the US that closely the last decade but I think the closest comparable to us in China is Oak Pacific Interactive. That is also one of our main competitors. We're similar to them, except we're a bit smaller. Oak Pacific raised USD 430 million from Softbank. Their largest property, Xiaonei is the Facebook clone of China. They also have, at the time, they probably acquired or built a dozen web properties over the years. Many of which they shuttered when they were failures and they drove that traffic to their two or three relatively successful properties. Currently, they have three main properties. One is the Xiaonei is the largest Facebook clone China. The second is mop.com which used to be a blog-oriented, very similar to us actually but then they positioned themselves in entertainment portal. So a portal focused on entertainment space that has a very strong presence in blogs and photos and user community. Then most recently watched Kaixin.com, the fake Kaixin.

**Adrian Bye:** The copy of the copy of the copy.

**Dan Brody:** The copy of Kaixin, which has been very successful from some people's point of view in hampering Kaixin001's growth because Kaixin001's continued growth threatened Xiaonei's dominance, so if nothing else, the fake Kaixin does nothing beyond tripping up or slowing down the growth of Kaixin001, then it has achieved its strategic purpose.

**Adrian Bye:** I think you should check out Demand Media. I suspect that they have the US version of what you are doing. I haven't actually interviewed them and the CEO's name is Richard Rosenblatt. Anyway, so basically, the model is raise a bunch of money, incubate a bunch of ideas, put out a lot of properties, look for synergies across the different properties, use the fact that you have a lot of cash behind you to get advantages over other people. Is that basically accurate?

**Dan Brody:** Yes.

**Adrian Bye:** You can do acquisitions when they come up, when you see new models emerge you can go after those, and the company was founded by an Israeli guy right?

**Dan Brody:** Our founder is OD Kobo is Israeli, born and bred in Hong Kong, went to school in London, listed his first company in the AIN in his early 20s, serial entrepreneur, very successful in many industries.

**Adrian Bye:** And so you've been brought in to run the company, you'll be experienced management.

**Dan Brody:** Yes. I was brought in to serve as a professional manager.

**Adrian Bye:** Okay. How many different business models are you running here? What are the ones that are working? I know there's 360quan. 360quan is a social networking for kids, right?

**Dan Brody:** So, 360quan came out as a, the idea was to capture people who are interested in similar things, so quan means groups. So, the idea was groups all across society - ski bums, and fashionistas, and skate boarders, whatever. They would all come and congregate and make their own online community. So, what happened over time is since we gave our users tools, more tools to express themselves for free, we found ourselves focusing more and more on the young hip, urban creative crowd. So, we found ourselves catering to hip hop artists and break dancers and cool kids, basically. So, we said we'll run with this. We'll set ourselves up as trend setters, and so we have an editorial team that tries to find cool content to show the kids and try to guide them towards a certain branding or a certain definition. Then we find cool kids on the site. We promote them onto our various channels and to our homepage as well. So the kids are very into their self expression, so we've become sort of an alternative, funky, cooler, edgier version of MySpace in China.

**Adrian Bye:** How much traffic do you have?

**Dan Brody:** Relatively small by Chinese standards. So, in our space, the way we look at it is...so we are averaging sort of around 10 million up to 15 million page views a day on weekends, when we spike. We do anywhere from half a million to a million log-ins per day, depending on and obviously more on weekends and vacations.

**Adrian Bye:** So 15-30 million unique a month?

**Dan Brody:** More than that. More than that, depending on frequency of log-in. Per month I don't really look at it, but I would say around 25 to 30 million uniques a month, I would say.

**Adrian Bye:** That's the biggest property? So, that drives traffic into other stuffs.

**Dan Brody:** Honestly we don't drive a lot of traffic in between our properties right now. We don't need to. We want them to sink or swim on their own to a certain extent. Once they get to a certain level, we'll do cooperations but we want them to be able to reach up to a certain level on.

**Adrian Bye:** So you don't want to be pumping business basically. But then once they reach a certain level, then you look for that synergy and then push them.

**Dan Brody:** Right. Now I think one of the great things about our culture here is allow things to...a hundred flowers bloom as the Chinese say.

**Adrian Bye:** I mean that's the incubator model in the US, like what they did in the late 90s, and generally was a big failure except they got one which was Overture. That was a big success. But the incubator model really hasn't worked in a lot of places, or has it?



**Dan Brody:** I don't think we're necessarily doing so much of the incubator model because we don't have college kids coming in and pitching us ideas. We look at our property and we try to find synergies across our properties and we say, "Alright, we want to get in that space. It's very competitive but we want to get in." We try it for six months and if it fails we kill it. If it works then it graduates to the next level. Then we look

at another space and we say, "Alright, that space isn't so interesting, but nobody's doing it right now. But if you do it, and you do it really well, then you can find something interesting about it. So let's try that." And if it works, it graduates to the next level, and if it doesn't we'll kill it. So, one of the great things about the culture, I think, here is we've generated an atmosphere where things can be a thousand flowers can bloom. But then that means you have to let some of them die. So, I wouldn't actually call it the incubator model

**Adrian Bye:** Can you give me an example of a company that has successfully brought business out of something like that?

**Dan Brody:** Like I said Oak Pacific. I think in the Chinese internet space I can think of lots of examples. I don't know very much about ...

**Adrian Bye:** So, that's the model that's working well in China?

**Dan Brody:** It's arguably different but for instance Alibaba was able to launch many other properties, spin offs from Alibaba that have now become huge companies on their own. They continue to do that, to launch new and new properties under the umbrella. But then of course they already have one extraordinarily strong company to build it. Oak Pacific used a lot of small company acquisitions to build up their one big company which they are now using in solidifying one's space. QQ has continued to launch new services and moving into new areas but all under the QQ umbrella. They don't call it separate companies but in fact, if QQ launches a new service, it's de facto competing with an entire section of the internet industry in China. Because QQ is so large.

**Adrian Bye:** How do you get good managers to run this? Who runs 360quan? Is that you or is there a CEO of that division and who runs these and how do you make sure they are capable of or really focused on that sort of thing?

**Dan Brody:** The management team here owns and operates, run each of the properties ourselves. So, we get somewhat diffused. Basically what I try to do is give as much power to the engineers as possible and the larger properties, obviously, the management team spends more time on, but the newer properties we sort of give the engineers' free reign to run that. They got an idea, we got an idea we talk it out, we hash it out, we give them ok, you've got to get half of the designer and quarter product person and two engineers and you guys got two months. Go. We'll support you. Buy all the URLs for you and fill out all the legal the paper work and set you up with the payment channels so you can do ecommerce or whatever is it you need. We'll send people out to do deals with other websites to bring you further traffic.

**Adrian Bye:** Is that the engineers doing that or is that like product management type people?

**Dan Brody:** That's sort of the way we structured it. So each of the functional areas do provide that to multiple customers basically. But there are only three or four areas that need to be really involved. As much as it is possible I keep the engineers alone, isolated I guess. Do not feed the engineers.

**Adrian Bye:** So, that they can just work on the next product releases and then shield them with the legal and everything else to...

**Dan Brody:** Exactly. They don't have to worry about all that crap.

**Adrian Bye:** Is incubator the right word? You are really just optimizing and split testing a lot of different business models at the same time.

**Dan Brody:** I consider myself more of a green house administrator than an incubator. We walk around the green house, give order to this and give order to that, and try to make sure to prune a bit here.

**Adrian Bye:** And so 360quan is working but hasn't like gotten massive yet. So, I guess you're hoping that in the next year or two something's going to really like to explode.

**Dan Brody:** Not necessarily. So, the way I look at the social networking space in China is it breaks it down into two main areas for us here. There's real name systems, which is basically Facebook clones, and anonymous based or fake name systems like My Space clones. So, on the real name space, largest is Xiaonei and you have Kaixin001 and Kaixin.com. On the fake name space, the largest we have is QQ, which is in the Top 10 websites

of the world now, then, 51, the company based in Shanghai and then us, which passed MySpace just a couple of months ago. Mostly its MySpace is falling apart in China.

Within the community space you don't need to be the largest. You can be a nice little niche community and build service to the users and generate nice income off those users and those advertisers, because you have a niche space. So for us we are mostly focused on what's called after 1990s kids. These young kids, kids born in 1990, 1991 and 1992, but there is a cultural and generational gap in Chinese culture between these kids and kids born in the 1980s. These are kids born after 15 years of reform. After the Tiananmen incident. And most of them don't know what Tiananmen was. There is a lot of angst ridden and hand wringing in a Chinese sort of popular psycho-sociological journals about what's happening to the kids these days, the next generation. So crazy. So different from us. So, that's our target market. That's our branding. That's much of our users. So our users actually are a totally different network than Xiaonei, which is mostly students. Kaixin001 is mostly white collar office workers. 51, which is mostly 3<sup>rd</sup> or 4<sup>th</sup> tier city kids. We have a very specific niche, and our niche is very attractive to advertisers on the one hand and also they are very willing to spend currency on virtual goods. So, the most successful business model in SNS in China is actually not advertising or branded apps or anything like that or micro transactions or anything like that, but actually virtual goods being sold to users, to pimp out their My Space pages. Or their QQ page or their 51 page. And so that's where we generate most of our revenue from. We can be a very successful business operation even if we only have 5-10% of the market. We don't need to be a market leader for that. That's a nice little business right there.

**Adrian Bye:** Do you want to talk about like revenues stuff now? Can you talk about any financials, obviously there are some big investments made.

**Dan Brody:** We don't discuss financial publicly, but we have a good trajectory. We've seen financials grow leaps and bounds this year. It's easier to grow by high rates when you're growing from low base. I'll expect as, if we actually needed to, we can probably reach break even by the end of this year, but I'd rather not push it to reach break even faster because that would slow my overall growth. If you reach break even, I'd be stuck to 5-10 million users' level. What I wanted to do is keep investing in the business, get it to a 50-60 million users level. Still, 10-20 of the Chinese market. That would still be a niche play in China. But that would be a much bigger base to play with. Then we'll focus on monetizations.

**Adrian Bye:** So, I wanted to ask you a question that is a really big question for me and I know some people will be interested in this is I know these through my interviews and talking to a lot of people that some of the models that worked the best are when there is a lot of business models tested at once. MySpace came out of Intermix when Intermix was testing a lot of different stuff at once and they just tried MySpace because they wanted to get the traffic knocking off Friendster and they just did and suddenly it exploded and the entire value from that company came out of MySpace.

Tagged was a little incubation effort by Greg Tseng, and a couple of guys in the Bay Area and they tested about ten different ideas. They were running ten companies at once. This was the thing that they're going to run ten businesses; they ended up shutting down all the other nine businesses and focusing on Tagged. I can't talk about Tagged, how it's doing, but they're doing like rather well. Zapped was an investment from Tagged. Zappos was an investment from Tony and Alfred that was running a VC in San Francisco, it's the one that they liked the best among the other companies they invested in, so they took off with it. I've noticed that it's a very powerful model, I had exposure to a lot of different businesses that are actually operating and running and then getting focused on the ones that work. So, that works and I know that side works.

On the other side, I know these incubators where it happen and appeared in the late 90s where these businesses get a ton of money, try a lot of stuff, and they end up not very motivated employees who just keep on spending all these money and these businesses get tested but don't work.

Where do you guys fit on that and how is what you're doing that work. Can you maybe just give me your thoughts on that?

**Dan Brody:** That's really helpful. I didn't know so much about the other companies. That's really actually helpful to hear.

**Adrian Bye:** That's a long piece I made that I can tell you about afterwards.

**Dan Brody:** I agree with a lot of things you just said. I think that we want to test a lot of things and throw the spaghetti against the wall and see what works because in my experience it seems really hard to, no matter how smart you are, it's really hard to predict what's going to be successful. One of the things I learned with Google is that with all these incredibly smart people sitting around but they don't dare to



presume to know what the user wants. So the idea is to put it up, test, adjust, and to be able iterate quickly is the most important thing. But the other thing is it's really hard to guess beforehand what going to be the break out success. Quite often the most successful thing...so like our feature on our website we have something called PK. So PK is a common term in Chinese modern slang which comes out of online gaming which is basically go one-on-one against somebody to duel. Think like cowboys in the old west duelling one on one on the street. So to PK somebody or to PK with somebody has become a verb in Chinese that means to go one-on-one. So, we set up PK for people with their photos. No other website had it and it was huge. It took off. A PK will only last for 7 days, and most votes, like if I put up a picture on there, I'll be 15 to 25 votes, or 40 to 22 votes. But when a lot of the online clans get together and PK against each other, they'll get 50,000 versus 80,000 votes. Or a 120 thousand versus a 140 thousand votes within a single week. These are people, kids online who are going crazy over PK. This entire PK function of ours was one engineer, one afternoon was like, "Hey, this would be fun, let's build it." And built it in like three hours.

Now I can't base a business model or an entire company on that happening on a regular basis. But I can set up platforms for seven or eight companies where that is happening at the same time, and whenever I see something like that happens, to run with it. So PK is now probably 10-12% of our overall site traffic. It accounts for a higher portion of our sites monetization. Because we allow users to buy multi-votes by



spending virtual currency. It's amazing what kids are willing to spend in order to come out ahead of somebody else.

**Adrian Bye:** Is that your basic goal? Would you like to have a MySpace or something come out of these and then shut everything else down and just focus on that?

**Dan Brody:** Not necessarily.

**Adrian Bye:** Or spin them off or whatever but really focus on the one that's got explosive growth?

**Dan Brody:** I think we certainly have the capacity here to keep focused on, we can keep multiple balls in the air and keep them going. For us right now we have two relatively large platforms. I hope by the end of the year to add a third relatively large platform to our collection to keep pushing. I don't see why there's any reason why we can't have...like right now we have 4 websites with traffic in the hundreds of thousands per day. So that's not huge, but it's nothing to sneeze at. We've got a new website and we launched a directory website three to four months ago called 9949. Directory websites are very popular in China. It's not huge, it's not going to have a break out growth but it's very simple and direct monetization model. Search and then you sell the placements within the directory to other partner companies. Incredibly, common in China. Used by almost all netizens in internet cafes, which is more and more of a new Chinese netizens these days. Because they don't know URLs, they can't remember how to type Romanized URLs in the address bars, they use directory websites. So we set up directory websites, it takes like a half hour of work. And then push it out throughout the channels and it starts to monetize. It's generating revenue from day one. And it's half an engineer's work. There are so many opportunities like this in the Chinese internet, but the major challenge we face is

**Adrian Bye:** When you said generating revenue, how much revenue is that generating?

**Dan Brody:** Tens of thousands. Hundred thousand or tens of thousands RMB in a day. That's okay. That's respectable. That's a small company. But the bigger challenge which you alluded to earlier is mentoring focus. Because you mentioned all these entrepreneurs who at certain points decide to pour all their amazing energy and focus onto one platform and make sure it succeeds.

**Adrian Bye:** I always wonder whether which comes first, the entrepreneur or the business model. I think a lot of times it's actually the business model. The guys see that they're the ones that are working and go for that.

**Dan Brody:** Yes. Could be. At this point in time, I'm more focused on trying to grow everybody at the same time. We're not running out of cash. We're in a fortunate position that we raised money at the right time. So, we're not running out of cash right now. So, we can let things run for another year and then we can start picking and choosing which ones are going to be our champions. But for now, we'll try to grow everything because we want to maximize value.

**Adrian Bye:** So, on that point, how do you know that your guys are executing really that well compared to if they're like only doing it themselves and they knew that everything was on the line. Your guys are given a comfortable office space and are taken care of and they know they're going to get paid tomorrow. They know their company is financially secure. If it fails Dan's a nice guy, we'll just go on to the next thing. No big deal

**Dan Brody:** That is major, major challenge that we have here. And the way I get around that is basically by not being a nice guy. I don't move people on to new projects. So, if their product fails they move on. We try

to encourage an entrepreneurial spirit here where people need to you eat what you kill which means you occasionally need to go out and kill something. One of the problems of having an office that's too nice and an environment that's too nice is that people do have the tendency to drift. That's the challenge. I think on the whole, Chinese people in my experience, are incredibly hard working, I hate to say this but much more hard working than Americans.

**Adrian Bye:** I'll say it gladly, Chinese are much hard working than Americans. These guys are more entrepreneurial than Americans, I don't mean to offend you. I'm the number one fan of the US but you guys have got to come out here and check what's going on in China because it's insane.

**Dan Brody:** Yes. I go back to the United States and I visit people in the US. Obviously Google, it was an exception than the rule. But most other American corporations I worked at, people get out of work 5:00 or 6:00. I have been working for over a decade in China, I've never gotten off work at 5:00 or 6:00. I've never known anyone who got off work at 5:00 or 6:00. I've never even known anybody who asked to get off work at 5:00 or 6:00.

**Adrian Bye:** There's an energy in this place that's not like anything that I've ever seen.

**Dan Brody:** So, on any other given night, at 8 or 9 pm in our office, a third of the officers are still here, and compared to other offices, I think we're not that hard working. I know other start ups where the entire team is there, until midnight every night.

**Adrian Bye:** But these guys don't have the upside or do they? Do they know if the property that they're working on really takes off, what do they get?

**Dan Brody:** No, everybody shares in the upside. We definitely take care of our people.

**Adrian Bye:** Do they know some big objective, you know, get USD10,000 or do they know that if something turns into a USD200million property, that would mean USD1 million cash bonus. Do you have that kind of incentive in place or how do you incent them?

**Dan Brody:** We're not that rich.

**Adrian Bye:** You could have some USD100-200 million business that comes out of what you're doing here. That's really conceivable.

**Dan Brody:** If we have a 100 -200 million dollar business, when we're at that point, when I was at Google, we passed the billion dollar market and we started giving out Founder Awards. Yes, certainly. Once we get to that point will start rewarding our people... I think what we'll do is we will honor our people with....

**Adrian Bye:** Do you have that thing set in place now or is this like we may do nice things in the future.

**Dan Brody:** No, we give awards but I think at much lower levels than what you're talking about. We do give awards for successful product launches, successful teams, increased stability, and reduced page loading speed. Relatively, what I found works very well in a bunch of the Chinese companies that I worked for, and maybe this is not specific to Chinese companies, but sort of daily and regular recognition of people's hard work is more important than anything else. Now we do have annual awards, award ceremonies go out to people who have done truly spectacular things. But we're not yet running a USD100 million dollar business so we

haven't have to give out those USD10 million awards yet. I would love to be able to give out massive cash and/or stock awards for creating huge businesses, but first we need to finish creating.

**Adrian Bye:** So, I want to ask you another question in that you're a tall white guy. And you obviously speak pretty excellent Chinese and you understand China better than most, but you are not Chinese and you're not a Chinese kid born after 1990. I would have thought, my feeling for me, if I came here and try to do business in China that I don't understand most things here, so these guys would eat me alive. Why are they not eating you alive or are they? How can you understand the Chinese mindset really, really well given that you're a white guy.



**Dan Brody:** There are two aspects that I look at, one is the product side, the other is the business side. On the product side, actually, since our product is geared towards young Chinese urban hipsters, I try not to interfere too much in the product specifics. But I do spend a lot of time working on the product fundamentals. Things like the page should load quickly. There should be a logical flow for the product. You tell me that Chinese people want to have more buttons as

opposed to, they don't want a clean interface. They want lots of buttons and they occupy lots of spaces. But, lots of buttons is fine. But the buttons need to go somewhere. There should never be a page where it's a dead end or you end in a page where there's no button going after that. Things like that. So, whether or not the buttons should be red or blue or top to bottom or left to right and things like that I'd like to stay out of it. Whether or not we should offer this type of service, that type of service, to users, I try to stay out of it as well. Now when it comes to the business side though, these are things that are not dependent on nationality. First is we work with payment channel partners to collect payments from our users and we have dozens of partners. It's a complete bitch to manage payment channel partners in China. Because all of them are collecting money on your behalf from users and they figure out ways to not pass as much as they should on to you. So, they tell you they didn't actually charge the users for this amount. But then the users complain that they did charge them for that amount. So, there's this constant going back and forth between them and this is not nationality specific. This is just working in the wild, wild west of Chinese capitalism. You just have to cover your ass at all times and be aware of that everyone will try to screw you in some way or the other, and it helps to know some of those tricks because you've been screwed before, you've screwed them before, and so know how to handle them. On the business side I don't think nationality is a big thing. Now, there's obviously going to be different networks that support each other and there's too much ink spilled on the question on whether or not white people or black people or non-Chinese or non-PRC native yellow people can succeed in China. My best advice on this is to read Jonathan D. Spence's book called *To Change China*, it's actually his graduate thesis. A book about foreigners coming to China and trying to change China beginning in the 1400 or 1500s going on through

the 1900s. He writes about 12-15 guys who came to China and tried to change China. His central thesis, if I remember correctly, is that none of them actually changed China, in the end China changed them. So, I don't have any missionary objectives in trying to change China. I think that my experience here has changed me quite a bit. Whether or not one can be effective I think is sort of a red herring argument. Because if foreigners couldn't be effective in China they would have all left a long time ago.

**Adrian Bye:** I would like to see more foreigners who are being wildly successful here which I haven't seen yet.

**Dan Brody:** I think the percentage of the population which is wildly successful on any society is incredibly small and there are very few foreigners in China by comparison, the percentage of the population...

**Adrian Bye:** What is that percentage?

**Dan Brody:** It's probably, I don't know anymore but I used to, I think there is half a million foreigners in Beijing of which half of those are Korean and Japanese. So a quarter a million sort of Europeans and Americans, Africans, white Americans, south Asians, etc. At those numbers, yes, it's pretty hard to have like, how many Chinese companies

**Adrian Bye:** Well, a quarter of a million people that's a lot, but when compared to 1.36 billion then that's really insignificant.

**Dan Brody:** Yes. In Beijing, a town with 15-20 million people, depending on how they count it. For us, anything below a million is a rounding error, so a hundred thousand people is like no big deal. It's like my cousin's house.

**Adrian Bye:** You give a good perspective. I asked you a lot of questions. Is there anything that you want to talk about which we haven't covered?

**Dan Brody:** I would briefly like to mention our browser. IQ browser. We have a browser called the IQ browser. Came out of alpha about six months ago we launched it, still in beta, it's a browser based on the idea that kids who don't own their own PCs will go to an internet café and log in to all their online services would like to keep all their passwords logged in in their browser.

**Adrian Bye:** Like roboforms?

**Dan Brody:** Maybe. I don't know what roboforms is.

**Adrian Bye:** Like roboforms on the PC which stores all your passwords on the mac, it's one password.

**Dan Brody:** Could be. Although the main point is not to store passwords. The main point is to provide sort of a home for you. In the home you can keep your bookmarks, keep your passwords, keep signed in to various online services. So, any pictures you've seen, any pictures you viewed you can save it and any music you've listened to, you can save as a quick link. Any videos you've watched you can save. Or if you want to just scroll through like radio or popular music, or videos in the side bar of the entertainment orientated things...it's kind of like Flock. Except Flock is focused on information, because Americans are very much about producing and consuming information. The power user in America is going to be posting to lots of blogs. They're focused on individual RSS readers and post them into blogs and things like that. Whereas the Chinese users, much younger, much more focused on entertainment, so the most important things here are instant messenger

chatting, music, video, and then after that, the distant sort of fourth is the search and email, news, information and the rest of the things are much lower in the priority scale. So, it's been out for six months we've had over a quarter of million daily users now approaching half a million. So, I'm pretty happy about that. We opened up the platform to third party add-ons, so third party developers can submit their widgets and their add-ons much like Firefox.

**Adrian Bye:** How many users do you have of the browser?

**Dan Brody:** Over 300-350 thousand. We're on track to reach 500 thousand by next month.

**Adrian Bye:** In China, that's like not really very many, right?

**Dan Brody:** Well, it's around 1% market share.

**Adrian Bye:** Really?

**Dan Brody:** We're approaching 1% market share. We should approach 1% market share by Q3.

**Adrian Bye:** Three hundred million internet users in China. So, 1% would be 3 million users?

**Dan Brody:** Well, it's actually how many PCs are connected to the internet, the way we measure browser shares, the number of PCs. I think the number of PCs connected to the internet now is around 90 million or 80 million, something like that.

**Adrian Bye:** How do you monetize that through search?

**Dan Brody:** Primarily through search, yes.

**Adrian Bye:** Do you know how to do that?

**Dan Brody:** We did negotiate a few of those deals at Google. There are other ways to monetize the browser. For instance, we have browser skins that we have integrated into various advertising campaigns for some of our tech oriented clients.

**Adrian Bye:** Cool. Anything else you want to talk about?

**Dan Brody:** No, I think that's... Anything else you want to know?

**Adrian Bye:** No, I have ran out of questions, that's not so easy to get to. So, Dan thanks so much for the interview.

**Dan Brody:** Alright. Thank you.