

# China online video firms jostle for post-TV generation

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People surf the Internet on their laptops at a wifi cafe in Shanghai. The spotlight on the Internet video sector in China, home to the world's largest online population of 420 million people, intensified a week later when Tudou's domestic rival Youku unveiled its own 150 million-US-dollar IPO plan.

A crying shop girl runs in front of a red convertible, staring down the driver as he screeches to a halt. "That Love Comes" has all the elements of Chinese television drama, only it is not on TV.

The show is the first made-for-Internet original production by Shanghai-based Tudou, a web site often described as China's YouTube. It now hopes to draw comparisons to HBO as well.

Tudou -- whose name is the Chinese word for potato, a play on "couch potato" -- filed on November 9 to raise up to 120 million dollars in a

[NASDAQ initial public offering.](#)

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The pair's race to go public has grabbed investors' attention in a hot overseas market for China IPOs where everyone is looking for the next new media champion.

"It's a high risk if one goes public and the other doesn't, because the one who goes public will have access to huge financial resources," said Fritz Demopoulos, chief executive of travel site Qunar, who has spent more than a decade working in China's media and Internet industries.

Tudou and Youku executives declined comment while the US Securities and Exchange Commission reviews their filings.

Neither company dominates the [Chinese market](#) like [YouTube](#) in the US -- which censors have blocked in China.

But they are the leaders. Youku -- whose name means excellent and cool -- had an audience of 252 million in the third quarter, ahead of Tudou's 225 million viewers, according to Beijing-based research firm Analysys International.

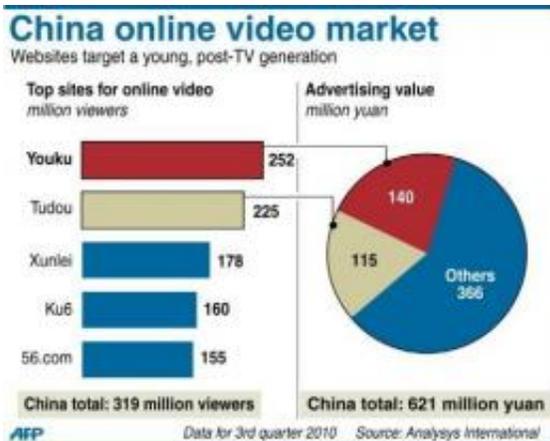


Chart showing China's top sites for online video viewing and their advertising values. A total of 319 million people watched online videos in China over a three-month period, with the same viewers visiting multiple sites, according to Beijing-based research firm Analysys International.

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Through a mix of custom-made and licensed programming and streaming events like concerts, stand-up comedy and World Cup matches, the companies cater to a young, post-TV generation, said Thomas Crampton, Ogilvy Public Relations Worldwide's Asia-Pacific head of digital strategy.

Unlike online video in the US, 70 percent of the content in China is professionally produced movies, music and television series.

Crampton said the shift away from the conservative content on Central China Television (CCTV) and other state-run broadcasters is apparent when he visits Chinese university classes and asks about viewing habits.

"I'll ask everybody 'If you've watched CCTV in the last seven days, please raise your hand.' Nobody raises their hand," Crampton said.

"If you watched Tudou or Youku in the last 24 hours, please raise your hand'. Every hand goes up."

Advertisers are making the shift too. The online video advertising market's value rose 148 percent on year in the third quarter to 621 million yuan (93.5 million dollars), with Youku taking a 23 percent share and Tudou 19 percent, according to Analysys.

But that spending is still dwarfed by CCTV, whose 2011 upfront advertising auction this month generated nearly 1.9 billion dollars.

As advertisers allocate more money to online video, Tudou and Youku can expect fierce competition from online giants like Baidu, Tencent and Sina as well as state-run Goliaths like CCTV, said Bill Bishop, a Beijing-based Internet consultant and investor.

"These guys (Tudou and Youku) deserve a lot of credit for surviving in a competitive market, but people were fighting over not much money," Bishop said.

"Now that the dollars are flowing they're going to find out what real competition is like."

But Bishop said a more immediate concern for the companies, and prospective investors, is profitability.

After reining in broadband costs -- its biggest expense -- Tudou has said it could make its first ever profit this quarter after receiving 135 million dollars in financing since it was founded in 2005.

Youku, which raised 160 million dollars privately and has 10 million dollars in debt, has reportedly said it expects to turn a profit in 2013.

But using a video game analogy, Tudou founder and chief executive Gary Wang said these challenges are all part of the business.

"For me, doing things is like playing games," Wang told the China Daily earlier this year. "You pass a level and you will become stronger. But you also have to face stronger enemies."

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