How to Start a Company (And Kiss Like Angelina)

BYLINE: By JULIE CRESWELL

IN their star turns in James Bond movies, Ursula Andress and Halle Berry perfected the art of emerging from an ocean swim and walking onto the beach in a dripping-wet bikini.

For everyone else? Not so easy. But there are some tricks for aspiring Bond girls, and they involve, among other things, waterproof mascara, Vaseline and double-sided tape. There are some finer points, too, to pull off such a feat, and words can’t quite convey their subtleties.

Sometimes -- and this is a difficult sentence for a newspaper to print -- it’s easier to learn from a video.

That notion led a handful of Google and YouTube veterans to start Howcast.com, and jump into the bustling and fast-growing crowd of Web sites offering how-to content.

Given the competition, from sites like Howdini and even YouTube, Howcast Media is betting that its particular blend of information and entertainment, presented in short and snappy video, will draw plenty of traffic and, most important, deliver a profit.

Certainly the demand is there. People like to watch videos, and, in a bad economy, the ranks of do-it-yourselfers and would-be MacGyvers are swelling.

Already, Howcast has 100,000 videos in its library, some that it has produced itself and many more from others like Playboy, Popular Science, Home Depot and the Ford modeling agency that share in the ad revenue.

The site offers instruction on a range of topics, from everyday issues -- fixing a leaky faucet, creating a living will -- to the more obscure, like how to survive a bear attack or how to have sex in a car. (Nothing on Howcast is particularly graphic. Plenty of other sites, of course, already offer that sort of stuff.)

Given the ease of posting on sites like YouTube, where 20 hours of video are uploaded each minute, it takes more than a bunch of short clips to succeed. Part of the trick to winning on the Web is having a distinct personality.

Some industry executives give Howcast credit for finding a way to stand out.

"They understand that video is an incredible medium to share and instruct," says David Eun, a Google executive who oversees strategic partnerships. "But they also realize that they can use video to provide instruction in an environment that is entertaining, not dry."

One of the biggest challenges for a site like Howcast, though, is the same one that has vexed old-school media giants and survivors of the dot-com boom: How can content creators turn a profit on the Web?

Howcast’s solution is to partner with advertisers and create instructional videos for their specific products or services.

Blurring the lines between editorial and advertising is a tricky endeavor, of course. Companies that try to be too stealthy...
or clever risk seeing their brand roasted on Facebook, Twitter and beyond.

"Users are sensitive to brands trying to muscle into what appears to be an organic social media environment," says Nick Thomas, an analyst at Forrester Research. "Yes, I want to learn how to cook something, but do I necessarily want to be taught by someone who makes the ingredients?"

Howcast's team of young executives argue that they can tap-dance along that fine line by making sure that any branding effort is in a supporting role, rather than a starring one, in its instructional videos.

They are even forging relationships with the State Department as it looks for ways to use social networks and other media to communicate directly with people around the world. Among the videos they've produced for it are "How to Protest Without Violence" and "How to Launch a Human Rights Blog."

Howcast executives are also quickly signing deals with the likes of Google, Facebook and Hulu to spread their videos across the Internet.

"Being a media company today means you can't exist inside a walled garden, just driving traffic to your own site," says Jason Liebman, 33, Howcast's chief executive. "You have to produce the content, distribute it all over the Web, develop the technology -- all of which is hard to do. But you need to do everything in order to be successful today."

SITTING in a stifling office loft in the SoHo neighborhood of Manhattan, with a couple of air-conditioners chugging away in vain, Jeffrey Kaufman runs through the topics that are particularly popular on search engines these days. The list includes werewolves. And manboobs.

Mr. Kaufman is the head of programming at Howcast, and is supposed to have his fingertips on the nation's pulse through proprietary data-mining tools and information gathered from search engines.

Mr. Kaufman chalks up the werewolf craze to the coming movie "New Moon," the second installment of the popular "Twilight" vampire series, based on the books by Stephenie Meyer.

Why manboobs? Everyone in the small room shrugs.

Then they have to figure out a how-to video spin on the topics (How to make a werewolf costume? How to get rid of manboobs?). The final consideration is whether the subject will attract advertisers or, better yet, a corporation would pay to have its product or service appear in the video.

The how-to category is big and growing, but extremely fragmented. And while Howcast, whose Web site is just 17 months old, is watching its traffic soar, it lags far behind eHow and About.com (owned by The New York Times Company), according to Hitwise, a research firm.

Howcast says its videos were played more than 20 million times last month across all of its distribution network, including YouTube and Apple's iPhone. What may give Howcast a leg up on its competitors is the fact that the company is creating a library of high-quality content that could command higher ad rates, says Allen Weiner, an analyst at Gartner, the tech research firm.

To help viewers navigate through the 100,000 videos on its site, Howcast divides them into 25 broad categories -- such as technology, travel and food and drink -- and then slices and dices those into smaller segments.

Viewers can rate the videos (a video teaching how to pick a lock rates disturbingly high). Videos on sex and relationships are among the most watched at the Howcast site. No. 1 is "How to Have Sex in a Car," followed by "How to Use Twitter" and "How to Kiss Like Angelina Jolie." (Ms. Jolie is not in the video; it features two women in their underwear kissing on a bed.)

Mr. Liebman, the executive overseeing this start-up, seems somewhat embarrassed about this playlist. He prefers to talk about the Howcast videos that are the most popular across all the sites that distribute the company's content, including "How to Quit Smoking" and "How to Do the Moonwalk."

Mr. Liebman was bitten by the start-up bug when he was 16 and started a newspaper -- "it was profitable," he says -- for New York prep school students. In a 1992 article in The Daily News, he was described as the "picture-perfect model of the Privileged Prepster."
After graduating from Duke with a degree in political science, Mr. Liebman migrated to Wall Street, where he spent some time as an investment banker in leveraged finance. Watching the dot-com run-up on the West Coast, however, he wanted to join the party. He packed his bags and took up residence on his twin sister's couch in Los Angeles.

A couple of months later, he landed at a software start-up called Applied Semantics. There, he worked in sales and capital-raising while also overseeing a team of engineers that developed AdSense, software that matched advertisements to related content or text on a Web page. AdSense had been on the market for only a few months when, in 2003, Google acquired the company in a deal valued at $102.4 million. Mr. Liebman returned to New York to work from Google's offices there.

Much of his time at Google, particularly after the 2006 acquisition of YouTube, was spent persuading sometimes stubborn media companies to post clips of their shows or movies on its site.

Other members of the Google video team included Daniel Blackman, a sales and business development executive with a broad background in digital media, and Sanjay Raman, an M.I.T. graduate who started his first software company in college and later was an analyst at Morgan Stanley.

Over time, the group noticed a surge in search traffic for instructional videos at Google and YouTube.

"We were seeing user-generated content getting millions and millions of hits," Mr. Blackman says, "and it would be nothing more than a guy in his dorm room showing you how to tie a tie with a simple Webcam."

The growing interest in how-to videos parallels what happened in the early days of video, says Mr. Weiner, the Gartner analyst.

"Things like the Jane Fonda video that showed people how to exercise was a big blockbuster," he notes.

Other sites were building business models around simple instructional homemade videos, but Mr. Blackman and his team saw flaws in their strategy.

The quality of footage and content was uneven. The pedigree of the individual "experts" was unclear. And advertisers sometimes balk at homemade videos, citing concerns about who owns the rights to the content, Mr. Blackman says.

The three friends left the comfortable confines of Google in May 2007 and set off on their own.

Most large venture capital firms are loath to back start-ups without seeing some content or a mockup of the site. So Howcast's founders bankrolled the company's first batch of videos, producing them on the cheap.

For that, Mr. Liebman invited his twin sister, Darlene Liebman, to come on board as another co-founder. Ms. Liebman had spent a decade in television and film, working on shows like "Nash Bridges," "Queer Eye for the Straight Guy" and video clips for Nickelodeon.

Ms. Liebman's marching orders were to create 400 how-to videos in two months.

"That's like boiling the ocean; I thought he was absolutely insane," Ms. Liebman said. They set up a small studio in the back of their office and called on family, friends and even employees to appear in some of the early videos.

Another one of Mr. Liebman's sisters, a dermatologist, was enlisted for a video on how to spot skin cancer. The company also sought out local experts, bringing in the head chef from the restaurant Sushi Samba for a video on how to make sushi.

To build its library even faster, Howcast started offering aspiring filmmakers $50 to shoot two- to three-minute videos. The practice continues: Besides getting a chance to show off their skills to a large audience, they also get a percentage of the ad revenue if their video is a hit.

The videos produced by Howcast follow a set format, using quirky music, graphics and voiceovers, which make the videos easier to translate into different languages. Howcast even built its own media player with slow-motion and zoom-in features.
With the company’s beta site running, Mr. Liebman started hunting for venture capital last fall. Thanks in part to the resumes of the Howcast founders, they quickly raised $10 million from the Tudor Investment Corporation and tech insiders like Tim Armstrong, who was recently named chief executive of AOL, and Jason Hirschhorn, recently named chief product officer at MySpace.

"What we liked was the fact that there's endless content," notes Kevin Law, a former music executive who is now an investment consultant to Tudor and serves on Howcast's board. "There's a how-to that can go along with any service, any product."

Building up a library of content is relatively easy, says Rupert Ashe, the chief financial officer of Videojug in Britain, which went live in 2006 and now has 100,000 how-to videos.

"The thing that is difficult to get and takes many, many years to build up is a following and traffic to the site and a place in the search-engine constellation," Mr. Ashe says.

The space hasn't yet seen a "mega-breakout site," says Mr. Thomas of Forrester Research. But over time, he says, one or two sites will inevitably emerge as dominant players, and many others will fade away.

IN the middle of last year, the food company Nestle noticed a peculiar spike in complaints from consumers in a Middle Eastern country about the taste of one of its products, the instant coffee Nescafe Gold.

After some sleuthing, the company discovered that people in that country -- Nescafe wouldn't say which one -- didn't understand how to make its instant coffee. They were making it like traditional ground coffee, said Rakan Brahedni, a new-media relationship specialist for Nestle in Dubai.

Mr. Brahedni, who says he had "fallen in love" with Howcast's site, particularly its cooking videos, was already in discussions with the start-up to add videos to Nestle's Web site.

So Howcast quickly produced a video showing how to make Nescafe Gold. The graphics, subtitles and voiceover were done in both English and Arabic.

"This was very much out-of-the-box for us, and now we're seeing a lot of excitement from other brands" inside the company, Mr. Brahedni says. The video will soon appear on a Nescafe Web site, and Howcast will distribute it to some of its partners.

In this light, Howcast may look like more of an advertising agency than a media company. Unlike pricey ad agencies, however, that can charge hundreds of thousands of dollars for a 30-second advertising spot, Howcast produces videos for corporate customers at a fraction of that cost. Its executives say this is its entree into big corporate ad budgets.

And they argue that they are still sticking with their primary focus: to create instructional content.

When JetBlue Airways planned its inaugural flight from Kennedy Airport in New York to Los Angeles International earlier this year, it turned to Howcast to create videos for the occasion.

The result was a series of clips, including "How to Stay Fabulous When You Fly Coast to Coast," featuring Delphine, a leggy Ford model with her own YouTube following. The video can be found on numerous sites, including Yahoo, AOL, MySpace and Metacafe.

JetBlue executives say they are thrilled with the response from the spots and plan to work with Howcast again. "What Howcast offers is something that is very cost-effective and very targeted," said Morgan Johnston, a JetBlue spokesman.

Howcast executives see opportunities beyond corporate America. They're hoping to get more work from the federal government.

So far, they've worked mostly with the State Department in its "Public Diplomacy 2.0" initiative to use new media to communicate, says James K. Glassman, a former under secretary of state for public diplomacy.

"What we saw in Iran is that the private sector played a very important role in disseminating information there," Mr. Glassman says. "Companies like Twitter and Facebook facilitated a lot of the activity in Iran."
In April, Mr. Liebman traveled to Iraq with a delegation from several tech companies on a trip arranged by the State Department to offer guidance on how new technologies could be used in the country. Howcast is also working on a project for the Defense Department.

Mr. Liebman says the company is willing to "turn over lots of different stones" in its search for profits.

HOWCAST enjoyed a break-out moment earlier this year, thanks to a five-second cameo appearance as one of the featured applications in a television ad for the iPhone. Downloads for Howcast's iPhone application jumped from around 1,000 a day to 24,000 at its peak.

People who download Howcast.com onto their iPhone spend an average of 12 minutes on the site each time they visit, twice the amount of time spent watching from their computers, says Mr. Raman, Howcast's head of product development. "That tells me that this is going to be a huge platform for us," he says.

In the meantime, Howcast is exploring ways to distribute its content on other mobile devices and developing features so customers can buy items they see in the clips.

The company will probably need to do another round of financing in coming months. But Mr. Liebman is projecting that Howcast could be profitable by late next year.

If he's right, the company could become the star of a new instructional video: "How to Create a Profitable Start-Up."

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GRAPHIC: PHOTOS: Above, the making of a video, "How to Choose the Right Sunscreen Lotion," in Los Angeles for Howcast. The site's wide-ranging instructional videos include "How to Survive a Bear Attack," below.(PHOTOGRAPH BY J. EMILIO FLORES FOR THE NEW YORK TIMES)
(PHOTOGRAPH BY HOWCAST)(pg. BU1)
Co-founders of the instructional Web site Howcast at its Manhattan office. From left, Daniel Blackman, Jason Liebman, Sanjay Raman and Darlene Liebman.(PHOTOGRAPH BY RUBY WASHINGTON/THE NEW YORK TIMES)
Among Howcast videos, "How to Create a Modern Day Scavenger Hunt," left, and "How to Make a Fruit Smoothie."(pg. BU6)
CHART: How Many Are Asking 'How'?: Howcast's brief how-to videos were viewed more than 20 million times last month, according to the company. Some of the videos appear on sites other than Howcast.com.(Source: Howcast)(pg. BU6)

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