YouTube Effect: Making Money From Viral Videos

YouTube has been the birthplace of many Internet stars, but few of them have had the business savvy to turn video views into paychecks. Take Sam Tsui, the site's latest crowd pleaser. A fresh-faced a cappella singer at Yale, Tsui has an impressive voice, but the real draw is the electronic wizardry that allows him to harmonize onstage with five digital versions of himself. Glee, meet Attack of the Clones. (1)

Since July, Tsui's medley of Michael Jackson hits has been viewed more than 2.4 million times--but he hasn't made any money yet from that music video or any of the others he and a classmate have produced. Like many viral sensations, he is suddenly trying to navigate a maze of advertising offers, promotional deals and legal issues in the hopes of making a (typically small) fortune from Internet fame. (2)

YouTube stars need to move quickly. This is not only because online attention spans are so short but also because viral videos have spawned a subindustry of viral vultures. Clips get downloaded and reposted without permission, and there are sites that specialize in selling T-shirt designs within hours of a video's meteoric rise on the Web, making money the original stars never see. (3)

But more and more fan favorites are figuring out how to parlay their 15 seconds of fame into cash. Chief among them: Charlie Schmidt, who has managed to make some $20,000 from his truly ridiculous Keyboard Cat video. The graphic designer in Spokane, Wash., digitized old VHS tapes of his cat, Fatso, "playing" a keyboard, a low-tech feat achieved by manipulating the cat's paws from underneath Fatso's shirt. Since the Keyboard Cat video went viral in February, the original has had nearly 3.8 million viewings, with millions more for the remixes. (4)

Schmidt, 58, says he wishes he had been quicker to realize the online appeal of his cat--who, incidentally, died in 1991--as people snapped up domain names like KeyboardCat.com and PlayHimOffKeyboardCat.com So how did he finally make bank? Part of the money comes from a mobile-phone application, T-shirt designs and licensing agreements; he just inked a deal to let a group in Sweden remix Fatso's signature ditty. But the bulk of the money comes from YouTube. In July, Schmidt snagged an invite to the YouTube partner program, which overlays hit videos with
related ads and gives the originator a cut of the revenue. (5)

Which clips does YouTube help monetize? Says spokesman Aaron Zamost: "We look at factors like the number of views, the video's virality and compliance with the YouTube terms of service." That last bit rules out videos with third-party copyrighted music like Tsui's Jackson medley, which stays online only with the goodwill of record companies. (6)

Among the most popular one-off videos to be tapped for YouTube partnership is the clip David DeVore posted in January of his 7-year-old son acting loopy from the effects of dental anesthetic. By March, the Orlando, Fla., real estate agent says, he had copyrighted the David After Dentist video, protecting his son's image and his family's burgeoning online income from the video, which has been viewed more than 33 million times. Through YouTube ads and merchandising, the DeVores have made more than $40,000. (7)

Still, some viral stars, like Tsui, are proceeding with caution. ("I would like to eventually be known as more than just that guy on YouTube," he says.) For two years, Irena Schulz has been fielding media offers for Snowball the cockatoo, whose Backstreet Boys dance has been seen nearly 3.3 million times. The former molecular biologist in Dyer, Ind., chooses shows for her bird carefully and has drafted legal agreements to make sure he'll be portrayed in a positive light. But despite appearances on The Late Show with David Letterman and Good Morning America, she says viral videos aren't a sure ticket to the good life. "People think my life is glamorous, but I still spend a lot of my time scrubbing birdcages," Schulz says. "There's just a lot of work." (8)

None tougher than finding a second act. The New Zealand family of diaper-clad tot Cory Elliott--whose bobbing to Beyoncé's "Single Ladies" has garnered 4.3 million views since January--acted fast by grabbing the domain SingleBabies.com and lining up a greeting-card site as a sponsor. But Cory's dad Chester says he has hopes to branch out beyond Beyoncé. "I'm sure with the moves I've seen [Cory] pull, we'll get something pretty good," Elliott says. "He just always does them when I don't have a camera." (9)

A viral: something such as a joke, a short film, or an advertisement that is funny or entertaining and is passed around among people using the Internet