Can Meg Whitman outwit a pandemic with Quibi?

Not much is going as planned for Meg Whitman. For instance, there's a pandemic on.

When I first spoke to her for this profile in December, the new coronavirus had emerged in Wuhan already, but no one in the US was yet the wiser. In January, when Whitman gave the CES keynote about her startup, Quibi, the first death reported by Chinese media had not yet occurred. In February, when I was trying to nail down travel arrangements to Los Angeles to report the rest of this profile, the first community-acquired cases were found in the San Francisco Bay Area, where I live. By March, both Whitman and I were sheltering in place by order of the state of California.

Hollywood quality is expensive, baby
It is now April 6th, the launch date for Quibi, an audacious new streaming service for high-quality video meant to be viewed on your phone. The good news is that because so many people are stuck at home, there's been a significant uptick in people streaming video. The bad news is that just about every use case Quibi has targeted for itself happens, well, outside.

"Waiting in line for coffee" tends to be the scenario evoked the most by Quibi execs, and it's one that's allowed them to raise a $1 billion funding round from investors, including Hollywood studios, Alibaba Group, and WndrCo, Quibi founder Jeffrey Katzenberg's investment firm and holding company. A second round of $750 million recently came from high-net-worth individuals, sovereign wealth funds, and family offices.

Quibi raised giant pools of money because *Hollywood quality is*

expensive, baby. The business makes money two ways: subscriptions and ad revenue. A subscription to Quibi costs $4.99 for a version with ads or $7.99 a month for a subscription without them. (The ads are preroll and do not interrupt the shows.)

Whitman has already sold out Quibi's $150 million in ad inventory for its first year to companies including Procter & Gamble, Pepsi, and Walmart. From an advertiser's point of view, the fledgling startup offers brand safety in a way YouTube and TikTok simply can't. On Quibi, for instance, there's no possibility of an ad being placed next to a Logan Paul video in the Aokigahara forest featuring the body of a person who died by suicide. With the kind of money that's involved in most Quibi deals, the company is *most definitely* watching the videos before they go up.

It's also nice that these ads are sold already because the absolute bottom fell out of the advertising market recently, for coronavirus reasons.

But this is the exact thing Whitman is there for. This is a high-profile startup, with deep pockets, launching into a literal disaster. Whitman's job is to lead it.

Months earlier, when I sat down with Whitman, CEO of Quibi, she and Katzenberg were doing what seems like a fairly arduous day of media briefings ahead of their keynote speech the next day. At CES, their speech was meant to serve as Quibi's big introduction.

It's all wonderfully Californian

But Whitman and Katzenberg were game when we met. If it seems like there has been an unholy amount of gossip about Quibi, it's because of the stature of these two faces. Yes, everyone has been talking about Katz: a Hollywood legend, Katzenberg revitalized Disney and co-founded DreamWorks. But Whitman is a

boldface name in her own right: she led eBay and Hewlett Packard. Also, she ran for governor of California as a Republican in 2010 and financed her ambition with $140 million of her own money. (She lost and wound up endorsing Hillary Clinton in 2016.)

It's all wonderfully Californian: Whitman, a symbol of Silicon Valley, next to Katzenberg, the most insider of Los Angeles insiders. At times, they appear to be doing a riff on *The Odd Couple,* with Whitman as straitlaced Felix to Katzenberg's lightly chaotic Oscar. It is, frankly, delightful.

The pairing happened like this: Katzenberg had been entranced with the idea of mobile video for years. When he cashed out of DreamWorks Animation in 2016, he had the money. At the time, Whitman had just announced she would step down as CEO of Hewlett Packard Enterprise, the company she'd spun off from Hewlett Packard.

Katz called his old friend. He'd met Whitman in 1989 at Disney when they both worked there. "He said, 'What are you doing?'" Whitman recounted *The Hollywood Reporter*. Whitman was thinking of retirement; she even began explaining how she wanted to use her free time. Katz interrupted her: "No, what are you doing tonight for dinner?"

Will people watch 10-minute Hollywood-quality video on their phones?

Katzenberg flew to San Francisco that night in order to convince Whitman to move to Los Angeles, which is the single most LA anecdote I have ever heard. The result of that three-hour meal would eventually be called Quibi, short for "quick bites" and pronounced KWIB-ee. If regular people were confused about how to say Quibi, that certainly did not bother investors. The pitch centers on a single question: *Will people watch 10-minute Hollywood-quality video on their phones?* It is not, on its face, a bad question.

It is, however, an expensive one.

The amount of time Americans spend watching video on their phones has surged. In fact, people are spending *a lot* more time on their phones; as of last year, it's more time than they spent watching TV. Yet, very little is really *designed* to be watched on phones. Usually, you're seeing a reduction of something that was filmed for TV or movies, or you're watching user-generated content which, let's say, varies widely in quality. Delightful as TikTok and YouTube are, they are not especially known for rigorous and consistent production values.

And while there are plenty of streaming services (Netflix, Hulu, Disney Plus, HBO Max, and Peacock, among many others), most of them are not optimizing for phones. Plus, if you assume your viewer is watching on a phone, that means viewers can switch which way they're holding the phone, and maybe you could show them something else. This technology, called Turnstyle, is part of Quibi's pitch. Depending on what you're doing while you're on your phone, you might want to watch any given program horizontally or vertically. Quibi lets you switch seamlessly from one to the other, with no pause in your video. In some cases, reorienting might even give you an entirely different view of the story.

It's hard to argue with the weird creative opportunities here, and it's also hard to argue with the money

It is hard to argue with the weird creative opportunities here. It is also hard to argue with the money. Quibi's marquee offerings, called "lighthouse projects," cost as much as $125,000 a minute. The midtier programs, "quick bites," cost more like $20,000 to $50,000 per minute. The "daily essentials" — news offerings — cost between $5,000 and $10,000 per minute.

That money is paying for a lot of star power: Steven Spielberg, Idris Elba, Jennifer Lopez. Kristen Bell, Chrissy

Teigen, Kendall Jenner, Tyra Banks, and Steph Curry all have deals with the platform. Also — disclosure! — *Verge* sister site *Polygon* has a show (a Daily Essential, in Quibi parlance), and there have been talks about a *Verge* program, too.

Katzenberg has been heavily featured in press coverage, partly because now is his moment. He's been handling the creative aspects of Quibi, running on his own experience and judgment to book big names and think about programming ideas. But after launch, it's the customers who will guide Quibi. Tomorrow, things change. "April 7th, it starts being about the data," Whitman tells me. While Katzenberg has been running the creative, she's been running just about everything else.

The thing about California is that it's a very big state. Palo Alto to Los Angeles alone is five and a half hours by car. What I mean is, for a Bay Area person, LA is an adjustment — Hollywood, in particular.

"This whole town is oriented toward movie openings," Whitman says. "I'm interested in our opening weekend, but I'm really interested in launching a long-term consumer project." That is an entirely different business model, one Whitman knows well.

"You have to get the emotional component of the customer experience in your gut.''
For a consumer-facing company — a streaming service, for instance — what matters is attracting new customers and keeping them. Whitman has a rep as a technology mogul since eBay made her billions. But earlier in her career, she worked at Disney, Stride Rite, and, later, Hasbro, where she oversaw Mr. Potato Head and also brought the psychedelic UK children's show *Teletubbies* to the US. In fact, it was her consumer experience that convinced venture capitalist Robert Kagle that she'd be a good fit as eBay's CEO: "I was looking for a brand

builder to help make eBay a household name," he told *The New York Times* in 1999. "Understanding technology was not the central ingredient. You have to get the emotional component of the customer experience in your gut.''

For Quibi, that basically means a few things. First, people need to know what it is: streaming service, stars, short videos, phones. Second, as of CES, people needed to be shown what it's for. And until *very* recently, that was watching video on the go. Quibi aired a Super Bowl ad about a bank heist gone awry, leaving the robbers with 10 minutes to watch videos on their phones — just the beginning of a $400 to $500 million marketing campaign. And back in January, if you remember it, we still went to coffee shops and waited for coffee or waited for the bus. Whitman wants to train you in those moments to look at Quibi instead of your Twitter feed or TikTok. In most of its ads, the playful focus on movie tropes emphasized Quibi's selling point: these were Hollywood-quality videos.

The backend, though? The part the customers don't see, but that the company needs in order to run successfully? That's where Whitman's influence is most obvious.

Meg Whitman is alone in her West Hollywood condo when we speak over Zoom, two weeks before Quibi's launch. Behind her is a blank white wall; she's wearing a white shirt, collar popped. Her blonde hair is in place, and while it's a little hard to tell over the low-quality video, it appears she may be wearing lipstick. I am sitting on my own bed, with a blank white wall immediately behind me because my boyfriend had walked shirtless through a video call earlier in the week, and it wasn't an experience I wanted to repeat.

Whitman's home office has brought a minor challenge: her chair. It's decorative, not ergonomic, and uncomfortable. When

it became clear on the week of March 9th that Quibi employees would have to prepare for working from home, lots of people brought their desk chairs and computer monitors with them. Whitman didn't. She's regretting that now.

"Okay, how do we do this digitally?"
Things at Quibi began to change quickly in early March. Even though the company told its employees that they could work from home the week of March 9th, about 70 percent of people were still coming to the office. Whitman was still going to 6AM swim practice at UCLA, as she ordinarily does. From 9AM to 10:30AM, the company still had its daily "war room" meeting to make sure that everything was ready for launch.

But it occurred to Whitman that they might not all be in the office together much longer. So that week, they began practicing having the meeting virtually, with teams spread throughout the office on a Zoom call. Just to practice. Just in case. At the end of the workday on March 9th, a story appeared in *Variety:* Quibi had canceled its launch party, the one with the red carpet and the 150 stars. Two hundred media outlets were set to cover the event. "So all that's gone," Whitman tells me. "And so we have to think, 'Okay, how do we do this digitally?'"

The week of March 9th was particularly hectic for Quibi. "Every single day there was new news that changed what we thought we should do," Whitman says. "You have to be willing to change course, like literally on a dime." Quibi had planned a series of celebrity events at South by Southwest, which was canceled. There was meant to be a launch advertising blitz during major sporting events, but that Wednesday, the NBA suspended its season, effectively canceling the NBA Finals. Then, on Thursday, the NCAA canceled its March Madness tournament, zeroing out another planned Quibi spend.

"Okay, so all of that went out," Whitman says. "We've had to reprogram our media spend between now and the end of June."

Then there were the ad spots featuring things people don’t do much anymore: taking the subway, riding in an Uber, waiting for a cup of coffee. Those were set aside, too.

Monday, March 16th, was the first time in 40 years that Whitman did not go to work

Quibi is instead advertising on Twitch and Reddit. The total marketing budget hasn’t changed, but it might in the future. “We’ll see what the environment is,” Whitman says.

As the cancellations began to pile up that week, it became clear to Whitman she’d have to close the office. Monday, March 16th, was the first time in 40 years that Whitman did not go to work. Her swim class was canceled. After hitting her building’s gym, she logged on around 8:45AM. Her schedule, after all, hadn’t changed.

Monday was rough: people were learning how to use Zoom. The office went from being in one place to being in more than 250 places. Plus, the first day the whole office worked from home, three new people started at the company.

When we speak on March 20th, Whitman tells me the app is feature-complete and the primary focus is squashing bugs. “I think we’re ready for good-sized traffic, which we may or may not get,” Whitman says.

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Other parts of Whitman’s future are also uncertain. Her husband, Griffith Harsh, a neurosurgeon, is at the University of California, Davis, and Whitman says it’s not clear when she might see him in person next. He’s needed there since the new coronavirus is an all-hands-on-deck situation for medical professionals. “He’s on the frontlines there,” she says. The UC Davis Medical Center is where the first known patient with community-acquired coronavirus was diagnosed.

For now, Californians are expected to stay home until May 3rd.

In some places, such as Oregon, the stay-at-home orders do not have a definitive end date. Nothing in Whitman's career has really come close to the instability of this moment, though she says September 11th, 2001, comes close. She was the CEO of eBay then. "The first order of business was to figure out, 'Okay, is everyone accounted for?'" Whitman says. Now, it's more like: *Is everyone healthy today?*

From there, she says, it's important that leaders make themselves present. In the office, she might just walk into a meeting to see what's going on. But now, she feels it's even more important to be present, even if only virtually. So she's been barging into a lot of Zoom meetings, including a marketing launch meeting right before she spoke to me. "I wasn't invited to it," she says. When the employees still went to the office, she held breakfasts and coffee meetings. Now that's "Ask Meg Anything" in Slack.

Focusing on the customer experience also means paying attention to unexpected behavior. Whitman tells me an anecdote she tells a lot, about eBay and used cars. Quaintly, no one had anticipated eBay would be used to sell used cars — but there it was, in startling numbers. So the company created a "cars" category. Historically, Whitman has splashed out to improve customers' experiences: the acquisition of PayPal, for instance, gave eBay its own payments provider. Even after spinning out PayPal into its own company in 2015, eBay continued to use it on the backend, though it's due to be phased out this year.

The place Whitman went wrong at eBay was also by spending money to give customers what she thought they wanted. Her pricey Skype acquisition was meant to help buyers and sellers connect, but people seemed more comfortable conducting their business over text, which didn't require talking on the phone with strangers and could be done asynchronously. Worse, the

acquisition led to a lengthy and expensive intellectual property dispute. (Skype was sold to private equity company Silver Lake Partners by Whitman's successor as CEO, John Donahoe. Silver Lake flipped it to Microsoft.)

Will the people who try Quibi for free convert into paying customers?

To gear up for commissioning content, Quibi did surveys of people who watched more than an hour a week of video on their cellphones. But the real data will come now people are actually using it. The biggest question is customer retention: will the people who try Quibi for free convert into paying customers?

Quibi made a distribution deal with T-Mobile: a free year of Quibi will be bundled into some wireless plans. Disney did something similar last year with Verizon around its Disney Plus launch. (Both deals, however, are dwarfed by Netflix, which has been free for some T-Mobile customers since 2017.)

For those of us who don't have T-Mobile: Quibi is offering 90-day free trials for anyone who signs up on or before April 19th. (Users who sign up on April 20th will get a 14-day free trial.) A subscription costs less than most other streaming services, though it's not clear that Quibi competes with them directly. Katzenberg clearly views his main competition as user-generated video on platforms like YouTube and Instagram. "We're competing against free," he told *The Verge* in January.

More than 10 million people have applied for unemployment benefits in the month before Quibi's launch, as stay-at-home orders closed hair salons, movie theaters, gyms, and retail stores. While Instagram and YouTube can't create the kinds of spectacular content that Quibi is banking on, it's also true that free just got *a lot* more compelling (as well as suddenly full of celebrities who are also stuck at home). And while user-generated content isn't as flashy as the videos Quibi is offering, it does have the benefit of showing people their

friends and family — the people we're longing to see most right now.

"So what are we going to do? We can't go meet with people in person to sell year two advertising."
That means that whatever early data Quibi gets from its customers may not be that helpful; we're not all going to stay inside *forever*. One of Whitman's early strategies at eBay was to find out what customers were calling in about. "If you can fix those things immediately, you win incredible customer loyalty," she says. "They can't believe it. They can't believe they called in or made a suggestion and you fixed it overnight." But what matters now may not matter later — if Quibi adjusts too much to pandemic living, it may be caught flat-footed when we emerge.

The strategy for advertising in Quibi's second year is up in the air, also for coronavirus reasons. The original plan was for Whitman to go to the Cannes Film Festival and meet with 40 advertisers in five days. Cannes postponed the festival on March 19th, before canceling it entirely on April 3rd. "So what are we going to do? We can't go meet with people in person to sell year two advertising," she says. "So how are we going to do that?" A wry expression crosses her face. "We're going to do it like this," she says, referencing the Zoom call we're on together.

The economic consequences of the new coronavirus seem to weigh heavily on Whitman. She brings up an op-ed in *The Wall Street Journal* that says the toll of an economic collapse from stay-at-home orders might be far greater than the human cost of the pandemic. (Several economists who spoke to *The Verge* disagreed.) Still, Quibi employees are keeping their jobs, Whitman says. "They're central to us," she tells me. Quibi's also paying the two contractors who are tasked with cleaning the office, even though no one's in the office.

The production shutdowns have hit Quibi, too — most notably

for the Daily Essentials. Most of those shows are still going forward, albeit in very different ways: NBC and ESPN, for instance, have retooled their shows to be produced by the host at home. (Our sister site, *Polygon*, is doing the same thing.) When the app launched this morning, there was about 300 episodes' worth of 50 shows. Whitman says they've banked content through November. Currently, Quibi is spending as planned on content, but those costs may be paused if the shows commissioned for later this year and early next year don't start production.

Since most travel outside the home has been steeply reduced, Quibi's product team has anticipated there might be more binge-watching

The core of Quibi, the product itself, hasn't changed since January. But the strategy around supporting it has. Because Quibi was initially meant for on-the-go viewing, the idea was to download episodes of content a user liked to their phone at night. But since most travel outside the home has been steeply reduced, Quibi's product team has anticipated there might be more binge-watching. On April 2nd, Tricia Lee, the head of product management at Quibi, took a break from load-testing Quibi to chat on Zoom with me. Lee is using a virtual background for the call, a tennis court in Maui. "I've been changing my background to places I wish I was," she tells me.

Lee has been making sure Quibi can hold up under marathon streaming, which means putting out fires. During the tests on the week of March 23rd, for instance, the testing team reached a threshold — Lee declined to disclose the specific number — where there was strain on the system. Quibi went down for half an hour. Now, that's not unusual during load-testing; figuring those things out *before* the service launches is the entire point. The Quibi leadership chose to treat it as a dress rehearsal for any real-life problems: Who does what? What messages go out to the company? What messages go to the people who are testing out the service?

Usually, when a site goes down, you want to fix the problem as quickly as possible. But because this was a dress rehearsal, Lee's team didn't do that. Instead, they let the problem play out to see what they could learn about it before fixing it. Lee credits Whitman's work philosophy with the measured approach, which Lee says is much calmer than other places she's worked.

On Whitman's first day at eBay, the website crashed — for eight hours

On Whitman's first day at eBay, the website crashed — for eight hours. ‘’The number one job at eBay is keeping the site up,’’ she told *The New York Times* in 1999. (In that case, adding backup software and servers was the fix.) More than 20 years later, Disney Plus crashed on launch day because its software couldn't handle user demand. So the load-testing Lee's team has done, as well as figuring out how to adapt the service to the new stay-at-home circumstances seems especially clutch right now. After all, even though people are watching more streaming video while they're at home, they can't watch Quibi if it crashes.

Lee is glowing when she speaks about Whitman's leadership style, which she describes as collaborative without being inefficient. "I remember being in a room and going, *Am I supposed to be in this room?*" Lee says. "And Meg sat down right next to me and said, 'Hi Tricia.'" It was almost as if Whitman could sense Lee needed encouragement, she tells me.

Being unable to read people's body language is Whitman's biggest regret about managing over Zoom. Making sure everyone gets a chance to talk is also harder when the meeting doesn't take place in person. "But we're getting better," Whitman says.

If Quibi succeeds, it will be the biggest success of Whitman's

career. Over the years, detractors have suggested that eBay would have been a success with or without Whitman — that it was a "rocket ship," and all she had to do was get out of the way and not screw up too badly.

Whitman might be a Bay Area celebrity, but this feels like a quintessentially Hollywood story

By contrast, Quibi was a bold idea well before the pandemic. Not only did Whitman have to figure out how to create brand awareness *outside* of the Hollywood trades — which breathlessly reported every high-profile departure from the company — but she also had to significantly alter people's behavior. In my particular case, that means that in the moments when I'd ordinarily scroll through Twitter, getting me to pull up Quibi instead. To do that, a lot of money and star power have been funneled through the service.

Whitman started at eBay when it was just 30 employees; at Quibi, she began as employee number one. Besides fundamentally changing how people watch video, opening up a new front for Hollywood on the smallest screen, and making another pile of money, Whitman will have navigated a pandemic that wiped out her marketing plan and most companies' advertising budgets.

Whitman might be a Bay Area celebrity, but this feels like a quintessentially Hollywood story. Instead of a peaceful retirement, Katzenberg talked her into *one last big heist*. In the movies, the old hands eventually pull it off, despite all of the things that go wrong. They improvise, they get lucky, they win.

In reality, we are all about to find out if Meg Whitman can outwit a pandemic.

https://www.theverge.com/2020/4/6/21208973/quibi-meg-whitman-ceo-app-video-streaming-short-form-app