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With no business model and a company that was barely solvent, Baidu CEO Robin Li quickly realized that his customer base didn't want to buy the best technology; only the cheapest. The entire strategy of his company needed to change, and he revamped his enterprise from a back-end search utility to a front-end, consumer-focused provider. Since making this change in 2001, Baidu has gone on to become one of the most successful online search tools on the planet.



Transcript

You know, Baidu was founded at the beginning of 2000, and quickly NASDAQ reached its historical high of 5,000.. I remember it was March of 2000.. Then it dropped to about 1100 a little over a year later.. That is a very difficult time for people in the Internet industry.. I think it's much severe than what you have experienced in the past year or two for the general economic situation.. During that time, it's just the very early days of Baidu's startup experience.. That's why when we officially entered the recession or the challenging situation caused by the financial crisis, I keep asking myself, "What should we do?" What I learned during the last downturn, especially in the early 2000 that when the Internet bubble burst, I guess, some of you still remember, it's quite an experience for many of the companies and many of the people who work for those Internet companies.. We were lucky to raise the first round of money before the Internet bubble burst.. But the challenge is that we really didn't have a business model at that time.. We didn't have a feasible business model, let's put it this way, because when we started, the business model is to provide the backend search technology to the portal companies in China..

We did that, we came up with very good Chinese search engine technology, and we signed up a lot of the Chinese portals in a very short period of time.. That includes SINA, Sohu, Netease, Yahoo! China, and any major portal company you can think of in China.. But what we quickly found was that we were still losing money.. Although we probably signed up the portal companies that represent more than 80% of the Chinese search traffic, Baidu still could not survive.. That's the challenge we faced.. So quickly I realized that we were too optimistic about the future of Internet in China.. At that time, there were only about 10 million Internet users.. And the portal companies didn't want to buy the best search technology.. They only want to buy the cheapest technology.. That made our life very hard..

So we realized that and I made the decision: we need to change.. We need to change to a different business model so that we can come up with better technology, and the better search technology can be appreciated by the market.. So in the summer of 2001, we decided to switch gear from a backend technology provider to a front-end consumer-oriented search service.. And on September 20th, 2001, Baidu.com went live.. So it's been more than eight years.. From that day on, I think we really found what was right for this company.. Then we really focused on developing the best Chinese search technology and dominate the market..