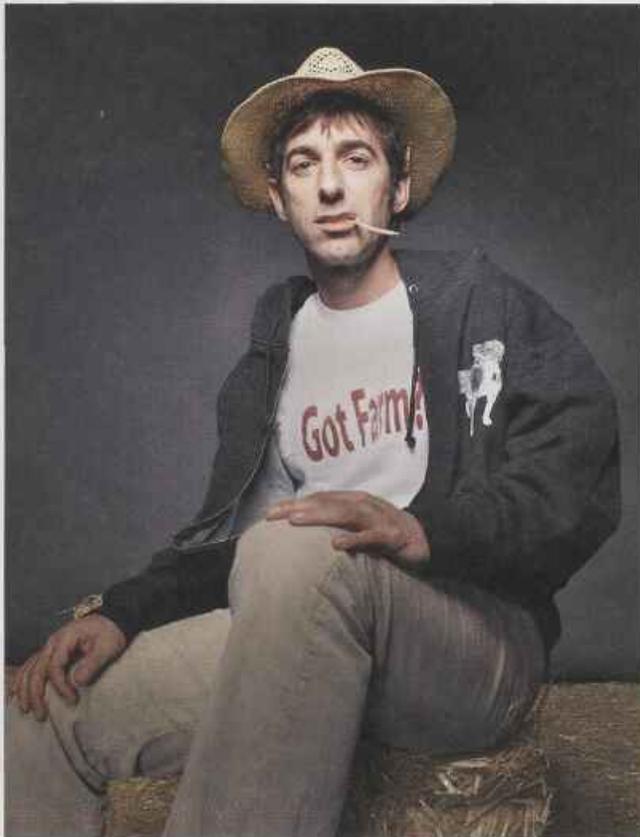


**NO HAYSEED** CEO PINCUS HAS FOUND SUCCESS BY BUILDING GAMES FOR SITES LIKE FACEBOOK AND MYSPACE.



GAME ON

## Playing for Fun and Profit

Gamemaker Zynga harvests the fruits of social sites. **By Jessica Shambora**

ON ANY GIVEN DAY 500,000 tractors are sold on the Internet. But don't start buying stock in John Deere or Caterpillar just yet. These are \$20 "virtual" tractors that belong to the 50 million players of FarmVille, the largest and fastest-growing social game on the Internet.

Social games are free online applications accessed through sites such as MySpace and Facebook. If you've spent any time on either site you're probably familiar with titles such as FarmVille, Mafia Wars, and Cafe World. All three games, which rank among the top five games played daily on Facebook, were developed by San Francisco-based

Zynga, one of the tech sector's most talked-about companies these days.

Behind the buzz: Annual revenue at the two-year-old firm is likely to surpass \$100 million this year, prompting speculation that the company—backed by the likes of LinkedIn cofounder Reid Hoffman and PayPal cofounder-turned-investor Peter Thiel—will soon go public. The software company also has managed to do something that other hot online brands such as Twitter and Facebook have not: Zynga has found a way

to make social networking profitable.

Zynga was founded in 2007 by Mark Pincus, 43, who also started social-networking site Tribe.net and software company SupportSoft, which eventually went public. (The name Zynga is a misspelled tribute to his deceased American bulldog, Zinga.) While many of his Web 3.0 peers rely on advertising and sponsorship for revenue, Pincus makes its money by getting gamers to buy virtual goods, like tractor fuel or land in the case of FarmVille, that enable players to build bigger farms at a faster rate.

By developing games on social networks, Zynga is able to capitalize on the viral nature of the platform. (Zynga estimates it has 70 million monthly unique visitors.) Gamers can invite friends to join them in the game, and they can send updates on their progress to their friends, stoking interest. Once hooked, Pincus says, players spend real money on virtual goods to help them advance to higher levels—thereby enriching Zynga. And although playing requires only short spurts of time, the game never ends, as Zynga's designers keep adding levels so that players come back for more.

"For me it's just relaxing and fun. I don't have to think hard about it, and I can do it while watching TV," explains Lauren Kohn, 37, a mother of three in San Jose who has spent more than \$100 on virtual goods since she started playing FarmVille four months ago.

Pincus won't reveal his margins, but he acknowledges that the company has been profitable every month since September 2007.

By contrast, Twitter doesn't even have meaningful sales, and Facebook only recently claimed to be cash-flow positive.

And if online reports are to be believed, Zynga spends millions each year marketing itself on Facebook, thereby providing the social-networking site with a chunk of its revenue. Talk about the tail wagging the dog.

