

Gambling on Facebook Games, Zynga Cashes In

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July 23, 2008; Page B6

Zynga Game Network Inc., which makes free poker, puzzle and other games for social-networking Web sites, has attracted backing from heavyweight investor Kleiner Perkins Caufield & Byers -- a sign of investors' growing interest in services that plug into social networks.

The San Francisco-based startup plans to announce the funding at Facebook Inc.'s developer conference, called f8, along with the news that William "Bing" Gordon, the former chief creative officer of Electronic Arts Inc., will join its board.



Facebook.com

Kleiner Perkins Caufield & Byers is among the latest investors in Zynga Game Network, which makes a variety of games for social-networking Web sites.

The \$29 million round of funding, which also included [Institutional Venture Partners](#) and some of the company's existing investors, is notable because Kleiner Perkins -- an early backer of [Amazon.com](#) Inc. and [Google](#) Inc. -- has largely refrained from investing in social applications so far.

"We have a really high bar when it comes to investments," said Kleiner partner John Doerr in an interview.

Mr. Doerr described the Zynga investment as "special and surprising" in part because the fund likes to invest at an earlier stage. But he was drawn to the fact that Zynga had "cracked the code" on how to develop engaging and viral games fast.

"This is not a hits business," he said. "There is quite a science around fine-tuning the product."

The moves are another sign of investors' strong interest in the young industry of companies that create things for users to do on social networks, like play games, share travel plans and swap virtual gifts. While most entrants have yet to generate significant revenue, investors are being lured by their fast growth.

Gaming -- an area that encompasses everything from playing virtual poker to selling likenesses of your friends as digital pets -- is a hot sector within the group. Millions of users have downloaded games to their profiles.

Zynga, which in January announced its first \$10 million round of funding from Union Square Ventures, Reid Hoffman, Peter Thiel and others, is showing signs of pulling away from the pack. The company, which earns revenue through advertising and selling add-ons for its games, said it has 18 million monthly visitors, and is growing at a pace of 450,000 new users a day.

The company was founded last summer by Mark Pincus, an entrepreneur who co-founded social networking site Tribe and enterprise software company SupportSoft Inc.

Mr. Pincus, 42 years old, said Zynga has taken off by keeping its games simple and by building in features that are consistent with how and why people use social-networking sites. Its poker game allows users to send fellow players a virtual drink. Its Scramble game, which resembles a digital version of Boggle, allows players to become virtual "friends" with one another. "Social gaming is a means to an end. It is like being at a cocktail party," says Mr. Pincus.

To expand to new audiences and more sophisticated gamers, the company is looking to new platforms like cellphones, and more immersive games with richer graphics. The company recently acquired virtual world YoVille and is hiring developers from established gaming studios like LucasArts.

It faces fierce competition from a number of venture-backed competitors, including Social Gaming Network, Friends for Sale and professional gaming companies, which have stepped up their efforts to protect the intellectual property rights of their games. With some money in the bank, the larger companies are building a greater variety of games faster.

The investment came together through Mr. Gordon, a gaming icon who helped create a number of hit videogames like the Sims series.

Mr. Gordon met Mr. Pincus during a meeting about a potential licensing deal at EA late last year. "He said social gaming can be the next great form of gaming and I went 'bingo,'" said Mr. Gordon.

Mr. Gordon, who had recently left EA, started hanging out at Zynga's trendy San Francisco office and biking with Mr. Pincus. He said he quickly saw the ability to bring games to whole new segment of people who didn't spend hours at a time playing videogames and wanted some casual way to engage with their friends.