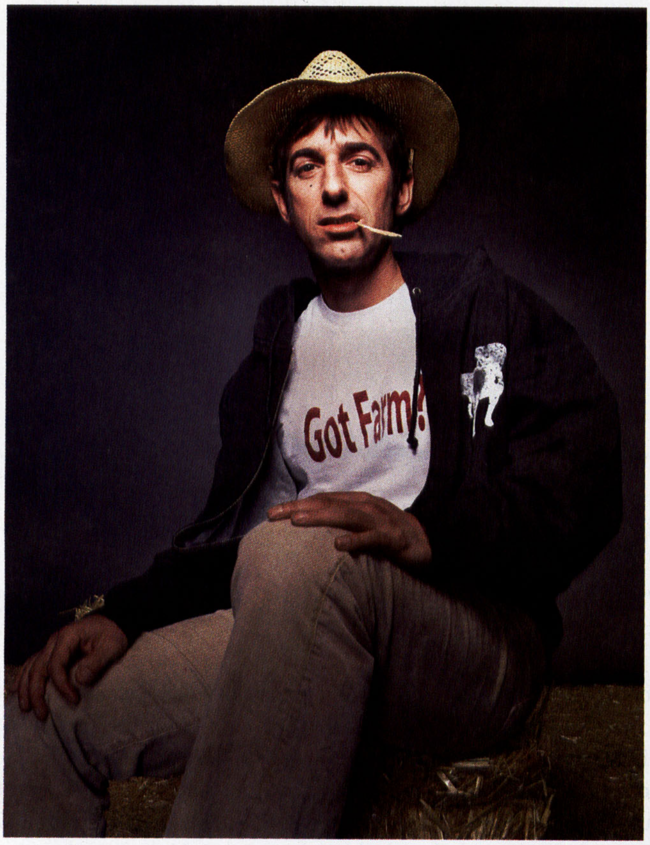
NO HAYSEED CEO PINCUS HAS FOUND SUCCESS BY BUILDING GAMES FOR SITES LIKE FACEBOOK AND MYSPACE.



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 Café 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. ■

JUST DUCKY GAMERS BUY FOWL AND FARE FOR THEIR VIRTUAL FARMS.

PHOTOGRAPH BY ROBYN TWOMEY

TWITTER HITS TWEENHOOD

It has 55 million users and no business model. But that's a touchy subject.

by **ADAM LASHINSKY**

ASK EVAN WILLIAMS whether Twitter ought to be trying harder to identify ways to make money, and the founder of the short-burst messaging network just laughs. "It's funny," he says, in a mid-October interview in the young company's warehouse-like offices in a gritty part of San Francisco's South of Market neighborhood. "People think we're back here in the office looking around saying, 'Where is that business model? Is it in the couch cushions?' There's a very logical process we've gone through, and you could say we've set the wrong priorities. But if you look at building long-term value, then generating cash isn't necessarily the highest priority."

This messy matter of moneymaking is polarizing for a company that has in every other possible way far exceeded anyone's expectations. Twitter, the communications platform that launched in 2006, has become more than just a hot tech startup. It's a cultural sensation, having amassed 55 million unique monthly visitors worldwide and become a fixture of the international zeitgeist, from protesters in Iran to flood victims in the Philippines. Yet it hasn't collected any meaningful revenue, nor is it in any hurry to do so.

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Twitter's top executives, Williams and co-founder Biz Stone—who together hold slot No. 5 on *Fortune*'s 40 Under 40 list—appear completely unconcerned that three years into its existence Twitter remains a pre-revenue company. Critics in the tech industry are anywhere from baffled to outraged by this seeming insouciance. Even Google, whose business model wasn't well understood for years, started collecting some cash almost immediately and never raised additional venture capital after a single, $25 million stake in 1999. Twitter, by contrast, has raised more than $150 million—most recently a $100 million slug valuing the company at $1 billion—with nary a hint of what business it thinks it's in.

If Williams and Stone are unrushed, perhaps it's because they know the most about the beast they're trying to tame. According to Williams, it's far more important to build the site well than it is to hit up advertisers or other would-be customers who want access to the presumably lucrative stream of information made up of what Twitterers post in 140 characters or less.

It also helps that Twitter's financial backers exude calm. "I'm way more interested in how we get 100 million or more people using it than how we make money," says venture capitalist Fred Wilson, whose Union Square Ventures was the first VC firm to back Twitter. "It doesn't cost much to operate the business, and we have a pile of cash now that funds the business for a long, long time." Adds another early investor, Ron Conway: "You'd never collect $100 million from people if you didn't think you could monetize. It's understood."

Those challenges make Williams and Stone tech industry tweeners. Having been around the block a few times—Williams founded early blogging service Blogger and sold it to Google in 2003—they are neither fresh-faced college dropouts (though Williams did not, in fact, ever graduate from the University of Nebraska) nor seasoned executives who have run companies the size they expect Twitter to become.

However long it takes to get to 100 million users, Williams seems intent on scale first, profit later. "We are spending our time trying to create the best technology and product for as many users as possible," he says. "That's where all our value is going to come from." In other words, not from under the couch cushions. ■