Social gaming startup eyes big opportunity

Gabriel Madway, *Reuters*
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Social gaming startups, which offer free-to-play games on sites like Facebook and MySpace, have been all the rage, scooping up funding from the venture capital community and nabbing executives from traditional gaming outfits. The hoopla seems warranted given the meteoric growth many expect to see in the space over the next few years.

Playdom, which was launched last year but only emerged from stealth mode in March, recently made a big splash when it lured John Pleasants from his perch as COO of Electronic Arts to become its CEO. Playdom battles rivals Zynga—which predicts revenue of $100 million or more this year—and Playfish in an increasingly competitive space.

In an interview, Pleasants called his return to the startup space "refreshing" and used a whiteboard to make a convincing case about the industry's potential. He pegs the overall social gaming market at around $500 million, but expects that to increase ten-fold in the next several years.

Playdom has 13 games, including the popular "Mobsters, and around 20 million monthly users. It has 80 employees and expects to double that number by the end of the year. The company—which is backed by angel investors—won't discuss its finances, but says it's profitable and growing revenue by the month.

Free-to-play games generate revenue through the purchase of virtual goods within games—such as a more powerful weapon—that allows a user to advance more quickly. Pleasants estimates only 1-3 percent of users actually buy anything in games, although that figure is higher in more popular titles.

Analysts say social games are attracting a large, growing and dedicated audience that is displacing traditional media outlets. Pleasants noted that the average "Mobsters" user spends 45 minutes a day playing the game.

"I don't spend 45 minutes a day watching TV, yet I pay Comcast $100 a month," he joked. "Can you imagine if we get users to pay even $1 a month?"