

CEO calls Zynga his 'crowning achievement'

December 23 2011, By Jon Swartz

Before Zynga traded its first share on Friday, nervous investors in the social-gaming company didn't know whether to expect a killing or to be killed.

Everyone, that is, but Mark Pincus. He didn't become the founder and CEO of the Internet's latest monster IPO by being timid or lacking verve.

"[Zynga](#) is the crowning achievement for my career," Pincus said in a phone interview here from Zynga's headquarters shortly before the company's Nasdaq debut. "I wanted to build a company, products and culture that mattered. It is an extension of all of us."

The highly anticipated IPO stumbled out of the gate. Zynga shares have lost more than 7 percent since their debut. But the IPO raised \$1 billion, creating a \$9 billion market value for the company, in the Internet's biggest stock offering since Google in 2004.

"This is a (seminal) event for an [Internet boom](#)," said John Doerr, a partner at Kleiner Perkins Caufield & Byers, the largest venture investor in Zynga, who spoke before Zynga started trading. "Zynga's IPO is a commencement of a new phase (for Internet companies), and a springboard for the company."

The lackluster IPO will likely draw questions whether the opposite is true, raising the specter of another Internet crash. Zynga could at the very least be a harbinger for the IPO prospects of Facebook, a key

business partner of Zynga that is expected to go public in the first half of 2012. Both sky-high valuations - Facebook is at around \$80 billion now - raise typical questions about financial hype.

But despite nearly two decades of success in Silicon Valley, Pincus is not your typical tech CEO. In a field full of twenty-something leaders, Pincus, 45, could be Facebook CEO Mark Zuckerberg's father. (Zuckerberg is 27.) Further, Pincus' moment isn't in games just by happenstance.

"Mark has been through every step of the process, and drawn every single lesson," said Marc Andreessen, a venture capitalist and co-founder of Netscape who has invested in Zynga. "Zynga is the culmination of the work he has done the last 20 years."

Pincus didn't just make popular games. He relentlessly monitored data on traffic, user behavior and employees, drawing on investment-banking chops. Zynga's sales more than doubled through September, to \$829 million, and it has earned \$121 million since the start of 2010, according to its SEC filing. What's more, the top five games on Facebook are Zynga titles: "CityVille," "CastleVille," "FarmVille," "Zynga Poker" and "Words With Friends."

About 3 percent of Zynga's estimated 240 million players pay for virtual goods, such as a cow in "FarmVille" or a machine gun in "Mafia Wars," according to Zynga.

"Companies like ours show that consumer Internet services can be profitable," Pincus said.

The boyish-looking Pincus, nicknamed "Pinky" by his wife, Ali, on her Facebook page, has Zynga squarely under his thumb. He owns 38.5 percent of Zynga's voting power and exerts as much control over the

business. Zynga's stock structure gives Pincus his own class of C shares that carry 70 times more voting power than regular A shares.

No matter how Zynga [stock](#) fares - and many may openly wonder after its underwhelming first days of trading - Pincus will make out handsomely. His stake? More than \$1 billion, by some accounts.

The fortunes of Zynga's offering are as much a referendum on Pincus, its flashy leader, as the culmination of his rip-roaring narrative in the tech world.

The hard-charging Pincus is nothing if not a risk-taker. He's started five companies and invested in many others, including Napster, Facebook, Twitter and Friendster, all of which appeared to be iffy bets initially.

In April 2007, he founded online games start-up Presidio Media, which produced Texas Hold' em poker. When Presidio quickly secured \$10 million in funding, Pincus renamed the company Zynga, after his dog.

Pincus got the idea for Zynga, he said, from playing against kids who routinely thrashed him in the game Rise of Nations. The ultra-competitive Pincus yearned for tools that would give him an edge. At about the same time, he became aware of companies in South Korea that sold virtual goods.

"Mark is no softie," said Eric Tilenius, former general manager of Zynga's hit game "Mafia Wars." "He demands the best out of people, which leads to incredible results for the company. He's tremendously empowering and rewards success handsomely."

Pincus' hands-on approach as CEO infuses Zynga, drawing comparisons to how Steve Jobs ruled Apple. The difference, eMarketer analyst Paul Verna says, is that Pincus is "about building hit games that people are

willing to spend money on."

"Jobs," Verna added, "was about more about innovation, design and the aesthetic."

Venture-capital veteran Roger McNamee cautions that an overbearing management style could drive away valuable employees, who could eventually cash out now that Zynga is public.

"His style resonates best with short-term [investors](#) ... but potentially leaves body bags of overworked employees and questionable long-term valuations," said Patrick Moorhead, head of market researcher Moor Insights & Strategy. "Longer-term investors need to ask a lot of questions about long-term employee commitments and processes."

But it is exactly Pincus' approach that fuels a startup such as Zynga, says one gaming expert. "It's in an entrepreneur's blood to naturally want to expect a certain level of personal emotional investment and commitment from colleagues," said Scott Steinberg, head of video game business consulting firm TechSavvy.

Zynga's [IPO](#) culminates a long journey for Pincus. The Chicago native studied economics at the Wharton School of the University of Pennsylvania, and he started in banking. After earning an MBA at Harvard University, Pincus moved to San Francisco in 1995 to be part of the dot-com boom.

He persuaded venture capital mover-and-shaker Fred Wilson to sink \$250,000 in FreeLoader, a personalized news site that Pincus co-founded. Within a year, FreeLoader was sold for \$38 million to online news company Individual.

Then there was a blur of activity. Startup website Support.com, which

helps businesses diagnose and fix PCs from remote locations, was founded in 1997 and went public in 2000. Pincus invested in several companies, including Napster and Friendster. In 2003, he started social-networking firm Tribe Networks. The company was sold to Cisco Systems in 2007.

Zynga, meanwhile, is making moves to wean itself from Facebook as a platform where most of its customers play its games. In October, Zynga discussed plans for its own platform, code-named Project Z. Zynga has a deal with Facebook that runs through 2015. Pincus has also negotiated a deal that led [Google](#) to buy a 3 percent stake in Zynga.

In five years, during the bite of a financial crisis, Andreessen said Pincus "built the most important video-gaming company in the world. He trained a new generation of consumers on new games. And he created a new business model" with the sale of virtual goods.

"He is committed to growing Zynga into a leader in casual gaming," said Jeffrey Katzenberg, [CEO](#) of DreamWorks Animation, which has done marketing deals with Zynga. "This is a world that is in its infancy. These are its earliest days, and we have yet to see its full potential."

Pincus has proven critics wrong, said Andreessen, who expects him to aggressively expand Zynga worldwide in the next decade.

Said Pincus: "This is the first inning in what we all need to do. That is build world-changing products in the next 10 years, and make (social) play a daily habit."

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Citation: CEO calls Zynga his 'crowning achievement' (2011, December 23) retrieved 28 June

2024 from <https://phys.org/news/2011-12-ceo-zynga-crowning.html>

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