

# Zynga's Dominance Threatened As Games Fade, EA Rises

Companies: ATVI, EPA:JXR, ERTS, FRA:RZP, GA, MSFT, SEO:005930, ZNGA

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## Research Question:

**As competition heats up in the social gaming market, how is Zynga faring and what effect will Electronics Arts have on the industry?**

## Summary of Findings

- The overall social game market is declining. Gamers are becoming more discerning, quickly bored with copycat games, tired of recruitment and promotional requirements, and disappointed in the lack of innovation.
- [Zynga Inc.](#) is being hurt by its close ties to [Facebook Inc.](#), whose own growth has stagnated. Also, Facebook's platform changes have made all games less visible, reducing social interactions and free marketing. Zynga has largely missed an opportunity to expand into mobile gaming because of its commitment to Facebook.
- Zynga's best-known games are in decline, and its new offerings are not expected to have the same success. Gamers are cycling through its new titles more quickly and tiring of Zynga's use of the same game formula.
- Electronic Arts Inc.'s (ERTS) entrance into [social games](#) has cut into Zynga's dominance. EA is using acquisitions to become the mobile game leader, and [The Sims Social](#) has opened the door for EA's brands and franchises to excel in social games.
- Zynga's acquisitions also have been lauded, especially the purchase of the [Friends](#) franchise. Sources believe Zynga's [Poker](#) game is underappreciated.
- Four sources raised concerns about Zynga's culture and management, saying it is a difficult and political place to work.
- Further competition is expected to come from Russian and Chinese gaming companies, such as [Giant Interactive Group Inc.](#) (GA) and [Shanda Interactive Entertainment Ltd.](#) (FRA:RZP).

## Silo Summaries

### 1) CASUAL GAME DEVELOPERS

These six sources said Zynga has stiff competition, especially from EA, for the lead in social gaming and that its best-known games are becoming less popular. One source said competition also is coming from gaming companies overseas. The overall social game market appears to be slowing; its audience has become more discerning and less open to the micropayments model. Also, Facebook's redesign has made most games less accessible. Zynga's new games are not expected to repeat earlier games' initial success. Two sources said Zynga faces challenges in its leadership, management and HR issues.

### 2) INDUSTRY SPECIALISTS

Three of four sources said Zynga will suffer from having its model so closely tied to Facebook. As Facebook memberships reach a plateau, Zynga's games and revenue per user will slow. Players are becoming bored more quickly with social game choices. Also, Facebook's platform change diminishes Zynga's amount of free marketing to its users. Zynga still is the leader in social games and recognizes the need to compete with EA on mobile devices, leading to smart acquisitions like the Friends franchise.

### 3) DATA TRACKERS

Three of four sources raised concerns about Zynga's performance; two noted a decline in usage and popularity of Zynga's core games and a third cited growing competition from EA and others. Zynga is so closely tied to Facebook that it has missed opportunities to expand onto other platforms, namely mobile. One source said downloads of Zynga titles on mobile devices have been virtually nonexistent. New games in general are peaking faster, showing users' higher expectations and shorter attention spans. EA's acquisition of PopCap gives it a strong platform in social games, and the success of *The Sims* opens doors for other franchises and brands to succeed on social and mobile platforms. One source said Zynga's *Poker* is underrepresented and underappreciated.

### 4) CASUAL GAME CUSTOMERS

Ten of 13 sources have decreased or stopped their playing time with social games, *Farmville* in particular. They said they are increasingly bored with the games, which now are too similar, and have tired of the need to recruit players and ask for help to progress through a game. Two sources also said their interest and use of Facebook is waning. EA is more innovative and has created excitement with its *Sims Social* game, but only five of the 13 sources play it. One source said he is playing Zynga *Poker* more frequently.

	Overall Gaming Market	Zynga's Future	EA in Social/Casual Gaming
Casual Game Developers	↓	↓	↑
Industry Specialists	↓	↓	↑
Data Trackers	↓	↓	↑
Casual Game Customers	↓	↓	→

# Casual and Social Gaming

## Background

Facebook's gaming platform has evolved into a known source of gaming franchises rather than of original game content. Zynga has dominated Facebook's gaming market, with its original nonbranded titles gaining users through by strong "friend" recommendations. That dynamic is changing as Facebook and its gaming community become more brand-focused and gaming companies like Electronic Arts make a concerted effort to expand their successful franchises onto social platforms.

## CURRENT RESEARCH

Blueshift set out to determine what the changing dynamic in social and casual gaming means for Zynga and EA. We employed our pattern mining approach to establish and interview sources in five independent silos:

- 1) Casual game developers (6)
- 2) Industry specialists (4)
- 3) Data trackers (4)
- 4) Casual game customers (13)
- 5) Secondary sources (9)

Blueshift interviewed 27 primary sources, including five repeat sources, and included nine of the most relevant secondary sources focused on EA as a competitor to Zynga, changes at Facebook that affect games and app data, an investment from tech entrepreneur Mark Cuban in a social gaming start-up, and concerns about Zynga's management and culture.

## Silos

### 1) CASUAL GAME DEVELOPERS

These six sources said Zynga has stiff competition, especially from EA, for the lead in social gaming and that its best-known games are becoming less popular. One source said competition also is coming from gaming companies overseas. The overall social game market appears to be slowing; its audience has become more discerning and less open to the micropayments model. Also, Facebook's redesign has made most games less accessible. Zynga's new games are not expected to repeat earlier games' initial success. Two sources said Zynga faces challenges in its leadership, management and HR issues.

#### ► Business development chief at the U.S. unit of an Asian game developer; repeat source

Zynga flooded the market with copycat games rather than building off the [Farmville](#) platform in the first place. As a result, Zynga crowded its own games out of the market and wrecked the category for other developers. Facebook's redesign has pushed all games virtually off the user's page. This source believes the trend of casual and social games is slowing down.

- "It's a disaster. Everything in social has been eroding as successive Facebook redesigns push these apps increasingly to the margins or off the page entirely. The rot set in early this year—right after [Cityville](#) forced people to choose between it and *Farmville*—and the proliferation of me-too games drove a lot of the audience to just quit them all."
- "[EA's] *Sims Social* has been getting a lot of press, but it's tanking too, falling faster off a much lower base. EA isn't going to make this one a breakout success, but at least it trots out the tired old *Sims* brand for another iteration and makes them some money on a prebuilt property."
- "Zynga could have bet everything on the farm game and built out the farm experience. Why not? The farm people could've stuck with it as long as the experience stayed interesting, and every time the game expanded, there would be more perks to buy. But Zynga got greedy and wanted two apps because two is clearly twice as good. Instead, they pushed the audience into overload."

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*Business Development Chief,  
Game Developer*

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- “Micropayment games are much more popular in the Asian market. ... Those games are more strategic and competitive, traditional war games where the social component evolves out of the game situation instead of the very clever vice-versa approach that Zynga took. People pay more to get the tools they need to crush their enemies in game. They don’t pay as much to give their friends a special new flower.”
- “Zynga tried war games, but they were too complicated for the mass casual audience they thought they needed. Perfectly good, profitable games that just didn’t scale to the gigantic numbers that *Farmville* set as the goal. [Mafia Wars](#) might be the salvation but it’s still very new. As yet, the original version is still doing one-third as much traffic. And now that the casual games are falling back down toward more normal levels, that might be the new ‘success,’ only with a lot more people pushing for a share of the traffic.”
- “*Mafia Wars* was aimed at ‘a next generation’ of social gamers but was still too primitive and not interactive or immersive enough. Do a crime, do a crime, beg on Facebook for a weapon. The real players were excited for [Firaxis Games Inc./Sid Meier’s] [Civilization World](#), but it was too greedy to ever capture a big audience. They tried to grab cash right away; effectively, you had to pay money to ever build anything much.”

➤ **Founder of a social gaming company and a veteran of several venture capital-backed Web start-ups; repeat source**

The Facebook audience has become too large and too jaded for Zynga to be able to repeat its initial breakout success. This source questioned whether Facebook can support massive gaming applications in the long term. Many have confused “social” games played on Facebook with a much more sustainable market for “casual” game products. EA’s casual games have the lead on Zynga’s and are more likely to translate into success on mobile devices, whereas Zynga’s niche is with Facebook alone.

- “Let’s break this down into ‘social’ games played on social networks like Facebook and ‘casual’ games that can be Web pages, mobile apps, Facebook apps or even traditional media. Casual games have created a huge market for themselves over the years, and that market seems to be sustainable. Almost everyone plays a casual game now and then. Social games like *Farmville* or *Cityville* or *Mafia Wars* seem to be more of a boom-and-bust fad.”
- “All of the first and second generation of social games have peaked and are now in pretty steep decline. *Farmville* was a craze, but that craze required a kind of mass participation to build on itself. When it was just you watering your plants, it was nice but really kind of trivial. When it was you and everyone you know building something together, it was exciting and got people to spend money. But now that the craze is ending, all those little farms just look sad.”
- “Two problems there for Zynga: First, the micropayment model is based on a massive scale because you know that only maybe one in a thousand ... active users will ever spend one dime, and when they do, it’s maybe \$5 or \$10. Compare that to conventional multiplayer games like [Activision Blizzard Inc.’s/ATVI] [World of Warcraft](#), where there’s a buy-in fee for the software and then you’re guaranteed a lot more than \$5 every month from every single player.”
- “Zynga’s second problem is more strategic and speaks to repeatability. Once you see that little farm and realize how many hours you spent watering those plants, you’ll be less likely to buy that heavily into the urban version or the mafia version or the *Lord of the Rings* version. The novelty’s gone, and Zynga only gets one shot at being a breakthrough product. And the more of your friends drop out, the sadder your farm looks and the more likely you are to drop out too. Chain reactions swing both ways.”
- “*Sims Social* is different because it’s really just a fun, new interface for social relations you’re going to have anyway. It’s a Facebook inside Facebook, where instead of just ‘liking’ something you can dance with it. It’s not so much a ‘social game’ as [socializing in] a game. It might even be the future of social.”
- “EA already had a desktop version of the *Sims*, so it already had the micropayment system in place and a vast body of content ready to sell. It might not get the numbers that *Farmville* did, but it doesn’t matter because I bet you it’s vastly more profitable.”

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Founder, Social Gaming Company

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- “Zynga has to build everything from scratch in order to hit a second *Farmville* that’s not likely to happen. The odds are against it, and as far as I know all their games are tanking.”
- “Another thing that’s nice about EA or [\[EA’s\] PopCap \[Games Inc.\]](#) or any of those guys is that they’ve got a vast library of casual games. Fun little apps that are cheap to make and you can port everywhere: to phones, to desktops, to tablets, to social networks. They don’t all have to be field goals. They have enough of them from the desktop and phone days that they can simply crowd the niche in Facebook or wherever with midtier properties and generate plenty of hits that way.”
- “The first round of Zynga games were actually built for desktop, and then they brought them to Facebook where they became their own genre. Our games are more traditional pay-for-play ... but our approach is more casual in the sense that people can drop in or out whenever they have time and still participate.”

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Founder, Social Gaming Company

## ➤ CEO of a casual/social gaming company with offices in the United States and Russia

Zynga has tremendous momentum in social games but faces competition from foreign companies that easily can enter the U.S. casual/social space. Electronic Arts has perhaps greater breadth of technology and experience with its recent acquisitions. While *Sims Social* is an example of moving from the traditional to social gaming space, EA has the opportunity to move games from the social to the traditional space. In Russia, the strongest growing demographic is women age 25 and older.

- “Zynga has a great momentum and accumulated a lot of experience in creating social games. But as the market rises and gains shares, in areas where Zynga is not yet dominant, like in non-U.S., non-Facebook areas, there are other companies gaining all that experience. They’re turning game play to extract everything they can from it, like monetization. The market is huge and Zynga can’t control and gain all of it, so other big publishers and strong developers will likely arise.”
- “The publishers that are trying to gain dominance in non-U.S. markets like Asia, Europe and South America can also fight for leadership in Facebook once they gain momentum.”
- “*Mafia Wars 2* is an experiment like many of Zynga’s offerings. They have several main hits, but will they rise to the same heights as *Farmville* and *Cityville*?”
- “There might be a threat from EA because the genre of social games that has already formed will move into some different forms as the platform develops. Mobile is becoming more important. And all the experience that EA has in the areas of more serious projects, like console and PC products, they can tune in some of their experience there, like making casual games more noncasual.”
- “The main focus for Facebook is about the user experience and social interaction with each other. Facebook is going to enrich the user experience by adding new features, also ones for game developers, for APIs, but at the same time they’ll limit those so as not to harm users. The last features Facebook tried to use is the right column where we have a timeline of events that is happening with your friends in other applications and games. That enriches the user experience while playing games, but at the same time limits the noise of it.”
- “The first social and casual games were mainly popular among young people like teenagers. As more people registered in social networking, some of the most important groups of people, in Russia anyway, are women age 25 or even 30.”
- “Every studio, every game developer has tried to make a clone of *Cityville*. But people get bored and new genres will rise while others fade. That’s mainly what Zynga is doing with their new projects. That’s how the whole industry works. Right now there is some transition from casual strategies like *Cityville* and *Farmville* to genres with quests and adventures, some combination of strategy and adventure.”

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CEO, Casual/Social Gaming Company  
U.S. & Russia



# Casual and Social Gaming

## ➤ Casual game developer

Zynga is losing dominance, but the company recognizes this. It is strengthening its ability to create actual content, which will help it do well. Electronic Arts is a real threat. EA needs to pay attention to stay on top. Game developers must learn to develop living, downloadable content and cater to the players with cash, those 18 to 34 years old.

- “Zynga is very smart. Yes, they are losing dominance, and if they don’t move quickly, their hold will be broken. However, unlike many in their position, Zynga fully recognizes how vulnerable they are, and they are doing something about it. They are aggressively acquiring actual game design entities and greatly strengthening their ability to create actual content instead of mere marketing schemes. If Zynga follows through with this and continues to release strong game titles, they will do well.”
- “The EA threat is real. EA has long been great at building content, and they have a strong brand. As the platforms mature, brand and content will matter more and more. If EA pays attention and invests in learning the evolving business, they will be on top once again. [EA’s] [Playfish](#) and PopCap can compete.”
- “Most ‘traditional’ game developers are either dying or changing fast. The old models are long gone, and developers must learn to build ‘living content,’ with even premium titles heavily influenced by DLC [downloadable content] and social gaming.”
- “Zynga’s big hitters have declined, and they have new offerings that are having some success. But the initial craze has largely dwindled. They now must build a business based on the content they provide, not just the gimmick. The app data summarizes this well, so it is not really difficult to see.”
- “Fundamentally, the core of *Sims* plays on many of the same things that made Zynga successful. This is an example of EA actually paying attention.”
- “As you would expect with any platform, as it matures, players are expecting more from their experience. Players want games to entertain them more and to be deeper, while maintaining the traditional draws of social and casual games. Players also are becoming more discerning.”
- “RPGs [role-playing games] are about to cycle back into the downside. Strategy games are gaining. Puzzle games remain huge. Shooters are consolidated, so they are fading for everyone but the top three: [Activision’s] [Call of Duty](#), [EA’s] [Battlefield](#) and [Microsoft Corp.’s/MSFT] [Halo](#). Games that properly introduce RPG-ish aspects and social aspects into other strong genres will do well.”
- “I expect we’ll see fewer new IP breakouts in the next few years, and more existing brands will solidify their position.”

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*Casual Game Developer*

## ➤ Current Zynga employee

Zynga is losing ground because it uses the same formula for all of its games. However, the company is entering the mobile market, offering games to attract a wide variety of people, including those with means to pay for games. Mobile games are becoming more popular than the massively multiplayer online role-playing games (MMORPG) because people enjoy interacting with their friends but do not want to sit at their computer for long periods of time. This source suggested some friction in the Zynga workplace.

- “I work for a publisher, not a developer. We recently released our first mobile game, and we are trying to delve deeper into that market. We also compete by having a wide variety of games, to attract a wide variety of people including those with money.”
- “I think Zynga is losing a bit of ground, primarily because they are following the exact same formula for all of their games. *Cityville*, *Farmville*, [Yoville](#), [Castleville](#), etc. In these games the player is given certain tasks and earns experience points for completing them. The company needs to develop different formulas.”
- “*Sims Social* is doing so well because the *Sims* franchise has an

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*Current Zynga Employee*

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enormous following. It was promoted at a lot of gaming expos, and they built a lot of hype about it long before it was released.”

- “Developers are moving away from computer games and more into Facebook and cell phone games.”
- “I think massively multiplayer online games are definitely decreasing in popularity. *World of Warcraft* is still the No. 1 MMORPG, but it still is losing players every day. It seems more people enjoy gaming on the go or the ability to interface with friends instead of having to sit down at a computer for three-plus hours.”
- “I’m most surprised by the huge interest shown by middle-aged women in Facebook games.”
- “*Farmville* is definitely on the decline. Online games become outdated very quickly unless lots and lots of fresh content is added.”
- “*Mafia Wars* was one of the first big Facebook games. *Mafia Wars 2* seems to have improved upon each feature of the original game, and it appears to be doing very well.”
- “It’s a very political place, and it would be nice if all employees were valued and respected.”

## ➤ Former Zynga developer; repeat source

This source recently left Zynga when his project was canceled in middevelopment. The source’s comments indicate that at least one team was laid off.

- “I am looking for new opportunities. That’s really all I can say. I’ve been told you’re not really part of the game business until your project has been canceled and you’ve gotten laid off.”
- “I didn’t have much to do in the last six weeks I was there. Let’s just say I am not impressed with HR right now.”

## 2) INDUSTRY SPECIALISTS

Three of four sources said Zynga will suffer from having its model so closely tied to Facebook. As Facebook memberships reach a plateau, Zynga’s games and revenue per user will slow. Players are becoming bored more quickly with social game choices. Also, Facebook’s platform change diminishes Zynga’s amount of free marketing to its users. Zynga still is the leader in social games and recognizes the need to compete with EA on mobile devices, leading to smart acquisitions like the Friends franchise.

## ➤ Social media industry journalist and consultant; repeat source

This source remains unconvinced that Zynga or Electronic Arts can substantially monetize the Facebook gaming audience. The profusion of truly free casual game apps puts the already-thin ARPU for this type of product under even more pressure. If Zynga and EA do not substantially grow their audiences, their business models will collapse. He prefers Zynga for its leadership in the micropayment model, but warns that Chinese companies are eager to translate their expertise to Western markets.

- “Zynga is by far the leader, with four to five games that outdo *Sims Social*. That said, *Sims Social* might still be a larger success for Electronic Arts if it delivers higher revenue per user, which it might indeed do given the *Sims*’ track record for getting people to buy premium content.”
- “Zynga generates maybe 5¢ per user per day. That’s high given the extreme mass appeal of its biggest games, but it also represents an extremely thin margin for error. If the company is a success at 5¢ per user per day, it could easily be a disaster at 4.9¢ or even 4.95¢. And those sorts of ARPU numbers have so far invariably gone down, never up.”
- “The problem is wannabe developers who’ll throw something up for free and it becomes a huge viral success, or it’s an advertisement for some other product anyway. A lot of Electronic Arts’ games are like that. They’re really just marketing for the [Hasbro \[Inc./HAS\]](#) portfolio, the sports portfolio or even the PopCap portfolio.”
- “Except for the Sims, which has had a ‘social’ or micropayment aspect for years now, EA is using its Facebook presence the way everyone else does: as a marketing channel pointing people back to its non-Facebook products. Zynga only really exists on Facebook, so it’s really a pure ‘social’ company, rising and falling on the social channel.”
- “People don’t get more addicted to *Farmville* over time and spend more money on it. They play for free, hit a wall and buy something. Then maybe they buy something again, but most of the time they’re free riders costing Zynga money for hosting and database. At that level, they’re almost doing Zynga a service when they quit because they’re no longer an incremental drain on the business, and they’re not going to spend much anyway.”

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- “As Facebook growth slows, Zynga in particular stops growing. That means the almost pyramid-scheme type of expansion where players hitting a wall subsidizes the next cohort of free players getting addicted to the game has a natural limit. No new free players coming up means more of their population moves toward the ‘already paid and now just noodling around’ group.”
- “I suspect that Zynga hit that terminal expansion last quarter. Facebook has changed its platform so aggressively in the last few months and people were getting bored anyway, so the game notifications have dropped off or disappeared from most people’s screens. That means the free social marketing goes away, which slows growth within Facebook. You simply don’t get barraged with *Sims Social* messages like you got hit with *Farmville* a few years ago.”
- “A falloff in earnings is serious because it’s not a one-time thing that they can fix with a new product mix. It’s a secular trend. About 90% of the audience for new Zynga games comes from old Zynga games. That’s not quite cannibalization because you can play both, but in terms of time spent in a particular app and money spent on it, there’s a hard limit and sooner or later people have to choose. *Farmville* or *Cityville*? If 90% of your paying players go away one quarter, they’re not coming back if you float a new game. They’re gone.”
- “Micropayments are still an interesting business model. But they rely on managing that sweet spot in the game experience at which the free rider will pay and so subsidize the players before and after him or her in the pool, who have either already paid up for a while or haven’t gotten invested enough in the game to kick in real cash. If anyone can make it work, it’s Zynga.”
- “In addition to the free games competing with Zynga for eyeballs, there are some very tough competitors in the Pacific Rim looking for a way into the U.S. market. Giant Interactive and Shanda are at least contemplating ways to translate their micropay games into English. I know there are a few attempts on desktop already, but so far no serious entry on Facebook. When that happens, Zynga has more problems.”

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Social Media Industry Journalist & Consultant

## ➤ Game industry journalist; repeat source

Although social gaming has captured a vast nontraditional audience and substantial public attention, the free or near-free approach has made social gaming companies reliant on unsustainable growth trends. If Zynga has not generated appreciable revenue by now on Facebook, it likely never will. Also, the company is dwarfed by EA and other console-oriented game companies.

- “You know how this works: You start from a low base, demonstrate fantastic growth for a while, extrapolate the growth curve. Then you figure out what kind of profit you want to be making a year, two years out, match it against that point on your extrapolated growth curve and derive what you should be charging your users from that. Unfortunately, it didn’t work in the first dot-com bubble and it doesn’t work now.”
- “Zynga achieved great things by turning the focus of gaming back to women and away from the teenage boys, who run the console market. But to capture the women and other nontraditional gamers, they made the barrier to entry insanely low. *World of Warcraft* costs \$14 a month times 11 million teenage boys. *Farmville* collects maybe \$1 a month times 28 million active users. One of these companies is leaving a lot of money on the table, and it isn’t Blizzard.”
- “Now if that growth curve goes on exponentially forever, there’s no problem, because that 28 million users at \$1 apiece turns into 90 million, 300 million, a billion users, and Zynga gets rich. But if something happens or growth hits a wall, your forecasts go through the window and you’re trapped in a position where your nickels and dimes don’t add up to real money. I think they’re there now. Clearly, if their earnings not only hit a wall but plunged, that exponential curve has

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Game Industry Journalist

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stopped working as expected.”

- “EA is a totally different type of company. In a decent quarter, EA earns a profit of \$200 million, \$250 million. Zynga barely brings in that much revenue over the same time period. And behind EA you have Hasbro, which is desperate for a way to bring its board games and other content to an online environment.”
- “*The Sims* is a hobby for EA, a long-term franchise with a dedicated following. The Facebook version makes, what, \$20 million a quarter? That’s very efficient in terms of squeezing each player, but it’s a sideshow compared \$1 billion *Call of Duty* installment.”

## ➤ Social media industry commentator and consultant

Zynga still is the leader in the social gaming space, while EA currently is a fringe competitor. However, Zynga’s growth is dependent on Facebook’s. The company’s games have begun to cannibalize each other for audience and revenue.

- “Zynga rules social gaming. Its top three or four apps are the most successful ever introduced to the Facebook platform. For all practical purposes, it invented the category, whereas Electronic Arts is seen as something of a dabbler on Facebook despite *Sims Social*’s success.”
- “The problem for Zynga is that, in the United States, Facebook growth has plateaued. The market is saturated; just about everyone who would ever want a Facebook account has one or had one and canceled it. That means just about everyone who would ever play a Zynga game is either already playing or once played and stopped.”
- “I read a stat that had 60% of all Facebook users playing a Zynga game fairly actively. If so, two things: First, it means that estimates of 200 million players are wildly miscalculated. They’re adding all the players for all the games together, but the fact is, if you play one Zynga game, you probably play three or four of them. The fact is, there are still only 155 million Facebook users in the United States, and these games are mostly a U.S. thing. Figure 93 million people playing several games and allocating their spending accordingly.”
- “Second, Facebook is only growing at a rate of maybe 250,000 users a month in the United States. If Zynga gets 60% of them, that’s month-over-month growth of, what, 0.16%? That is not the exponential growth that deserves a huge IPO valuation.”
- “Don’t forget that [Facebook changed its algorithms](#) a few weeks ago to only count true active users in its app traffic results. A lot of people were being counted as Zynga players but weren’t really actively playing. They were just hitting a link and then going away. That knocked 20% to 40% out of the monthly traffic numbers immediately, so all the comps look terrible. Arguably, they are since after the adjustment growth has been pretty flat throughout the group.”
- “While the Zynga games have been flat after the Facebook change, *Sims Social* has been tanking in the last three weeks. That’s not a data artifact, that’s significant erosion.”

The problem for Zynga is that, in the United States, Facebook growth has plateaued. The market is saturated; just about everyone who would ever want a Facebook account has one or had one and canceled it. That means just about everyone who would ever play a Zynga game is either already playing or once played and stopped.

Social Media Industry Commentator & Consultant

## ➤ CEO of an in-game advertising/rewards company

Zynga is far ahead of the pack and secure in its first-place position, given its attractive service model. It is attempting to move out of Facebook and dominate in the mobile games space, where it has had some success with its acquisition of the Friends games. Like EA, Zynga is proving itself to be savvy in acquisitions and strategy. Gaming trends are moving toward college-educated women.

- “People love to hate Zynga, but Zynga will continue to dominate. They have enough resources, know-how and industry dominance. Their best practices are games as services, rather than product, which is a model they pioneered: gaming as a service that you consume continually, so they’ll never be held up to the constraints of EA.”
- “Most of Zynga’s revenue comes from 4% to 5% of its players. And if they keep them happy, then Zynga’s OK.”
- “Mobile games from companies like [TinyCo](#) and [Storm8 \[Inc.\]](#) are a strong trend, and Zynga’s going to have to combat them to grab hold in the mobile market. They’ve had to acquire into success in the mobile market. They acquired the Friends franchise with its acquisition of Newtoy and its mobile *Words With Friends* and *Hangman With Friends* titles.”



# Casual and Social Gaming

- “There’s a huge trend toward reality fashion social games. There’s a game called [It Girl](#) by CrowdStar [Inc.], made along the idea of shopping.”
- “Zynga is trying to move away from Facebook. They’re trying to diversify their platforms, and mobile’s the next frontier.”

## 3) DATA TRACKERS

Three of four sources raised concerns about Zynga’s performance; two noted a decline in usage and popularity of Zynga’s core games and a third cited growing competition from EA and others. Zynga is so closely tied to Facebook that it has missed opportunities to expand onto other platforms, namely mobile. One source said downloads of Zynga titles on mobile devices have been virtually nonexistent. New games in general are peaking faster, showing users’ higher expectations and shorter attention spans. EA’s acquisition of PopCap gives it a strong platform in social games, and the success of *The Sims* opens doors for other franchises and brands to succeed on social and mobile platforms. One source said Zynga’s *Poker* is underrepresented and underappreciated.

### ➤ Web traffic analyst for a leading third-party data provider

Downloads of Zynga titles have practically ceased on all mobile phone platforms because the company focuses exclusively on its Facebook audience. Electronic Arts’ numbers are not much better.

- “Zynga is exclusively a creature of Facebook. I can tell you almost nobody plays any of its games away from the social network because I know for a fact that almost nobody downloaded any separate version of any of the games to any mobile platform in the last 2-1/2 years. Whatever the Facebook numbers tell you represents their entire market.”
- “Zynga’s core games never made our leader boards on any platform. In our world, *Angry Birds* remains the phenomenon to chase, and there are so few dedicated competitors that some of the platforms are dominated by multiple versions of the *Angry Birds* app.”
- “I’d be more curious to see how Zynga’s numbers line up with *Angry Birds* downloads. But after the last month, all of the pure ‘social’ apps have been depressed in terms of monthly and daily users. Previously, the trend pointed down as Facebook seemed embarrassed at how much of its traffic the games were actually generating.”
- “You can’t really sell ads across from *Farmville* unless it’s an ad for a competing game or even the next generation of the Zynga style of game. So [Facebook] hid the games bit by bit. The problem is that as these games are hidden, their once-exponential growth collapses.”
- “Electronic Arts does better for us, but it has also failed to deliver a real mobile hit on any platform. It does fairly well on Windows Mobile, but that is largely because that’s not exactly a crowded app market.”
- “The key to really monetizing these social apps is to make them into destinations that users can access from any platform. You want to take your Facebook traffic and push it back to your own apps or your own site, so you can get the ad spend and count the eyeballs as yours. Zynga never bothered to do this, and now they live and die on the Facebook numbers.”

Zynga is exclusively a creature of Facebook. I can tell you almost nobody plays any of its games away from the social network because I know for a fact that almost nobody downloaded any separate version of any of the games to any mobile platform in the last 2-1/2 years. Whatever the Facebook numbers tell you represents their entire market.

Web Traffic Analyst  
Leading Third-party Data Provider

### ➤ Web traffic analyst for a leading third-party data provider

This source cited some frustration with the lack of transparency of Facebook user numbers. *Farmville*’s tremendous success on Facebook drove Zynga to become almost exclusively a Facebook-centered developer, even though older games retain a significant presence in traditional desktop and mobile platforms. *Sims Social* remains a very small brand on or off Facebook compared with the top Zynga titles, but rising traffic indicates that—unlike any of the core Zynga titles—EA’s title is growing.

- “When we try to crunch the Zynga numbers, we are more or less at the mercy of Facebook. Facebook’s decision to dramatically overhaul its social game user statistics effectively rendered all historical comparisons useless.

# Casual and Social Gaming

We just don't know what the long-term trends are, and the short-term trend looks disastrous simply because we're comparing the old, inflated numbers to what we're told is more realistic data."

- "Even in terms of the old, inflated data, Zynga's core games were in decline for most of this year. It seems to have been a case of each new product cannibalizing the old users' time and money and not striking out to conquer new markets inside Facebook. The net result was that whatever the latest and greatest game was peaked faster and lower than the one before it. *Cityville* is still on top, and *Farmville* is right below it. *Frontierville* barely rates by comparison, and all are dropping even from the plunge we saw as a result of the revision last month."
- "Zynga is now married to Facebook. The old games evolved as Web games propagating via e-mail and other platforms, but then when Facebook opened its doors, their audiences exploded. That was a one-time flood of traffic that will not be repeated, but by this point Zynga is now developing for its biggest audience and ignoring the rest."
- "Take a look at a stand-alone site like [MafiaWars.com](#). It obviously exists to support the *Mafia Wars* franchise, which evolved on the Web and not so much Facebook. Traffic is still decent—32,000 visitors a month—but down 90% over the last year. *Cityville.com*, *Frontierville.com* don't even exist. [Farmville.com](#) still has 1.9 million visitors a month. It's down 60% over the last year, but it gives you a sense of absolute scale. After *Farmville*, Zynga became a Facebook client company."
- "*Sims Social* is a next-generation title, so its traffic is almost exclusively directed at Facebook itself and not a stand-alone site. But the stand-alone site has boomed 900% in terms of visitors since July. The base here is fairly low—we're still at maybe 15% of the traffic *MafiaWars.com* gets—but the curve would be extraordinary if it's sustainable."
- "One curious thing about *Farmville.com*: Traffic bumped up 18% over the last few months. It might be a back-to-school phenomenon where Facebook itself is blocked so the kids have to go around the firewall to play."

It seems to have been a case of each new product cannibalizing the old users' time and money and not striking out to conquer new markets inside Facebook. The net result was that whatever the latest and greatest game was peaked faster and lower than the one before it.

Web Traffic Analyst  
Leading Third-party Data Provider

## ► Long-time tracker of social media traffic trends

Zynga has been expanding beyond the *Farmville* franchise, primarily into casino games. This source was unaware of any trouble within the company. Truly "casual" games from PopCap, Midasplayer.com Ltd.'s [King](#) and other companies remain the real low-risk development opportunities since many are simply transported from mobile or desktop code. He said *Sims Social* falls into this category.

- "Zynga is doing fine. They recognize that they need a more diversified product mix, so they're beefing up their gambling titles. Remember, they also run [Texas Hold 'em](#), which is one of the unsung giants of social gaming. Millions of people who wouldn't be caught dead in *Farmville* play plenty of poker."
- "I'm not aware of any trouble at Zynga. They seem to be pretty gung-ho ahead of their IPO, and previously peripheral offices like Dallas and Los Angeles are now bringing their initial projects to market. Of course, their quarterly numbers are still all over the place and there's talk that their M&A got out of hand when the *Farmville* money was flowing in."
- "The latest installment in the Ville series—*Castleville*—is on the horizon, and *Mafia Wars 2* is actually defeating the critics with a massive traffic boost this week. What's interesting about *Mafia Wars* is that it's still off most people's radar, which means it's still ramping up in terms of social viral growth."
- "These games only demonstrate that social gaming is a lot more than building a garden with your friends. All traditional casual gaming types—casino, puzzle, object sorting, arcade—are doing big numbers on Facebook. They're not nearly as high-profile because a lot of them are cross-platform titles that phone users or desktop gamers already know, but they're still capturing time from millions of users. And because most of them are prebuilt for other platforms, the cost of tweaking for Facebook is minimal and ROI is very fast."

Zynga is doing fine. They recognize that they need a more diversified product mix, so they're beefing up their gambling titles. Remember, they also run *Texas Hold 'em*, which is one of the unsung giants of social gaming. Millions of people who wouldn't be caught dead in *Farmville* play plenty of poker.

Tracker of Social Media Traffic Trends

# Casual and Social Gaming

- “*Sims Social* is in that category. *Sims* is actually more of a desktop and mobile success story. [Sims 3](#) is one of the top-selling apps on iPhone and iPad, so the Facebook version exists to extend that audience into the Facebook environment. It’s not so much designed to be a stand-alone product or even to push people into the traditional *Sims* products. It’s a brand extension.”
- “But Zynga is the king. Just in the top 10 apps we track, Zynga has four—*Farmville* and *Cityville*, *Texas Hold ‘em* and [Empires & Allies](#)—with a total of 130 million active monthly users. That’s down significantly in just the last month, when they were collectively tracking at about 170 million users a month, but the entire category took a hit when Facebook changed the way it counts these users. *Texas Hold ‘em* rebounded. *Cityville* plateaued. The others are still dropping off.”
- “Over the same time period, *Sims Social* plunged from 66 million to 36 million monthly users. It fell, and it’s not getting back up. That’s OK by EA standards because they’re not a big social player—unlike Zynga, which is still more or less married to Facebook—but it shows the relative scale here. After all these years, *Farmville* is chugging along at about 75% of *Sims Social* traffic, and *Cityville*’s numbers are dropping about the same as *Sims Social* but off a much higher base.”

## ➤ Vice president at a social networking Web site for video game players

Zynga is far ahead of the distant-second Electronic Arts, but EA has a rich library from the PopCap acquisition, which could position it well in the social gaming space. *Mafia Wars 2* and *Sims Social* are both successes but relatively minor ones. The social/casual gaming experience is far less intensive or costly than MMORPGs, and works well among women.

- “The biggest game change because of Facebook is simply the volume of users. You have people constantly sharing things.”
- “What made Zynga so successful was that it had a large user base to tap. No other publisher in the social space has that. But EA can pull from outside the social space to jump into the social platform.”
- “You could say that everyone is taking a crack at Zynga because they’re No. 1 in the space. But their size far eclipses the second place Electronic Arts, which gained its size almost entirely through acquisition. As the market matures, there’ll be more competitors to steal market share. I don’t know if it’s a death knell for Zynga.”
- “EA recognizes that *Sims Social* is successful, but you have to rapidly launch other games. People jump easily. EA doesn’t have a big library of games, but PopCap does, which can be translated to social. So EA does have a pretty good shot at carving out a second place position.”
- “The only disruptive thing about *Sims Social* is that it validates that certain core gaming titles can translate to the social games space. EA has tried other top-notch games with relatively mild success, it was *Sims Social* that propelled it.”
- “*Mafia Wars 2* is a relatively mild success, but it far eclipses the release by other competitors.”
- “Just about every game declines. They stay up there for a short period. More recent games will climb and gradually decline, and settle after six months into a groove.”
- “What you see in gaming in overall size is that it’s expanding rapidly, but the core game market itself is probably pretty level. Still, it’s already bigger than the music or book industry. And women and on-the-go gaming have grown as markets, they’re tremendous new markets that didn’t exist.”
- “In traditional gaming, there’s still the demand for advanced graphics, where social games tend to be a quicker experience—puzzle games, interactive ones, quick 5- or 10-minute experiences. The traditional model of subscription is probably fading, and moving toward a free-to-play gaming module, where if you advance and want to keep playing, you pay. There’s not that high barrier of \$15 a month.”

The only disruptive thing about *Sims Social* is that it validates that certain core gaming titles can translate to the social games space. EA has tried other top-notch games with relatively mild success, it was *Sims Social* that propelled it.

VP, Gamer Social Networking Web Site

## 4) CASUAL AND SOCIAL GAME CUSTOMERS

Ten of 13 sources have decreased or stopped their playing time with social games, *Farmville* in particular. They said they are increasingly bored with the games, which now are too similar, and have tired of the need to recruit players and ask for help to progress through a game. Two sources also said their interest and use of Facebook is waning. EA is more innovative and has

# Casual and Social Gaming

created excitement with its *Sims Social* game, but only five of the 13 sources play it. One source said he is playing Zynga *Poker* more frequently.

## ➤ 54-year-old female

Word games are popular among this source and her friends but, for her, only on her iPhone. She reserves Facebook for friends, and blocks people who play *Farmville* and *Cityville* on Facebook. She has not seen anyone playing *Sims Social*.

- “The trend I see is that we all love the word games: *Words With Friends*, *Hangman*.”
- “There has been no real change [in my playing habits].”
- “I block folks who play *Farmville* and *Cityville*. I’ve not seen anyone play *Sims Social*.”
- “When I’ve run into glitches, [Zynga] have been super responsive.”
- “I paid for the ad-free version of *Words With Friends*. ... It’s a one-time payment. I cannot imagine paying for a game that requires an ongoing flow of money!”

I block folks who play *Farmville* and *Cityville*. I’ve not seen anyone play *Sims Social*.

Casual & Social Game Player

## ➤ 48-year-old male

This source used to play *Farmville* and *Mafia Wars* but grew tired of both games. He quit *Mafia Wars* because of the increasing need to recruit friends to accomplish “pointless” missions. He said Zynga received many complaints regarding the quality of and changes to *Mafia Wars*. He found *Farmville* annoying due to the time required to honor friend requests. He does not play any other games.

- “I observed increasing complaints from long-time *Mafia Wars* users over quality control issues and when game changes were imposed, such as alterations in the fighting formula. *Mafia Wars* and *Farmville* became increasing time-eaters as more features were added and more interaction with members of game family was required to advance. I quit playing them.”
- “I played *Mafia Wars* daily for more than two years. *Farmville* I played occasionally with my elementary school-age son because we enjoyed laying out a farm and watching it grow. I grew tired of *Farmville* first because of the time required to honor requests from my farm family to help them build barns, etc. I eventually quit *Mafia Wars* in part because of the increasing need to recruit mafia to accomplish missions. I also quit because of the sheer pointlessness to finishing one city and moving onto another into infinity.”
- “I lost interest in these games as interaction with others becomes increasingly necessary and time-consuming.”
- “I do not know if Zynga is losing dominance, but while I played *Mafia Wars* there were lots of complaints from others in my mafia about quality control, including loss of mafia members, weapons not being delivered when a fight was won, etc.”

## ➤ 52-year-old female

Games with too many quests, such as those from Zynga, are becoming less popular. Strategy and search games are gaining among women in their 50s. This source was not familiar with *Sims Social*.

- “There is a trend toward more quests, but they all become the same after a while. I think the Zynga games are declining because they all have way too many quests.”
- “I have no clue why *Sims* is so popular. I haven’t played that one yet.”
- “We are definitely playing less *Cityville*. It gets old after a while.”
- “I’m playing a bit less social games overall, but I’m playing more strategy games. My friends are also playing a lot less of Facebook games and assorted other games. We seem to be leaning toward more strategy and search games.”

I’m playing a bit less social games overall, but I’m playing more strategy games. My friends are also playing a lot less of Facebook games and assorted other games. We seem to be leaning toward more strategy and search games.

Casual & Social Game Player

## ➤ 49-year-old female

This gamer stopped playing *Farmville* and has not played *Sims Social*—or any other EA games—because it appears to be equally redundant. She is frustrated with game-progression requirements like paying money for credits, recruiting friends, and playing the developer’s other games, such as [Café World](#) and *Mafia Wars 2*.



# Casual and Social Gaming

- “I got really bored with *Farmville* and quit playing. I have not played *Cityville* or *Sims Social* because they seem like they’d be just as redundant as *Farmville*. I haven’t played *Sims Social* and really have no intention of doing so. I haven’t played any of the EA games.”
- “*Café World* is a game I play for probably four hours per day on the weekdays and more like eight or nine on the weekends. But it all depends on what my ‘neighbors’ respond to, because they make you ask them for stuff before you can move on. ... I play *Words With Friends* for at least an hour or two per day; it depends on how quickly my friends make their plays. I tend to check into [PopCap’s] [Bejeweled Blitz](#) and [iWin Inc.’s] [Family Feud](#) on the weekends if asked, but usually only spend a few minutes on those.”
- “I just started playing *Mafia Wars 2* but only because *Café World* is making it a requirement for progressing in the game.”
- “I spend a little less time on *Café World* because the dishes are taking longer to ‘prepare’ and they force me to wait for ‘friends’ to give the gifts I need. Or I can spend ‘Café Cash,’ which I refuse to pay for. So progression is limited.”
- “I spend no money whatsoever. It tends to limit me sometimes.”
- “From the few games I play, they keep wanting me to buy credits or whatever they are using for progression. Also, they keep trying to make me recruit friends, which I find extremely annoying because if my Facebook friends wanted to play the stupid games, they’d have already signed up.”
- “I know a few people who have stopped playing altogether, and mostly because of the money issue.”
- “I haven’t seen any new [games] that hold any interest for me.”
- “I play *Words With Friends* on my phone, my Archos tablet and my Android phone. The rest of the gamers aren’t accessible on anything other than Facebook as far as I know.”

I know a few people who have stopped playing altogether, and mostly because of the money issue.

Casual & Social Game Player

## ➤ 45-year-old male

Retaining users for games like *Farmville* and *Cityville* may prove difficult is a gamer’s friends are not playing along. This source stopped playing *Mafia Wars 2* and now mostly plays *The New York Times* Crossword Puzzle. He expects Electronic Arts to get into the apps business. *Sims Social* is popular with adults and kids, particularly since it is now on Facebook.

- “People tend to try these games and like them right away, then as other things take over in importance, interest in the games drop until one simply stops playing.”
- “Due to time constraints and work pressures, I play games less often than I used to.”
- “[*Farmville*, *Cityville* and *The Sims Social*] are all variations on the same theme. *Farmville* and *Cityville* are simply ‘skins’ wrapped around the same basic game-play engine. The quality of the gaming experience depends on your friends also playing. As other users stop playing, naturally your interest in playing declines.”
- “I think the ‘action’ in *Words With Friends* is declining. The various replacements—*Hangman*, for example—do not seem to be picking up any steam. Having said that, it is hard to know because pretty much every Facebook user I know goes into the privacy settings and disables all of the messaging from apps. So if a friend started playing *Hangman*, I would never know unless he sent me a standard message saying this.”
- “I do not play *Farmville* or *Cityville* anymore. I do not play *The Sims Social*. I played *Mafia Wars 2*, but I stopped.”
- “I play *The New York Times* Crossword Puzzle: \$16 subscription. Everything else, I use the free versions.”
- “I haven’t tried anything new in the last couple of months.”

The quality of the gaming experience depends on your friends also playing. As other users stop playing, naturally your interest in playing declines.

Casual & Social Game Player

## ➤ 42-year-old male

Zynga shot itself in the foot by offering so many sales that people now refuse to pay full price. This source said the company has a poor working environment, and the IPO likely will cause a brain drain. Also, its Ville games are wearing out. EA came up with a very innovative game and spent a lot of advertising dollars on it. However, *Sims Social* is played mostly by single players.

# Casual and Social Gaming

- “Facebook’s increase of its share of the revenue split and increased costs for marketing will begin to squeeze out the minor players, who are essential to drive innovation.”
- “Zynga goosed sales too many times. You can only put things in a game on sale so many times before no one will ever pay the full price again. Zynga is also known throughout the industry for a really miserable working environment. Common wisdom is that a major brain drain will happen the moment stocks vest in an IPO.”
- “The army of Ville games are playing themselves out.”
- “The threat from Electronics Arts is significant. EA has real brands that they can bring to bear. Zynga does have a special relationship with Facebook, but Facebook eventually needs to go where the money is. I think the one thing that could save Zynga is if EA perceives that there is a small enough cap on the Facebook market that they treat it as a niche.”
- “*Sims Social* is doing well for a few reasons: 1) [There is] enormous brand recognition of the *Sims*. One study I saw says that a full two-thirds of *Sims* online players play the single-player game, and they might be cannibalizing their own sales. 2) *Sims* offers real innovation. The game is truly different. 3) They have tapped into a less played-out genre. And 4), EA spent a hell of a lot of money on advertising. The Google ad words cost for words related to the socials went through the roof on and around the launch of the *Sims*.”
- “*Sims Social* took some risks, and it has paid off. *Farmville* is industry standard and has a lot of inertia, but it has lost its innovative edge. I don’t play *Cityville*.”
- “Right now, there is higher monetization per game expectations—tighter controls on [the] amount of ‘free play’ provided prior to requiring virality or monetization. Essentially, last-generation games didn’t ask for as much money as quickly and allowed more free play.”
- “As the market grows, player fatigue is setting in. Players can only choose to play so many games and invest money in so many games. When you consider that Facebook games are the afternoon break of the masses, we need to consider that a glut of games can really become a tragedy of the commons. A person can bounce now between two to three almost identical games over a lunch hour, have a completely satisfying experience, and never have to monetize in any of them.”
- “Look at *Mafia Wars 1* versus *Empires & Allies*. One could play *Mafia Wars 1* forever and not be ‘significantly’ hampered by spending money or adding friends. In *Empires & Allies*, within the first 20-minute play session, you come to a building that you must either spend money to finish or add three new friends.”
- “We are also seeing, I think, a premature restriction of innovation. The market isn’t nearly mature enough yet, but we see games that are only slight improvements on previous games being produced rather than the real innovation to make a robust market.”
- “I’m a bad example of a player because I’m in the industry. I play at least 10 hours a week.
- “I played *Farmville*, and now I play *Sims Social*. I skew more toward the intricate games. Sid Meier’s *Civilization* is interesting, as well as [Samsung Electronics Co. Ltd.’s/SEO:005930] [Galaxy Online II](#). I would rate [Spry Fox LLC’s] [Triple Town](#) very highly.”

Zynga goosed sales too many times. You can only put things in a game on sale so many times before no one will ever pay the full price again. Zynga is also known throughout the industry for a really miserable working environment.

Casual & Social Game Player

## ➤ Woman in her early 40s

The games are a good way for women in their 40s to keep up with friends, have a good time and still be at home. *Farmville* is more popular than *Cityville*, and *Sims Social* is also popular. This source spends a little bit of money every week on games.

- “My friends and I play a few hours a day. We like *Farmville*. *Cityville* is too much like home. We are also enjoying the social possibilities in *Sims Social*. We get to act out, without really acting out.”
- “This is our chance to be together and do something socially, without having to leave home. It’s a way for us to keep in contact. Plus, the games are fun.”
- “*Sims* is very different, and women tend to like that kind of thing.”
- “I don’t know the game companies. *Farmville* and *Cityville* are fine, but I can see how they would get old after a while. I know there are other games out there, but we haven’t really looked around. We’re fine with what we’re doing right now.”

# Casual and Social Gaming

- “I spend a little bit of money each week. Not much. Well, maybe a bit more than I realize. But we want to keep moving ahead in *Sims*, and we needed some things for the farm.”

## ➤ 37-year-old male

Overall, this source is spending less time but more money, about \$15 to \$20 per month, on online games. He typically plays Trion Worlds Inc.'s [Rift](#). He said casual/social games allow him and his friends to hang out online when meeting in person is difficult. He does not like *Farmville*, *Cityville* or *The Sims Social*. He also said Facebook is failing and that Zynga is losing dominance. Electronic Arts is a real threat.

- “I am spending less time, more money on these games.”
- “I play *Rift* the most and am tired of playing [Valve Corp.'s] [Team Fortress 2](#).”
- “*Rift* is the best new game.”
- “I do not like *Farmville*, *Cityville* or *The Sims Social* mainly due to the fact that they are lacking on the technology ‘tree.’”
- “I think Facebook is failing and will soon get to the level MySpace was prior to its decline.”
- “Zynga is losing dominance because a lot of their OEM contracts were never renewed. That means that the brand-new Dell or Hewlett-Packard someone buys does not get shipped with a Zynga game.”
- “Electronic Arts ... is a real threat to competitors.”
- “*The Sims Social* is doing so well on Facebook because it does not take a powerful computer to run it.”

I think Facebook is failing and will soon get to the level MySpace was prior to its decline.

Casual & Social Game Player

## ➤ Woman in her 30s

This source is a regular player of casual/social games, including *Farmville*, *The Sims Social* and *Raven Claw*, and often plays with friends. After a while she gets bored with the completing-a-mission theme, and said many games are alike. She does not spend any money on these games.

- “I have played social games on Facebook and MySpace. I have not spent any money on any of these games. I only play the games that are free.”
- “Facebook is adding more games.”
- “I do not think Zynga is losing dominance. I feel like they know when it starts to slow down or pick up, and then they release a new game every now and then. It is always nice for a new game and then you are hooked.”
- “People get addicted to these games easily, but a lot of these games allow you to play without having to purchase anything and it becomes almost like a chat room.”
- “I try to keep it at a minimum of time. I also have a policy of spending no money on all these games.”
- “I play *Farmville* and *Sims Social* a lot, but after a few days in a row I can go a week [without] playing. They bore me. It is always the same thing, another mission.”
- “*Farmville*, *Cityville* and *The Sims Social* are all the same in a way. You must complete a mission and have to have a certain amount of friends in order to play all of them to a certain level.”
- “I have not played *Mafia Wars 2*, but I have played *Mafia Wars*.”

I play *Farmville* and *Sims Social* a lot, but after a few days in a row I can go a week [without] playing. They bore me. It is always the same thing, another mission.

Casual & Social Game Player

## ➤ 24-year-old female

Social gaming has declined among this source and her friends. The decline is not company-specific but more of a general burnout and a resistance to anything too mainstream. She also has tired of Facebook and social networking in general. She said she would regain interest in social gaming if offered good 3D graphics and real-time game play. She said social gaming developers should seek out another platform such as [Google+](#).

- “My playing is limited now to two hours a day down from a peak of 12. I started losing interest about a year and a half ago. I haven’t had time or interest.”
- “My friends are also using less. There’s a crazy amount of burnout. It all got overexposed suddenly. If something is super cool, people don’t want to do it anymore.”

# Casual and Social Gaming

- “For small games I don’t pay attention to the developer. ... I don’t differentiate between Zynga and EA. It’s what people want at the time—a basic distraction that doesn’t require a lot of effort.”
- “A big trend is people are stepping away from their computers and moving to their phones. If you can’t do it on your phone, you aren’t going to do it.”
- “I am tired of the requests and playing of social games. They’re fun but not as dynamic as they could be. I’m burned out on it. I’d regain interest if there were nice 3D graphics, real-time game play. And not having to deal with Facebook. I’m losing patience with Facebook. Maybe Google+ for a new platform, but I’m not on it yet. I’m tired of social networking in general. I’ve been on Facebook from the beginning, since you had to have a college account.”
- “*Farmville* is definitely losing popularity. I haven’t heard of anyone playing that in a while. People are getting sick of [*Farmville*] requests and are deleting those friends off Facebook.”
- “I haven’t checked out *Sims Social* or *Mafia Wars* yet. I got so many annoying requests, specifically for *Mafia Wars* but for other Facebook games as well that I got annoyed and decided not to do it ever. That sounds funny because it’s supposed to be a social game.”

My friends are also using less. There’s a crazy amount of burnout. It all got overexposed suddenly.

Casual & Social Game Player

## ➤ 17-year-old female

High school girls tend to play more social games than boys do. Popular games are *Farmville*, *Cityville*, *Poker*, and now *Sims Social*. Gamers move onto different titles once they get bored. She has no idea who makes the games, and she does not have much money to spend on games. Her mother recently made her quit playing.

- “Some guys play them, maybe the war games? But it was mostly the girls with *Farmville* and *Sims*. *Farmville* was more fun than *Cityville*.”
- “I played *Cityville* and mostly *Farmville* for two years. ... My mother made me quit last week. She said I was playing too much and not doing my homework. That was true. I played four hours a day, more on weekends.”
- “I don’t know if my friends will stop playing or not. But I really don’t miss it.”
- “The games were getting boring. All my friends complained about being bored, too. That’s why we decided to try *Sims Social*. That was fun, but I was starting to spend money, and I really don’t have much money to spend.”

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Casual & Social Game Player

## ➤ 15-year-old male

This source described social and casual games as addictive. His friends are increasingly participating in the games. He plays *Words With Friends* and *Zynga Poker* on his iPhone, spending 99¢ per application. He believes Zynga is doing well because its game are free and have a great setup, but said *Farmville* seems annoying.

- “Social/casual games take up a lot of time because you get kind of addicted—the more you play, the better you get, and then you want to play more.”
- “Social games are starting to get popular, such as *Words With Friends*. My friends are using social/casual games more because their friends are getting them.”
- “I play on iPhone apps. I spend up to 99¢ for an app.”
- “I’m getting tired of *Words With Friends* because so many people cheat in the game.”
- “I do not play *Farmville*, *The Sims Social* or *Mafia Wars 2*. *Farmville* seems annoying because you have to do things at certain times or your crops die. It seems too time-consuming.”
- “Zynga is doing pretty well and has a great setup. No other apps are similar to it.”

## ➤ 13-year-old male

*Mafia Wars 2* is popular with young teenage boys, who have limited funds and may be restricted in playing other games by their parents. They play on both iPhones and computers. This teen prefers war games.

- “*Mafia Wars 2* is cool. It is really fun. I play with friends.”



# Casual and Social Gaming

- “I just play a few hours a week. My mom won’t let me play more.”
- “I don’t know how much my friends play, but we have a good time.”
- “It works great on my iPhone. I use it on the computer, too.”
- “*Mafia Wars* is way better than *Farm* or *Cityville*. *Sims* has been around for a while.”
- “I haven’t played the other games yet.”
- “I just started playing a few months ago, so I haven’t spent much money yet. Maybe \$20.”

## Secondary Sources

Nine secondary sources discussed a decrease in *Farmville* players, EA’s threat to Zynga’s dominance, Facebook opening up to other game brands and franchises, Facebook’s changes to its app user counter, an AdAge interview with Zynga’s head of marketing and revenue, complaints about Zynga’s management, leadership and human resources, and Mark Cuban’s investment in a social gaming startup.

### ► Oct. 12 Raptr Report

EA’s *The Sims Social* is cutting into Zynga’s dominance of social games. EA also has acquired two social gaming companies: Playfish and PopCap.

<http://blog.raptr.com/wp-content/uploads/2011/10/Raptr-Report-The-Sims-Social.pdf>

- “EA succeeded in funneling their user base from The Sims franchise and social games to *The Sims Social*, but more impressively, they were able to capture market share from Zynga.”
- “Unlike EA’s previous social games, *The Sims Social*’s playtime patterns closely mirror those of Zynga’s most successful games.”
- “Historically, EA’s traditional brands didn’t translate well into social games, but with their recent acquisitions of Playfish and PopCap, they’re now positioned to have a strong follow up to *The Sims Social*.”
- “The negative impact to Zynga’s games is notable, as EA has stolen 10% - 25% playtime from Zynga’s top games.”
- “PopCap has a stable of highly successful casual games and 59% - 75% of those players play social games. These games could translate well into social games—for example, *Bejeweled Blitz* was one of the top non-Zynga social games.”
- “A key factor of Zynga’s success is the company’s ability to release games in quick succession with high conversions from game to game—EA now has that opportunity.”

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*Raptr Report*

### ► Sept. 23 GamesBeat.com article

Gaming brands and franchises finally are succeeding on Facebook. This opens up possibilities for competitors like EA and The Walt Disney Co. (DIS) to issue greater challenges to Zynga, which so far has relied on social interactions to spread the word about its original titles.

<http://venturebeat.com/2011/09/23/brands-finally-succeed-in-social-games-on-facebook/>

- “Facebook gamers are finally embracing well-known brands in their social games. That’s one of the conclusions from a panel on social games at the [f8 conference for Facebook developers](#) yesterday.”
- “Sean Ryan, director of game partnerships, pointed out that Facebook as a gaming platform has evolved from a place where original game ideas initially prospered. Now that there are 800 million users on the social network, it’s only natural for brands to take over, he said. Gamers can gravitate to them because they can pick up a game already knowing the narrative behind it, making the game much easier to learn.”
- “For a time, Facebook was resistant to brands. Friends shared games that they found to be fun, and in the early days, Zynga dominated the market. That turned into a huge advantage for Zynga, and its distribution power now allows it to launch original titles that can succeed in part because they can be cross-promoted to so many of Zynga’s existing users. The same is true with the iPhone, where original titles such as *Koi Pond* drew a lot of attention at first but where plenty of brands such as *Bejeweled*, *Plants vs. Zombies*, and *Uno* in the top charts.”

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- “What was unusual about Facebook is that non-branded games held onto the top rankings on the popularity charts for a longer time than usual, largely because of the power of friend recommendations on the platform. Many game companies tried to launch branded games on Facebook and it was like hitting their heads against brick walls.”
- “But this year, that is beginning to change. The biggest proof is The Sims Social, a Facebook game from Electronic Arts that taps the Sims franchise, which has sold more than 100 million units on the PCs and consoles. The Sims Social is now the No. 2 game on Facebook, with [53 million monthly active users](#), second only to Zynga’s Cityville. In turn, the Sims Social is helping other branded EA games catch on.”
- “‘Brands are an important part of the business,’ said Barry Cottle, head of EA Interactive, the social, mobile and online division of EA. ‘Early on, in traditional gaming markets, original intellectual property caught on. At the core, you always have to have a great game. That’s a core ingredient. But brands give the ability to be recognized, to tap into loyalty.’”
- “Within six weeks, the Sims Social hit 10 million users without much advertising at all, mainly because it has been known for a decade, Cottle said.”
- “‘People coalesce around things they recognize,’ Cottle said.”
- “Zynga has mostly stayed away from brands. But the company took advantage of a chance to get a license with Lucasfilm for its Adventure World game, Owen Van Natta, chief business officer at Zynga, said. By October, the film character Indiana Jones will be integrated into the game. That deal came after the game launched, but it could help the game get wider awareness over time.”
- “‘Indiana Jones was an opportunistic thing,’ Van Natta said. ‘I’m amazed at how we were able to create brands quickly on Facebook.’ Zynga also has run promotions with a variety of movies and with the singer Lady Gaga in its Farmville game.”
- “We ran our own [feature story recently on startup Iconicfuture](#), which has created a marketplace so that brands can license their properties in a matchmaking service with game companies that want to license them.”
- “[Kabam](#) also jumped into the branded-game business by acquiring the rights to the Godfather for Facebook. But he said the game evolved when the company decided to create a crime game, said Kevin Chou, chief executive of Kabam, a maker of mostly original hardcore social games on Facebook.”
- “Kabam figured out the core fun mechanics in the title, and then looked around for a narrative that could become the overarching back story for the game. The Godfather made a lot of sense, and Kabam was already talking to Paramount Pictures about a license.”
- “Disney tested the power of a brand with a title called Gnome Town, launched two months ago, said John Pleasants, head of Disney Interactive and Playdom. That title did OK at first, getting 500,000 daily active users, but then Disney renamed it Disney Gnome Town. The result was that the cost of acquisition, such as advertising a game, dropped by a third as the game took off more on its own. Users were also more likely to spend money in the game, since they trusted the Disney name.”
- “Disney also launched a couple of ESPN-branded games, where it was able to advertise the games on TV using remnant (unsold ads). The result was that the users who came in from the TV commercial had a much higher ‘lifetime value,’ or spending on the game over the course of the game’s life. That was because those users were much more loyal to the ESPN brand. During 2012, Pleasants said Disney will come out with two to four major Disney brands as social game properties.”

For a time, Facebook was resistant to brands. Friends shared games that they found to be fun, and in the early days, Zynga dominated the market. That turned into a huge advantage for Zynga, and its distribution power now allows it to launch original titles that can succeed in part because they can be cross-promoted to so many of Zynga’s existing users.

*GamesBeat.com Article*

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*GamesBeat.com Article*

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## ► Oct. 12 GamesBeat article

*The Sims Social* was launched on Facebook on Aug. 18 and quickly surpassed Zynga's *Farmville* as the second largest Facebook game, with 66 million monthly active players. Along the way it stole millions of players from Zynga; as much as 50% of all *Sims Social* players were Zynga players. *Sims Social* hit 10 million users in six weeks thanks to a strong group of fans built over the last decade.

<http://venturebeat.com/2011/10/12/eas-the-sims-social-has-stolen-a-lot-of-players-from-zynga/#.TpXGua3C1Lo.twitter>

- "Electronic Arts came out of nowhere when it launched *The Sims Social* on Facebook. The social game that simulates human life took off like wildfire, surpassing *Farmville* and closing in on Zynga's most popular game, *Cityville*. Now [Raptr](#), the social network for gamers, has revealed some interesting data about just who is playing *The Sims Social*. As suspected, many of the players came from Zynga."
- "The majority of *The Sims Social*'s user base are Zynga players, according to data collected from 10 million people on Raptr's gamer social network. EA's own social games and *The Sims 3* accounted for only 15 percent of the total players of *The Sims Social*. Zynga players, on the other hand, account for 50 percent of all of *The Sims Social* players. About 30 percent came from other social games, and 5 percent came from *World of Warcraft*."
- "The *Sims Social* is now the No. 2 game on Facebook with 66 million monthly active players, compared to 76 million for *Cityville*, according to [AppData](#). If roughly half of those players came from Zynga, we're talking about close to 33 million users. Of course, not every single one of the Zynga players has quit playing a Zynga game in order to play *The Sims Social*. But *Cityville* has dropped from more than 100 million players."
- "Worth pointing out: *The Sims Social* has gained quickly on *Cityville*, but the rate of gain has slowed down dramatically recently. The latest Appdata information in recent days shows that *Cityville* is holding strong now."
- "The first trick in EA's playbook, according to Raptr's analysis, was that it successfully marketed the game to EA's existing fans, including 10 million players of *The Sims 3* game and 36 million social game players. More than 30 percent of *The Sims 3* players are playing *The Sims Social*. But more than 60 percent of EA-Playfish fans of *Restaurant City* and *Pet Society* are also playing *The Sims Social*. That's an impressive conversion rate, and it doesn't hurt that EA has sold more than 140 million *Sims* games."
- "EA is enjoying a lot of success, now that it has more than 100 million monthly active users, more than double what it had just a few months ago. But EA is also cannibalizing its own social games. The average percent loss of total play time per week since the launch of *The Sims Social* in August has been heavy. *The Sims 3* has seen its play time drop by 50 percent. *Bejeweled Blitz* from PopCap has declined 20 percent, and *Pet Society* has declined 50 percent. *Cityville* play time, by comparison, is down only 10 percent, while Zynga's *Empires & Allies* is down about the same."
- "Prior to the launch of *The Sims Social*, EA had a terrible record in social games. In 2010, it [purchased Playfish](#) for as much as \$400 million. That gave EA access to a team with proven expertise in social games. They applied their skills to *The Sims Social*. Now EA's numbers are looking pretty good in terms of engagement, or how much time users spend in the game."
- "On average, users play *The Sims Social* for 4.95 minutes a session. They play eight sessions per day, 19 sessions per week, and 39 sessions per month. Zynga players, meanwhile, play 4.95 minutes per session, eight sessions per day, 20 sessions per week, and 34 sessions per month. EA's social games that are based on console

The majority of *The Sims Social*'s user base are Zynga players, according to data collected from 10 million people on Raptr's gamer social network. EA's own social games and *The Sims 3* accounted for only 15 percent of the total players of *The Sims Social*. Zynga players, on the other hand, account for 50 percent of all of *The Sims Social* players. About 30 percent came from other social games, and 5 percent came from *World of Warcraft*.

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*GamesBeat Article*

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franchises (such as Dragon Age Legends and Madden NFL Superstars) have longer play sessions but fewer return sessions.”

- “In fact, only 5–24 percent of EA’s players for its FIFA 11 hardcore soccer game converted to play FIFA Superstars on Facebook. And only 24 percent of Dragon Age 2 players converted to play the social game Dragon Age Legends. That is far below the 34 percent of The Sims 3 players who converted to The Sims Social. That’s one reason EA’s social games based on hardcore franchises only had about 1 million to 4 million monthly active users.”
- “EA has a lot of new hope now that it has [acquired PopCap Games](#) (for at least \$750 million). PopCap has a number of casual titles that can be converted to social games on Facebook. About 59–79 percent of the players for popular PopCap casual games are also playing social games on Facebook. Roughly 60 percent of Plants vs. Zombies players—a big PopCap franchise—are also playing social games. So PopCap’s audience should be easier to funnel from casual web site games to social games. With PopCap, Raptr concludes, EA is poised to have strong follow-ups to The Sims Social.”

## ► Oct. 14 GamesBeat article

Facebook changed the way it measures the number of users accessing applications, making its data more accurate but resulting in lower numbers than previously reported.

<http://venturebeat.com/2011/10/14/facebook-zynga-tracking/>

- “Zynga may be losing some ground after spending years completely dominating the Facebook social gaming market.”
- “Facebook today announced that it is changing the way it counts the number of active users who access an application on its site, a move that will lower perceived values of monthly active users. The actual traffic to Facebook apps has not changed, but the new calculations should be more precise and transparent, a Facebook spokesperson told VentureBeat.”
- “One of the sites affected is AppData, which tracks an app’s monthly active users and is widely used as a metric for gauging success of some social app companies.”
- “With the new changes, Zynga’s (and other social app companies’) recorded monthly active users — as measured by Facebook’s metrics — could fall. Sources familiar with the situation told VentureBeat that the drop would be less than 20 percent. AppData currently reports Zynga has 263 million monthly active users.”
- “A drop of 11 percent or more would bring the company below its own reported number of monthly active users, 232 million, which the company reported when it filed to go public in July. (Zynga has not updated that number since then.) That would imply that Zynga has lost ground to social gaming companies like Electronic Arts and [Wooga GmbH](#). Those companies are nowhere near Zynga in terms of users but are still top-ten developers, and have been slowly making inroads in social games.”
- ““We support Facebook’s decision to change the way it measures the number of active users of its applications as it more accurately portrays the number of people who play Zynga games,” a Zynga spokesperson told VentureBeat. ‘As noted in our S-1 filing, we measure our player number on Facebook by how many people access our games and we are pleased that Facebook, and therefore AppData, will accurately reflect that number.’”
- “With an IPO in the works, any perceived slow-down in the company’s growth could diminish its perceived value to potential public investors. Zynga is the most profitable high-profile company that has filed to go public this year and expectations are extremely high for the company now that it has hinted at plans to break away from Facebook. (It’s worth noting that VentureBeat’s Dean Takahashi had a story earlier that [throws a little bit of skepticism on the company’s accounting practices](#).)”
- “Zynga is still in an enviable position compared to other social gaming companies, which are not even remotely close to the social gaming behemoth. The company recently filed to go public in order to raise up to \$1 billion and has delivered hit after hit game on Facebook. Zynga chief executive Mark Pincus played host to a few dozen

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*GamesBeat Article*



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press earlier this week as he unveiled 10 new games and Zynga Direct, the company's new initiative geared toward distributing its games on any device without going through Facebook."

- "It's important to note that any traffic has changed from yesterday to today, it's just what they are measuring,' Inside Network's Justin Smith told VentureBeat (Inside Network runs AppData). 'I think they'll bring (the two values) closer in line.'"
- "Zynga has loaded its cannon with its next Ville game, CastleVille, along with a bevy of other Facebook games. But it hasn't struck gold in nearly a year since the company released Cityville, which is still the top app on Facebook and contributes around 76 million monthly active users to the company (that's according to AppData, so that will probably fall when the time comes). Farmville, one of its first games, has reliably held the second or third-place spot for the company, with its newer games coming and going rapidly as they come out."
- "For example, Empires and Allies held the number two spot for Zynga for a few months. But even that game had a short shelf life of five months before starting to peter out (though it still has 25.6 million monthly active users, again an enviable position). Adventure World appears to have filled the niche for Zynga's other 'top three' game — the company's top games that account for around 59 percent of the company's revenue. That strategy has held off a number of other social gaming companies, but Zynga for the first time faced significant competition from The Sims Social when Electronic Arts released it in September. (Also worth noting that The Sims Social's growth has slowed and it doesn't look like it will catch up to Cityville.)"
- "Even by AppData's current standards, Zynga hasn't showed any significant growth or loss over the past 30 days. The changes should more or less drag that holding pattern lower than it currently is (as pictured above). But those numbers do not include what will become part of Zynga Direct, the company's next plans for growth independent of Facebook. The company is still poised for significant growth if [Project Z](#), the company's planned independent gaming website, proves successful alongside Zynga Direct."

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*GamesBeat Article*

## ➤ Nov. 8 Tech Crunch article

Tech entrepreneur Mark Cuban invested \$250,000 in a social gaming start-up company with Facebook and mobile apps for Apple and Android.

<http://techcrunch.com/2011/11/08/mark-cuban-invests-250000-in-social-games-maker-mention-mobile/>

- "Social gaming startup [Mention Mobile](#) has [raised \\$250,000](#) from billionaire, entrepreneur and Dallas Mavericks owner Mark Cuban in exchange for a minority equity stake in the company."
- "Mention Mobile says it specializes in apps that are 'infused with Facebook content', and the capital injection is meant to fund the development of new single-title [apps](#)."
- "The company's mobile applications are interesting in that they leverage public information from Facebook to customize games and create personalized content based off a user's friends, preferences, interests and whatnot."
- "Mention Mobile's apps are currently available only for iOS, but the company says upcoming apps will also be available for Android."
- "Founded in 2010, Mention Mobile is based in Los Angeles."

## ➤ Aug. 22 AdAge article

Zynga's new head of marketing and revenue discussed the company's emphasis on cross-promotional marketing, launching of games on Google+, building relationships with advertisers, and making its games brand-friendly.

<http://adage.com/article/cmo-interviews/zynga-s-karp-playing-games-branding/229391/>

- "Jeff Karp, the former exec VP at gaming giant Electronic Arts, jumped to Zynga at the beginning of August, a sign that the closely watched startup, which recently filed to go public, is serious about branding."
- "As Zynga's head of marketing and revenue, Mr. Karp is charged with developing the company's branding and advertising efforts, a unique circumstance at the gaming company, which has grown at a virulent rate within

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Facebook's quickly expanding universe. And as to which company fueled the other remains a perennial debate; it's nonetheless clear that Zynga hopes to define itself beyond one venue."

- "As part of that effort, the 4-year-old company now features more than 19 games on four different platforms, including, most recently, Google+, the search titan's latest foray into social media and surest answer to Facebook yet. San Francisco-based Zynga is in an SEC-mandated quiet period prior to its public offering and declined to disclose its forward-looking ad budgets, but one indication of the company's brand ambitions can be found in Mr. Karp's previous duties at EA."
- "As head of revenue for EA's Games label, he managed a \$1 billion business overseeing all product marketing, branding, public relations and finance for various titles, including 'Bulletstorm' (from producer Epic), 'Crysis' (Crytek), and the ever popular 'Rock Band' (MTV/Harmonix)."
- "The upstate New York native responded to some of Ad Age's questions via email about the company's direction:
- **Ad Age:** Is Zynga trying to be a company that is synonymous with a brand identity, say, like a Disney, or, is it more akin to Electronic Arts, which has some brand identity but operates more like a movie studio that churns out hits with their own franchise identities?
- **Mr. Karp:** It's important for us to develop the Zynga brand overall because we want to create a halo effect for our games and our products. When a current or potential player sees a Zynga game it should stand for something, it should be meaningful to them and set their expectations. It should stand for fun, play, entertainment and true connection. At the same time, we need to establish brands within Zynga that build and grow and speak to particular audiences. So, really, it's both.
- I really believe that Zynga is redefining entertainment, though, so in that way it's unfair to compare us with anything in the past. We connect with 60 million daily active players each day, which is unprecedented.
- **Ad Age:** Zynga has long advertised within Facebook to great effect. What is its media strategy moving forward?
- **Mr. Karp:** We're going to communicate with players wherever they are. When you're speaking to 148 million unique users each month [on Facebook], there are several strategies to take into account. I'd say our biggest opportunity, though, is the ability we have to connect directly through the games we already have, the network we've created.
- Cross-promotional marketing is a major component for us. We are also fortunate that a lot of our players do the heavy lifting on our behalf ... whether that's through recommendations or connecting with friends or the blog posts.
- The key for us when we talk about brands entering our game is to make sure that those partnerships and promotions are informative, entertaining and educational for our players. Lucky for us we can be incredibly selective with the partnerships we move forward with, and we won't just shove in brand promos or branded virtual goods unless they provide real value to our players.
- **Ad Age:** What other areas of development is Zynga heading into?
- **Mr. Karp:** We have to be where our players are—it's that simple. We know a lot of them are on Facebook, but there's a lot of platform diversity out there. You can see a few examples of how we've grown recently, both on Facebook and off. We recently launched Words With Friends, one of our most popular mobile games, on Facebook. We just launched Zynga Poker on Google+. Internationally, we're growing as well. We just built a partnership with Tencent in China to launch games on their platforms.
- **Ad Age:** Zynga recently partnered with Google to populate some games within Google+. Will Google+ players have to buy credits as well? Or will it be entirely ad-driven?
- **Mr. Karp:** All Zynga games are free, and people then decide if there are components of a game they'd like to pay for. If they want collectibles or rewards—items that accelerate their game play—then that option is always available to them, and that's their choice. You can't find free entertainment elsewhere. Specifically on Google+, players have the opportunity to buy credits, as they do on other social platforms.
- **Ad Age:** Zynga already has relationships with advertisers such as Coca-Cola, Amazon, McDonald's, Walmart. What have advertisers been asking for? What do you offer them?
- **Mr. Karp:** We expect partnerships where we can extend our brand to audiences. We want to create content that doesn't interrupt our players. We're never going to disrupt game play—it must be additive. But there's certainly opportunity. If you look at Cityville, there's a lot of real estate on each person's game board, and there's no reason that your city shouldn't represent who you are as a player and what you're interested in. A city with the brands you like, and where those brands actually help you in game, will enhance the reality of that city for you.
- **Ad Age:** What's significant about Zynga? It's a social network, but it's also games.

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- **Mr. Karp:** I feel strongly about the opportunity at Zynga, and really one of the reasons I took this job is because my 80-year-old uncle isn't a gamer in any sense of the traditional word, but he loves 'Cityville.' He's in there every day, and he's sending me gifts left and right. He's in Canada and I'm in California, and now we're reconnected through "Cityville." It's enhanced our relationship (never mind the fact that he's beating the crap out of me in terms of levels). He's an architect and he's meticulous about the way he builds his city."

## ➤ Employee reviews of Zynga through Nov. 4 on Glassdoor.com

Zynga received a rating of 2.6 out of 5 based on 29 reviews. Several of these reviews were written during July to November and contained complaints about Zynga's management, leadership, HR, decision making, and internal communication. Zynga's pros include good benefits, talented employees, and a dynamic work environment.

<http://www.glassdoor.com/Reviews/Zynga-Reviews-E243552.htm>

- "Nov. 4:
  - Pros: free food and gym membership, good salary.
  - Cons: interviews are unorganized. after you get in there is no personal life, always working till late.
  - Advice to Senior Management: plan before assigning work to others."
- "Nov. 2:
  - Pros: The people there are incredibly talented and motivated and they are doing some pretty impressive stuff in the Facebook space.
  - Cons: Management on the studio level seem to be more worried about politics than their people, or even the product they are making."
- "Oct. 27:
  - Pros: Largest social games network in the world. Chance to become rich off stock (VP and C-staff only, not so much if you are an individual contributor). Big new building, very nice. Free food (however the quality had steadily gone down, but hey its free).
  - Cons: Zero processes for game design, engineering, creative, project management. Being told by my manager that if i am not at home sleeping, then i am here working. That is how i was welcomed to the team. Worst HR department i have ever witnessed. It was heartbreaking how much employees suffer due inability of this unprofessional group to do their job. Operations really is a danger to this companies future growth. inept and callous, obviously more concerned about IPO , being the face of Zynga's humanitarian efforts and quarterly videos than being a real leader."
- "Oct. 17:
  - Pros: Smart people, hard problems, really massive scale, good compensation, great office, great benefits and perks, very flexible vacation policy, opportunities for growth.
  - Cons: Long hours, no 401k employer contribution matching."
- "Sept. 28:
  - Pros: Medical/Dental/Vision for employee 100% paid. Medical/Dental/Vision for employee 100% paid. Choice of Mac OS or Windows laptop. Great co-workers. Team mentality. Encouraged to take personal ownership of your job & your contribution to the team.
  - Cons: Would like more frequent communication from management about launch dates, long and short term goals for our studio, space planning, career advancement, etc.
  - Advice to Senior Management: It would be nice if upper management, facilities, HR, IT, etc. had a better sense of what goes on at the off-site locations, and by that, I mean VISIT our site instead of doing everything remotely. Additionally, an [occasional] visit from C-Staff would be great. Even if only for a 1/2 hour just to say 'Hi!' when they are in town for other business."
- "Aug. 12:
  - Pros: Free Lunch, and Dinner, gym membership, Stock, (if you were there from the [beginning]) otherwise, forget it, you missed the boat!
  - Cons: Poor Leaders, very fast pace, no life outside of Zynga. Work many hours for nothing in return. Everyone is miserable there and just waiting to get rich. [It's] a total joke! Everyone is working to throw everyone under the bus! [It's] the strangest place I have ever worked. A bunch of [psychos]."
  - Advice to Senior Management: Get off your high-horse! [You're] not better than everyone else. Take a chill pill and allow people to do their job."
- "July 6:
  - Pros: free food (everywhere). Good personal hardware (computers, phones, etc).

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- Cons: At no time are the actual skills and experience of an engineer actually taken into account. ... It's 'seat of your pants' development and learning at the same time and is not for the [faint] of heart. ... Burn-out until you drop development cycle that never ends. No planned down time, just a constant churn. If you are under 25, have no kids, love the smell of dog and want to get fat eating all kinds of free food, by all means, apply. It will be the extension of the dorm-living that you will need right after college. Professionals who want to complete an entire design/develop/iterate/deploy/and document cycle will find the going is tough."

## ➤ Nov. 2 *Wall Street Journal* article

EA is gaining on Zynga with *The Sims Social* and leads Zynga in the race for gaming market share on mobile devices.

[http://online.wsj.com/article\\_email/SB10001424052970204528204577012273802347922-IMyQjAxMTAxMDAwMTEwNDEyWj.html?mod=wsj\\_share\\_email](http://online.wsj.com/article_email/SB10001424052970204528204577012273802347922-IMyQjAxMTAxMDAwMTEwNDEyWj.html?mod=wsj_share_email)

- "As online videogame pioneer Zynga Inc. prepares to go public, one of the gaming industry's veterans is starting to creep onto its virtual turf."
- "Electronic Arts Inc. has cracked Zynga's hold on the top games played on social-networking website Facebook Inc. with 'The Sims Social.' Since the game's August debut, it has become Facebook's second-most-played game, according to industry tracker AppData, with 38.3 million monthly active users. Zynga's 'Cityville' is No. 1, with 54.5 million such users."
- EA...scored its Facebook hit in part by siphoning players like Francis Java away from Zynga titles. Mr. Java, a 20-year-old Californian in college in the Philippines, said he quit playing Zynga's 'Mafia Wars' and 'YoVille' to play 'The Sims Social,' a suburban-life simulator."
- "'You can decorate your place, and they give you new items every week,' Mr. Java said. 'It gives you something to look forward to.'"
- "Zynga still is the leading Facebook game developer. It accounts for seven of Facebook's top 10 games, according to AppData, and its game portfolio has more than 200 million monthly active users, triple runner-up EA's 67 million."
- "That dominance has given the four-year-old San Francisco company as much as a \$20 billion valuation for its initial public offering, which people familiar with the matter have said could come later this month."
- "But EA has emerged as Zynga's first substantial rival in what is known as social gaming. The deep-pocketed Redwood City, Calif., company also has a head start in a field where Zynga is pinning its future: gaming on mobile gadgets, such as smartphones and tablets."
- "Barry Cottle, who heads EA's social-gaming efforts, said the company's strategy is to use the expertise at Playfish, a social-gaming start-up it acquired in 2009, to turn successful EA brands such as 'The Sims' into Facebook games."
- "'Our formula for success ... is to take a leader in the space that really knows those games and marry that with our franchises,' he said. 'Zynga and others are continuing to build quality games and are improving the bar. We like competition, and competition keeps us driven to do better.'"
- "The competition comes as Zynga has upended the traditional game industry with its business model of selling digital goods in videogames. By selling virtual horses and houses in hits ... it raked in more than \$270 million in the second quarter. Its success has spurred traditional videogame makers, such as EA, which has seen its revenues stagnate in the past few years, to dive into social gaming."
- "'The Sims' series is one of EA's biggest successes, having sold more than 125 million copies for PCs and gaming consoles. The company previously tried to turn the series into a fee-based online, multiplayer game, but it was a flop. Now EA is taking a page from Zynga's playbook, by letting people play the game free on Facebook and selling players virtual merchandise."
- "'When you look at EA, what you see is that it's possible to take market share away from Zynga,' said John Lee, a marketing vice president for Raptr Inc., a social network for videogame players that tracks the playing time of its members."
- "'The Sims Social' has flourished partly by luring Zynga players, Mr. Lee said. In an October study of its 10 million members, Raptr found that 50% of the game's players also played Zynga games. Mr. Lee added that he

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*Wall Street Journal Article*



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isn't sure how many of those players play 'The Sims Social,' instead of Zynga games, and how many play the game in addition to Zynga titles."

- "EA also met success by marketing 'The Sims Social' to fans of its PC and console games, such as 'The Sims 3,' and its other Facebook games, such as 'Bejeweled Blitz,' analysts said."
- "Any lull in releasing new social games can be costly. In regulatory documents, Zynga said it saw a 4% decline in bookings in the second quarter, which it attributed to fewer daily average users and the fact that it didn't launch any new games in the first half of 2011."
- "EA's Mr. Cottle said his company's goal is to win not just in the market for Facebook games, but across all digital platforms, including mobile devices. EA already has more than 100 apps for Apple Inc.'s iPhone and iPad."
- "Zynga has the popular 'Words With Friends' app, but is still working on making other games available on smartphones and tablets. In total, Zynga has 10 games for the iPhone, iPad and Android devices, with two other games 'coming soon.'"

## ► Oct. 26 question on Facebook

In a question posed by a Facebook user, 30.4% of over 1.4 million respondents said they no longer play *Farmville* on Facebook, 26.7% said they still play, while 42.9% said they had never played. Vote totals were as of Nov. 7 at 2 p.m. PT.

<https://www.facebook.com/questions/10150373473344609/>

- "Question: I NEED TO KNOW WHO STILL PLAYS FARMVILLE....CHECK PLAY OR DONT PLAY ANYMORE"
- "STILL PLAY—383,074 votes"
- "DONT PLAY ANYMORE—437,852 votes"
- "NEVER PLAYED—616,748 votes"

## Next Steps

Blueshift's next report will focus on new games from Zynga, EA and competitors like Disney, Zynga's ability to compete on mobile devices, the effect of foreign game companies on the U.S. market, and any further acquisitions in the space. We also will explore the downward trend in Facebook usage, perhaps in a separate report.

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