

IMVU is moving beyond virtual worlds, finding rapid growth

BY JON XAVIER

PALO ALTO – IMVU Inc. has developed digital chat software that lets users all over the world meet and interact with each other in virtual space using stylized, animated 3D representations of themselves called avatars.

Just don't call it a virtual world.

"We used to be a virtual world and talk about ourselves as such, but now we're talking about ourselves as a social entertainment destination" said IMVU CEO Cary Rosenzweig. "People want entertainment. They want to dress up, they want to chat, but now our own users are saying, 'What else can I do? What's next that can keep me here?'"

Answering that question is an important next step for IMVU, which grew its revenue by 657 percent in three years to \$22.2 million in 2009, making the Palo Alto company one of the Silicon Valley's quickest-growing companies.

For the six-year-old company experimentation has been part of its quickened growth, Rosenzweig said. The company has always favored a learn-as-you-go approach, updating its products constantly and keeping what works.

In its current iteration, IMVU is free to use with virtual goods that users can purchase to customize their avatars. IMVU provides free tools to encourage users to create digital items, and allows them to earn virtual currency for selling them on the site. There's also a secondary market for these credits, so users can even make real money by selling the credits they earn for cash.

Rosenzweig said that IMVU is partnering with companies to add games to its digital-goods based platform. It has three gaming partners — San Francisco's Viximo Inc. and HeyZap Inc., as well as New York's OMG-POP Inc. Between them, the site now offers a handful of casual games, ranging from action games to a virtual fish tank.

Many of the games incorporate the avatars that the users have already customized, such as Viximo's Top Modelz, which has a player's avatar taking on the role of a fashion model.

"Many of our games integrate seamlessly with IMVU's virtual goods," said Dale Strang, CEO of Viximo. "This makes it possible for IMVU community members to personalize their fun in our games."

Games have only been available on the site since July, Rosenzweig said, but the response has already been encouraging.

"At this stage, we're experimenting. We're learning,"

IMVU INC.

Headquarters: Palo Alto
CEO: Cary Rosenzweig
Founded: 2004
2009 Revenue: \$22.2 million
Employees: 100
Website: www.imvu.com
Phone: 650.321.8334



VICKI THOMPSON

ENTERTAINMENT DESTINATION: CEO Cary Rosenzweig is repositioning IMVU as a place to play games and interact using avatars.

Rosenzweig said. "We're trying to understand better. Do our users really want games? The quick answer is, absolutely yes. Are they willing to buy virtual goods associated with games? Again, absolutely yes. Already the games alone account for nearly 10 percent of the credits that our IMVU members are spending. That's very exciting to us."

IMVU is also looking to expand its reach beyond the PC, the traditional realm of the virtual world sites. It is adding Mac and mobile clients. Rosenzweig said IMVU is looking for ways to integrate its experience with Facebook, too.

Another key is going to be offering a variety of ways for users to buy credits, Rosenzweig said. This is going to be particularly important as the company looks to expand in Europe and the rest of the world, where online credit card payments are not as common. To that end, the company is partnering with various payment companies, such as Menlo Park's Zong Inc., which has created a network that lets users make payments using their cell phone numbers.

"We've had a close relationship with IMVU in the

past, and we're working very closely together to try to determine best practices for a bunch of countries." Zong CEO David Marcus said. "We're experimenting with a lot of things. They have the right products and the right geographies, and we have the right payment methods, so we're trying to build the right user experience in each of these countries together."

Whether it's a virtual world or a social entertainment company, Rosenzweig said, he thinks IMVU is positioned in the right place, because it's a tool that helps connect people. That's really powerful, he said.

"There's real power here. The avatars are more than little toys, they're actual psychological extensions of people from all over the world," he said. "I mean, if I look at the screen now, it's telling us that there are over 120,000 people who are using IMVU at this moment from 88 countries around the world. I mean, that's very powerful. That is very exciting. And I really enjoy being a part of it."

JOHN XAVIER can be reached at 408.299.1826 or jxavier@bizjournals.com