

# Bootstrapping 101:

How college kids built a thriving game company in under 3 years

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@JustinKBeck

GAME DEVELOPERS CONFERENCE

SAN FRANCISCO, CA

MARCH 5-9, 2012

EXPO DATES: MARCH 7-9

2012



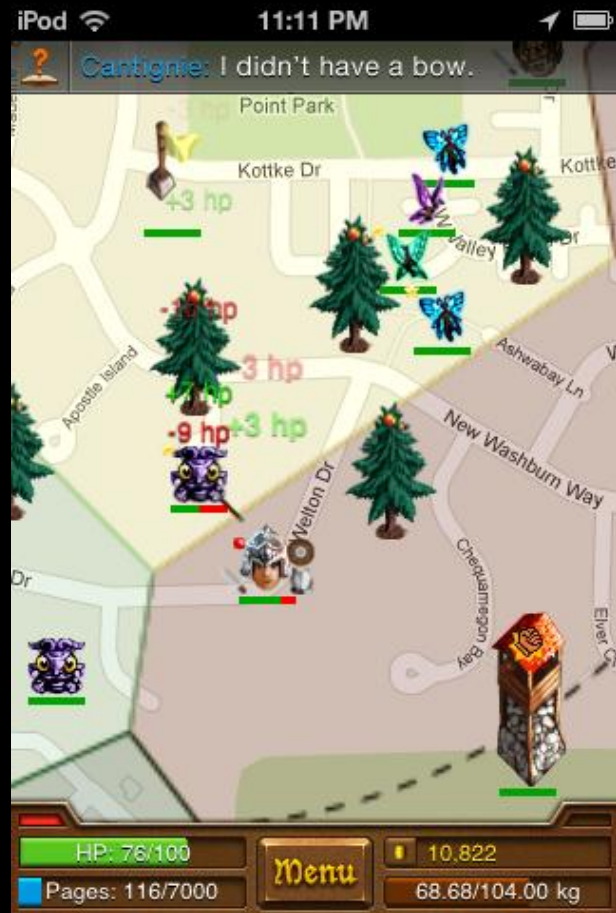
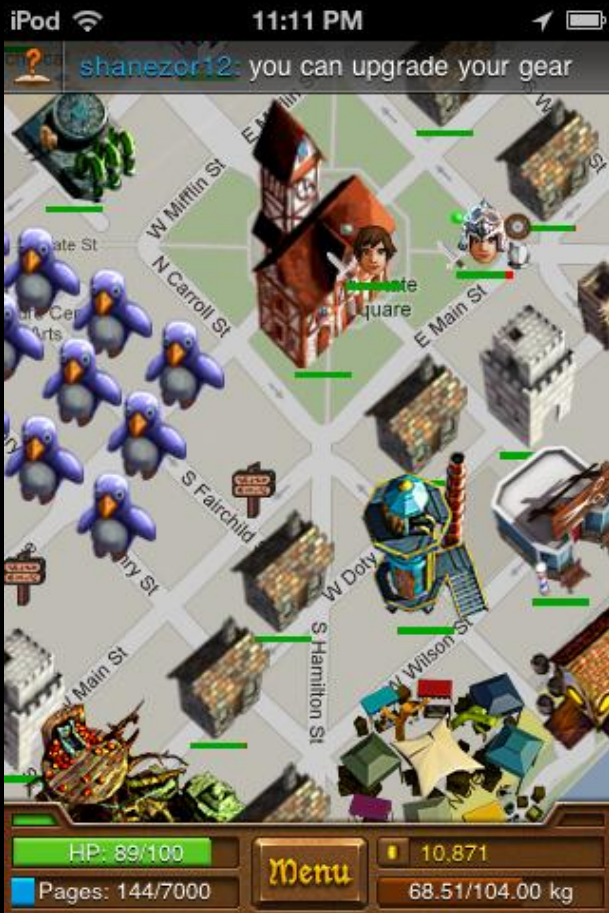




# Parallel Kingdom

- AGE OF THRONES -







iPod 2:33 PM

Back Buy Food

 365 Food Survival Pack	\$2.99
 860 Food Camping Trip	\$6.99
 1905 Food Family of Four	\$14.99
 4725 Food Company Picnic	\$34.99
 9845 Food Feeding of the 5000	\$64.99

HP: 100/100 Menu 1,376,742,528  
Pages: 2494/3500 2567.24/5421.00 kg

iPod 2:46 PM

? Knight Food: no

Back Limited Time Swag (13)

 Dragon Tooth Dagger +0 10% - Limited Time Swag!	500 Food
 Gray Football Helmet - Limited Time Swag!	525 Food
 Blue Football Helmet - Limited Time Swag!	525 Food
 Yanglong Dragon Scalemail +0 10% - Limited Time Swag!	525 Food
 Forbidden House Decoration - Limited Time Swag!	675 Food

HP: 100/100 Menu 7,684  
Pages: 0/10300 625.27/1724.00 kg

# Virtual Goods Expenses



Purchase Swag



Level Up



Refine Oil

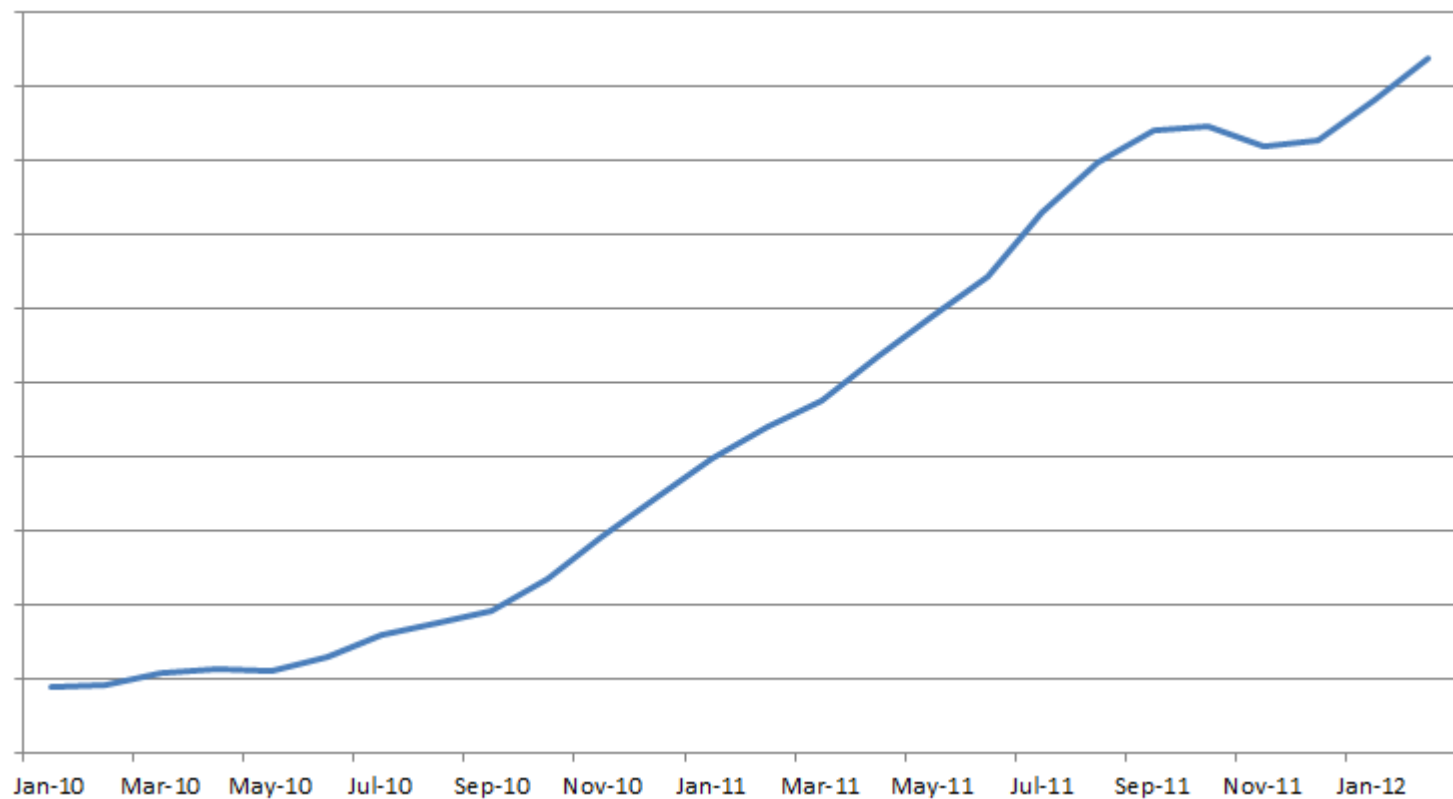


Customize Weapons



Change Skill

# Our Revenue

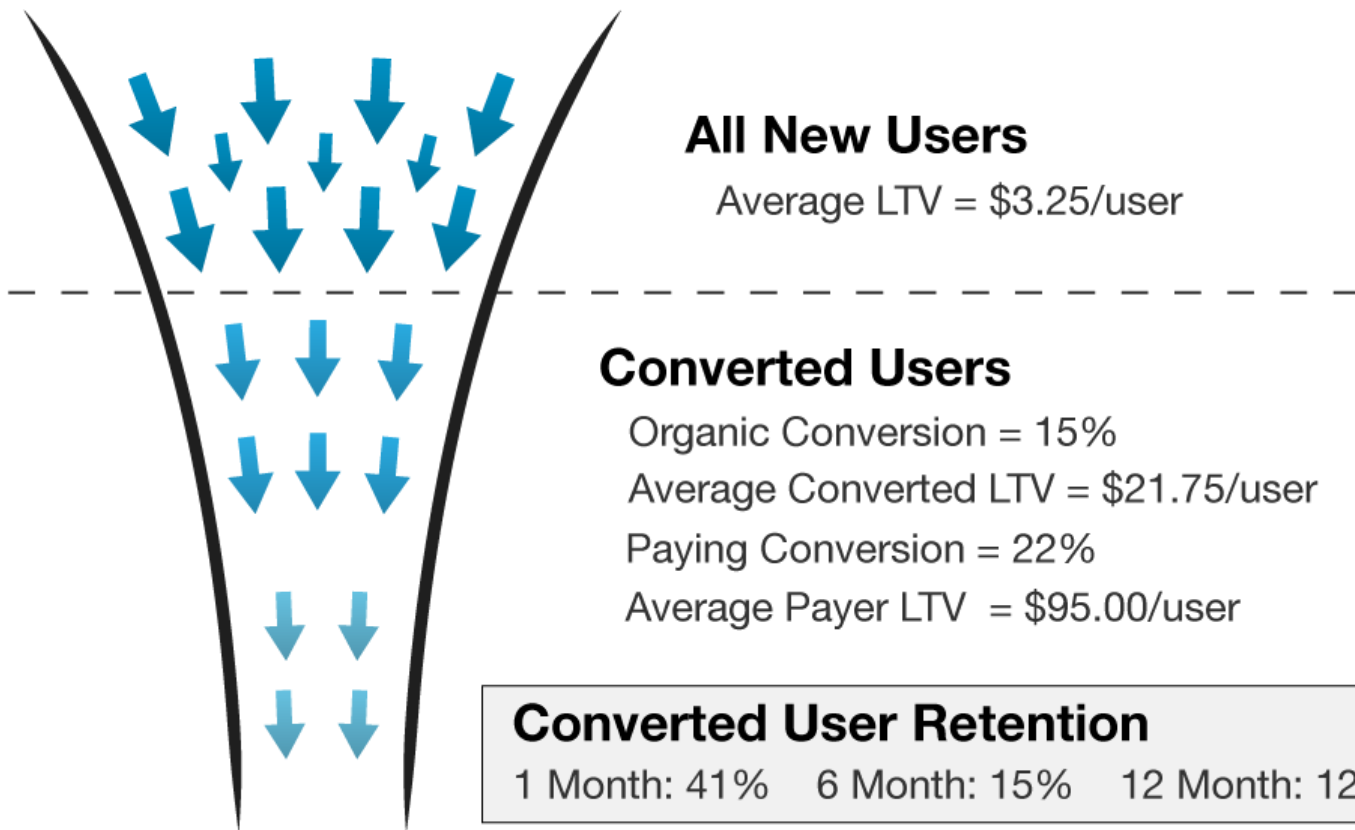




# Our Users

- 1 million user accounts
- 13,000 DAU
- 40,000 MAU
- 1,500 concurrent players
- 70% male, 30% female
- 85% Android, 15% iOS
- 75% USA, 25% rest of the world

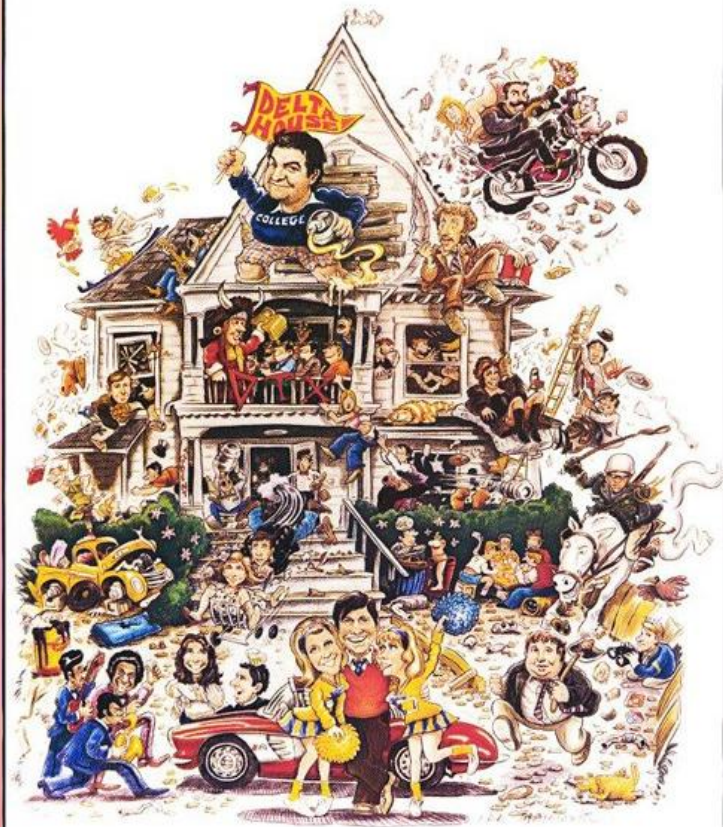
# Parallel Kingdom - Conversion Funnel



How did this start?



2008



NATIONAL LAMPOON.

JOHN LANDIS

# ANIMAL HOUSE



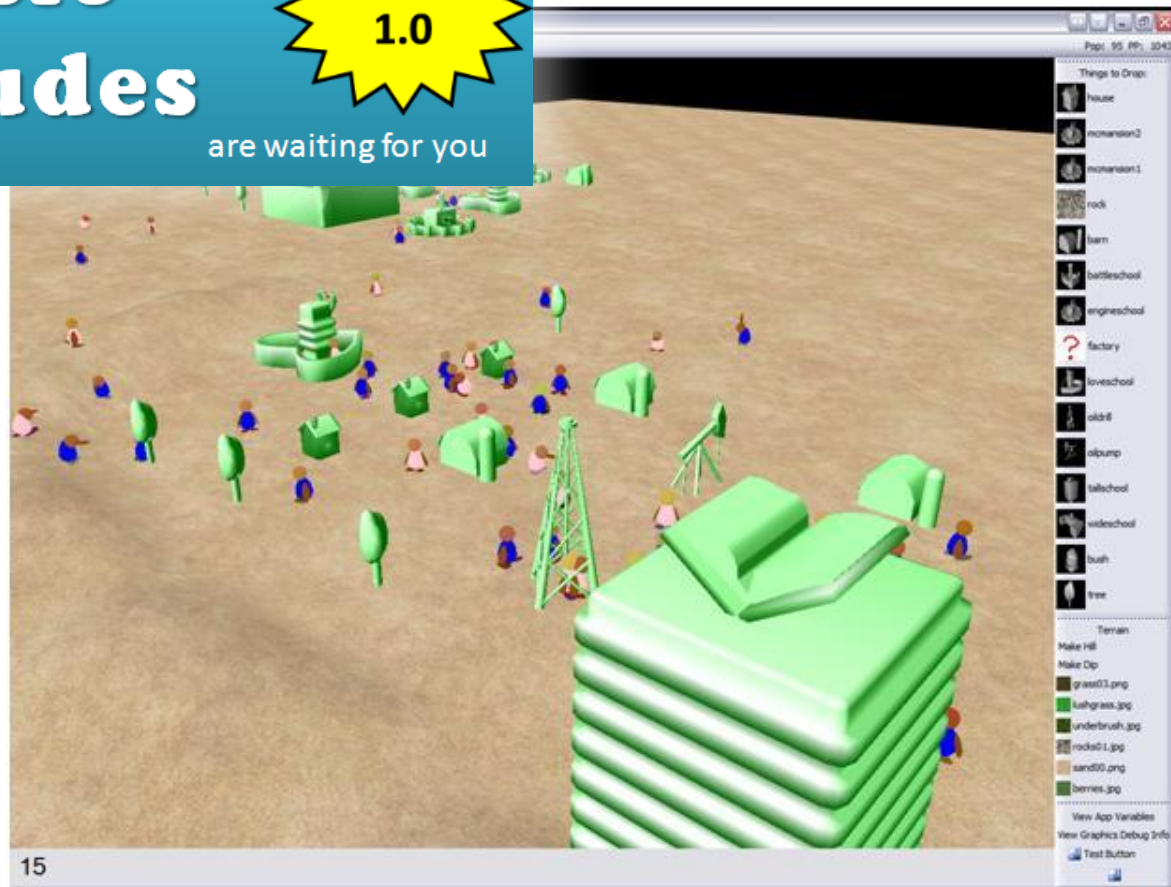




# Little Dudes

Version  
1.0

are waiting for you















# Parallel Kingdom

→ AGE OF THRONES ←

We got offered really early money.





# Take The Money or Bootstrap?



Why did we turn it down?

# Terms That Stink

- Small investment
- 1 board seat out of 3
- 10% share of the company
- Preferred Stock – protective provisions

We didn't trust them.

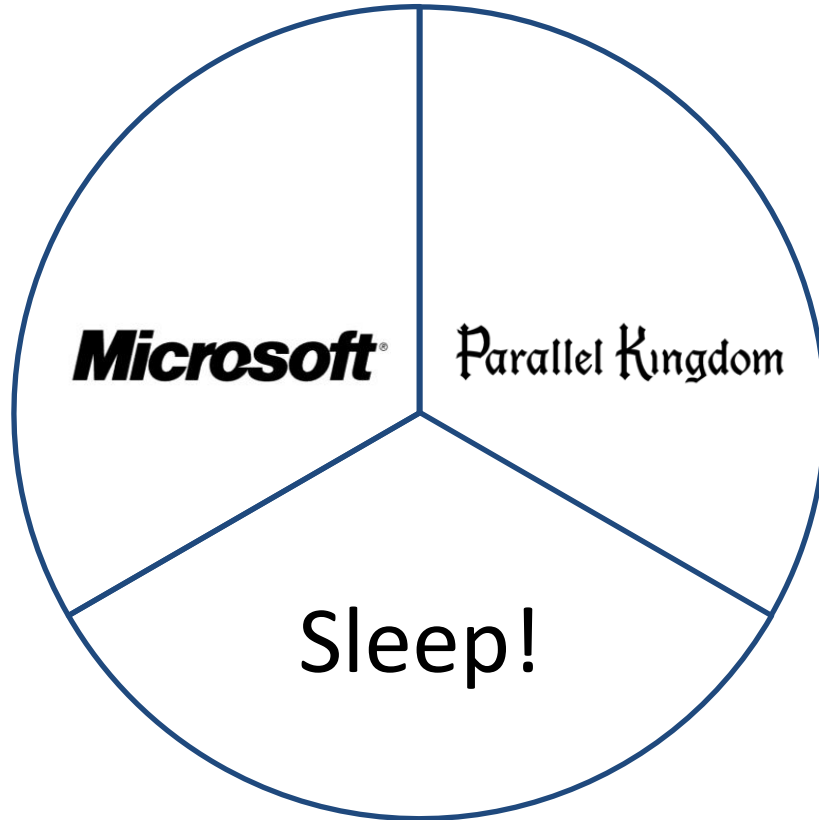
We're officially Bootstrapping.





***Microsoft®***

# My life @ Microsoft



# The real cost is not just time.



**Stress**

**Focus**



Microsoft offered me a great job.



# Take M\$ job or continue to bootstrap?

***Microsoft®***



Why did I turn down the job offer?

# Mobile Opportunity

Microsoft will always be around.





Parallel Kingdom  
-AGE OF THRONES-



The real value isn't the money.



**Education**

**Experience**

**+100 XP**

**+100 XP**

**+100 XP**

Don't let upfront cash buy you.

Assembling the team



# Stock Options



How do stock options work?

# Early Stage Employee Stock Options

- Really low price per share
- PT work .1% for a year
- FT work .4%-.8% for a year

*Key to compensation:*

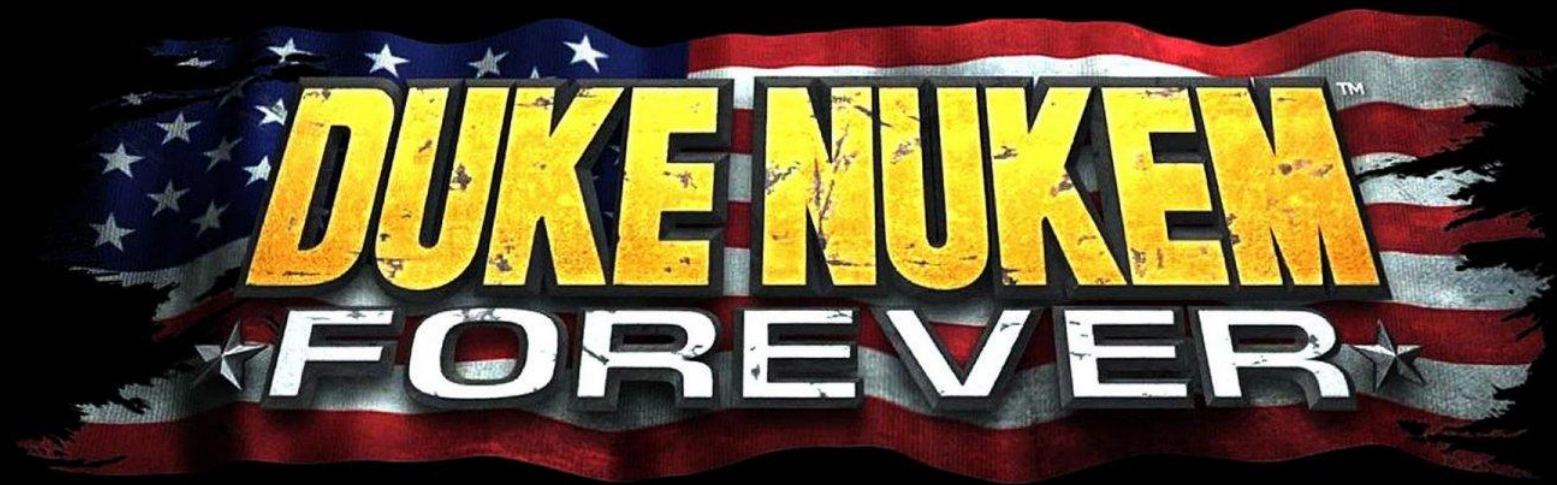
Good outcomes for the **company** and **employees**.

Why did people choose this?

After 11 months of development...

We still weren't shipped.





We have to ship.

Kingdoms  
**Send Messages**

Crafting  
Mines  
Caves  
Warp travel  
Armories  
Crystal  
Oil  
Weather  
Towers  
Leveled Weapons  
Ranged Weapons  
Pets  
Mini-games  
Trading  
Merchants  
Mingling  
Female character  
Flags

Spells  
Water  
Event feed  
Alliances  
Geotargetted marketing  
Ranged weapons  
Magic  
Web view  
Tutorial  
Customizable items  
Item naming  
Territory naming  
Sheep  
Avatar customization  
Dungeons  
**Collect Gold**  
Payment  
Subscriptions  
Tradeposts  
Claiming Land

Invites  
Cities  
Global chat  
Quests  
Giant turtles  
Scrolls  
Grove  
Rankings  
**Kill Monsters**  
Hats  
Research  
Academies  
Armories  
Societies  
Oxen  
Sign Posts  
Flowers  
Statuses  
Larva  
Plants

## Parallel Kingdom Set To Launch One Of First iPhone/Android MMOs

by **Jason Kincaid** on October 10, 2008

14 Comments 

Since the launch of the iPhone App Store, we've seen a **wave of geo-aware social networks** that make use of the phone's GPS (or in the case of the original iPhone, pseudo-GPS). Each of these apps aims to help facilitate social interaction by locating nearby friends, points of interest, or people you might be interested in meeting (but might not know yet). There's little doubt that some incarnation of one of these apps will help shape the **future of social networking**, but there's still a huge geo-aware market that has yet to be tapped: Games.



**Parallel Kingdom**, launching at the end of the month, is set to become one of the first

We launch!

2009

Some Context



“Got a lot of potential.”

“I don’t have enough creatures in my circle.”

“I am sick of driving around.”

**People don't move.**

“I hit my neighbor’s cat while driving  
because I was playing PK.”



How do we make a location-based game  
not so... location-based?

Sh\*t.



There is more to location than just being there.









Gilby3001

HP: 127/150

Pages: 19463/30000

547.2kg/514.0kg

32,053

Bam



We adjusted our strategy.

We're broke.

When you're out of money, the ship stops.



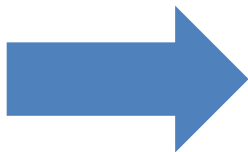
Initial Revenue Model: **Subscription Based**

But we were scared of a pay wall.



This was before Virtual Goods  
were pop culture.





# Virtual Goods Expenses



Purchase Swag



Level Up



Refine Oil



Customize Weapons



Change Skill

Where players spend Food is important.

# Tradeposts



We had the revenue model.



We needed money to launch.

# How can we fund this?

**Angel or  
VC round**

**Friends and  
Family round**

**Start doing  
contract work**



Friends and Family

Friends and Family: **Important Things**

# Family and Friends Terms

- \$72,000
- Common Stock
- 3.5% of the company

The night before launch...

It Worked!

2010



# Evaluating Acquisition Offers

What's the price?

Is it strategic?

What is the opportunity cost?

Who's in control?

# M&A Broad Offer Terms

- Private Stock → Private Stock Swap
- Other company priced high
- \$3M price, but re-vesting over 4 years
- Team Relocation

“Let me build you something  
bigger and better.”

# Raising Series A



# Raising Series A

- We were profitable
- We employed 7 full time people
- Increasing cash flow
- Had a solid team

Many investors requested us to move to CA.

# Perks of being in the Bay



# Perks of **not** being in the Bay



Madison, WI

# The Results

- Oversubscribed
- Looking for \$300k, total of \$800k raised
- Good investors that are trustworthy
- 50% West Coast, 50% Midwest

2011

# Scaling Revenue

Niche products have more legs than you think.



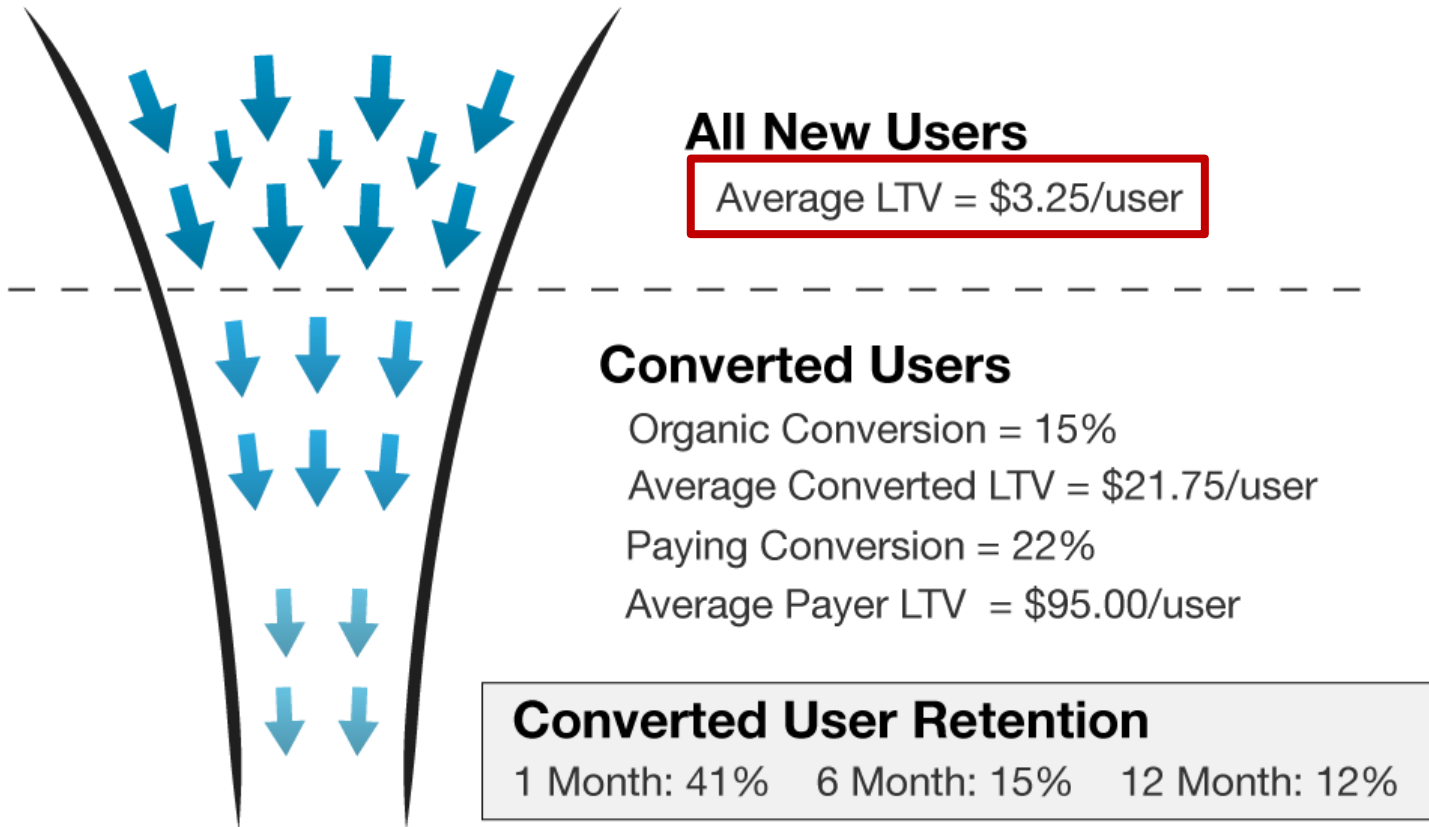
Stay Laser Focused

Starting multiple new products  
with small teams **didn't work.**

# Things that worked

- Improving new player experience
- Optimizing profitable features
- Improving referral systems
- Improving payment flow
- Investing in ROI positive marketing

# Scaling Customer Acquisition

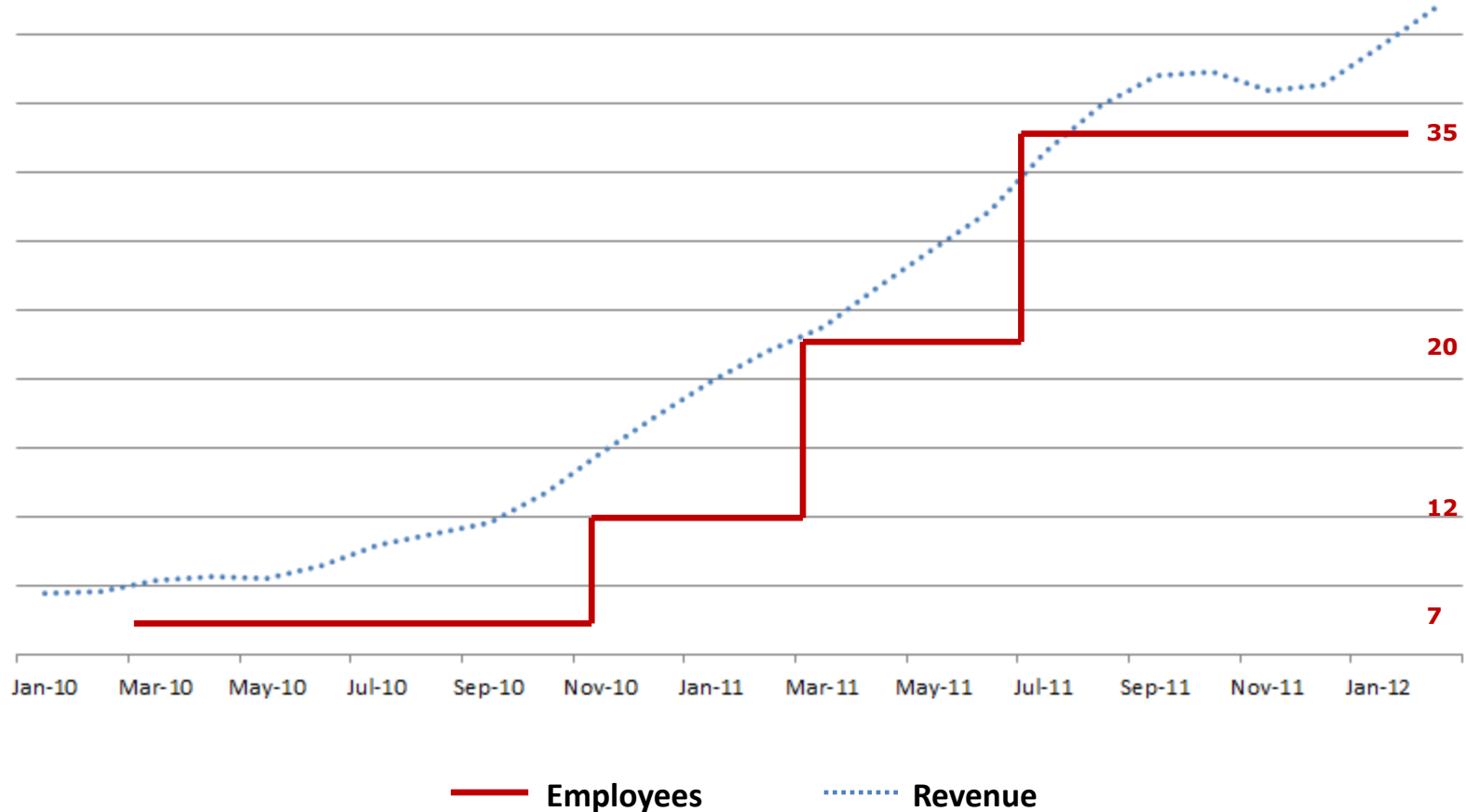


Cost of Customer  $\leq$  LTV of customer



Cash flow growth is awesome.

# We reused \$800k to grow our team 3 times.



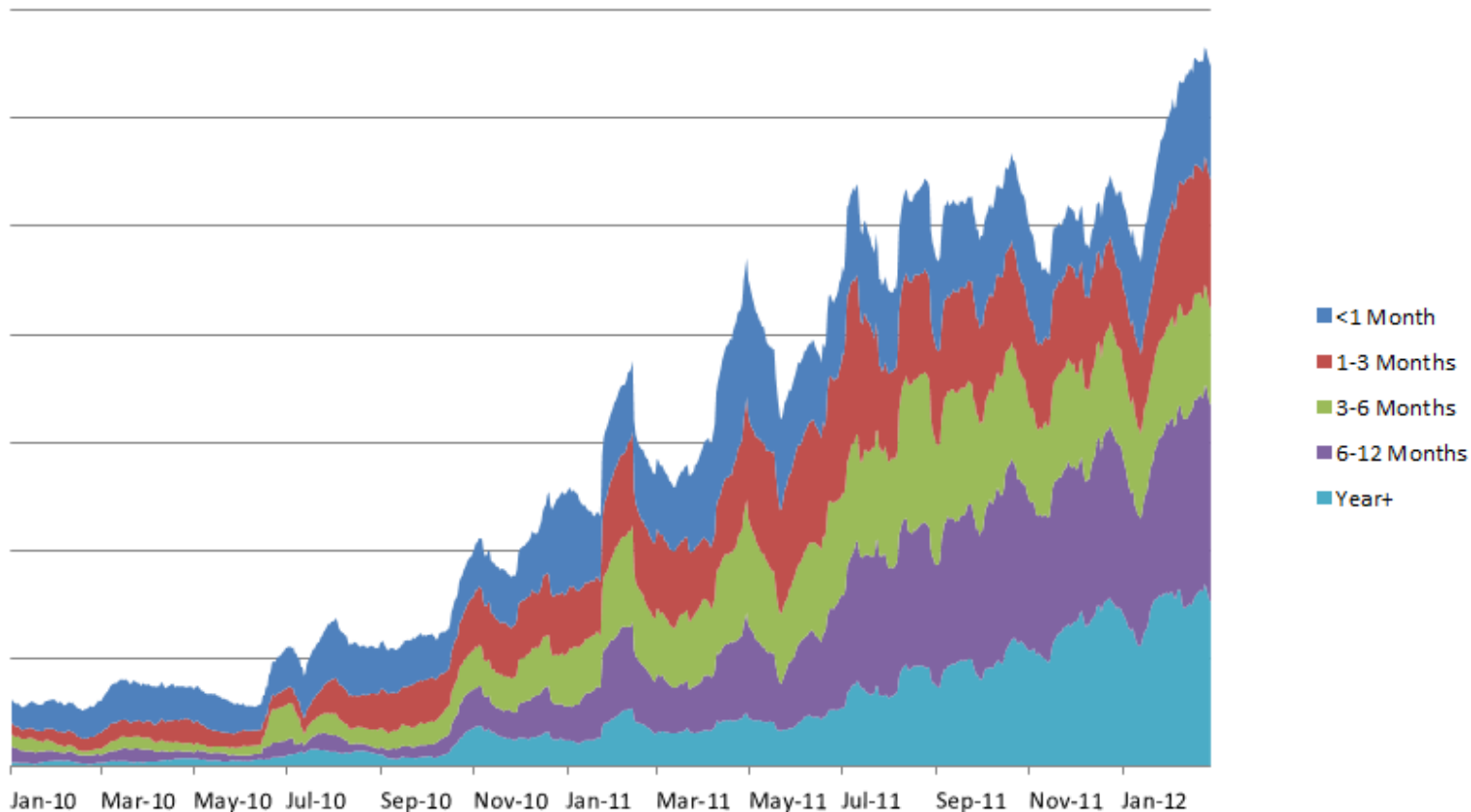
# 2011 Results

- **3.4x** revenue growth
- **2x** DAU growth
- Record new accounts
- Record daily revenue





# Player Graph



2012

What are we working on now?

# PARALLEL MAFIA



JOIN THE RANKS  
4.4.12

# Benefits of this strategy

Parallel Kingdom



- Build a “Parallel” brand
- Shorter dev time
- Stick to our strength
- Stackable revenue streams



Go forth, bootstrap!



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@JustinKBeck