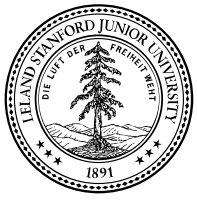

STANFORD
GRADUATE SCHOOL OF BUSINESS

CASE: E-254
DATE: 03/26/07

IMVU

—Two roads diverged in a wood, and I – I took the one less traveled by, and that has made all the difference. – Robert Frost

INTRODUCTION

Will Harvey hopped onto his road bike and began pedaling up Old La Honda Road, the famously steep and windy street in Portola Valley, California. As the climb became more arduous, Harvey, the co-founder and CEO of IMVU, a company that developed 3D avatar-based[1] instant messaging, began thinking through the three term sheets that were lying on his desk at the office. He and co-founder Eric Ries had to make a decision within a week about who to partner with on IMVU's current round of financing.

Harvey and Ries had adopted an unconventional approach to growth for their start-up. While the typical early-stage technology company delayed entering the market until its product had been perfected, IMVU sold its chat service to customers right away, even when it was incomplete, bug-ridden and carried a beta label. The IMVU development team then made continual modifications to the application based on consumer feedback captured through emails, surveys and online chat forums. Within eight months of launching the beta product, Harvey and Ries believed that they clearly understood many of the features desired by their "earlyvangelists."[2]

IMVU's strategy produced fast enough revenue growth (on a small scale) to attract offers from several Sand Hill Road venture capital firms as well as a large strategic acquirer. However, each potential partner had a different perspective on how to ramp the company going forward. Harvey and Ries weighed whether they should continue adhering to the methodology that enabled them to get IMVU off the ground or to shift gears in pursuit of a more aggressive expansion. That decision was the first step in choosing the source of capital best aligned with the company's strategy and goals.

[1] An avatar is an Internet user's online graphical representation of him or herself.

[2] First coined by Steve Blank, the author of *Four Steps to Epiphany*, "earlyvangelists" are early adopters of new technology who become passionate proponents and customers.

Bethany Coates prepared this case under the supervision of Lecturer Andrew Rachleff as the basis for class discussion rather than to illustrate either effective or ineffective handling of an administrative situation.

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BACKGROUND

Will Harvey

By the time that Will Harvey started IMVU, he had gained robust experience in networking software and video game development. Harvey wrote Music Construction Set, a worldwide best-selling video game, at the age of 15. A few years later, he enrolled in Stanford University, where he earned Bachelor's, Master's and Doctoral degrees in Computer Science while running a video game company that developed popular titles including Zany Golf, Immortal and the computer versions of Marble Madness. Upon leaving Stanford in 1995, Harvey joined Rocket Science Games (RSG) as Vice President of Engineering. In 1996, he left RSG to start Sandcastle, a company that developed networking tools for low latency interaction over the internet. Shortly after Adobe Systems acquired Sandcastle in 1997, the serial entrepreneur founded There.com (There), the first 3D virtual world for socializing online. Despite large infusions of venture capital, There did not grow as quickly as expected under the "professional" CEO hired in 2000. Harvey left There in 2004, so that he could pursue an opportunity in 3D avatar-based instant messaging and social networking.

Eric Ries

Eric Ries, IMVU's Chief Technology Officer, graduated from Yale University in 2000 with a B.S. degree in Computer Science. Ries began programming as a child, and by age 16 wrote several computer science books including *The Black Art of Java Game Programming*. While at Yale, he co-founded Catalyst Recruiting, a web-based recruiting company focused on Ivy League students. Although Catalyst folded with the dot-com crash, Ries continued his entrepreneurial career as a Senior Software Engineer at There.com, leading the effort to bring agile software development and user-generated content to the company.[3] After working extensively with Harvey at There.com, Ries agreed to co-found IMVU. *Business Week* subsequently named Ries one of "Tech's Best Young Entrepreneurs."

ANYWHERE BUT THERE

When Harvey founded There.com in 1998, his primary goal was to create a vibrant virtual world for online socializing:

> When you think about meeting people in real life, doing things together is a big part of that interaction. When you meet a girl, you might ask her on a date. If you're with your buddies, maybe you'll go to a ball game. And so I created There to give people a place to go [online] and do things with their friends.[4]

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[3] User-generated content (UGC) refers to media content produced or primarily influenced by end-users, as opposed to traditional media producers. UGC may also employ a combination of open source, free software, and flexible agreements to diminish barriers to collaboration, skill-building and discovery.

[4] Gamasutra, "*Playing Catch-Up: Will Harvey*," August 8, 2005, Frank Cifaldi.

The world depicted within There.com included huge islands that could be explored by hoverboard,[5] neighborhoods and houses that users could customize and businesses through which subscribers could conduct transactions using "Therebucks," a virtual currency with real world value.

In addition to creating a "metaverse,"[6] Harvey was passionate about building a very profitable, innovative company. After bootstrapping the start-up for the first year, he raised $4 million of venture capital, a decision that increased the complexity and number of stakeholders involved in the venture. In 2000, while There.com was still in its nascent stages, Harvey decided to hire Jamie Bell,[7] a "professional" CEO, to replace him. As he explained, "I brought Jamie in because I had never managed a company of that size and wanted to reduce the risk." Once Bell joined, the start-up was managed consistent with a common Silicon Valley model: Raise venture capital to finance product development while concurrently executing on a sophisticated marketing strategy to generate pre-launch "buzz."

During his first two years with the company, Bell raised another $36 million and invested company resources into building new features. There.com managers, who had high expectations for producing the best possible customer experience, jointly presided over extensive "scope creep."[8] Originally scheduled for launch in early 2002, the date was postponed multiple times to allow for the addition of more bells and whistles. Ries noted that the company could have shipped the product any time after he came onboard in 2001:

> When I joined There, the company had a fully functional application. A few bugs existed, but lots of people had a good time testing and playing with it. I used to wonder why we weren't shipping it. But I never asked the question aloud. By that time, we often talked about being the next AOL or Microsoft – a platform company, an enabling technology for the future of the Internet. It was considered naïve to think that the 'next AOL' would ship anything short of perfection.

The hierarchical executive team frowned upon information sharing between divisions and also insisted on absolute secrecy from the public. Attempting to perfect the burgeoning service in 'stealth mode' limited the depth of knowledge There.com acquired about its potential customers and how those users felt about the product and its features. Ries recollected that, "The company sort of wanted customer feedback, but not really. From our perspective, what could they tell us except that we were right? The marketing team held focus groups, but looking back, they were orchestrated to get the answers that we wanted to hear."

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[5] A hoverboard is a fictional, futuristic hovering deck, resembling a skateboard without wheels.

[6] Coined by Neal Stephenson in the science-fiction novel *Snow Crash*, the "metaverse" is an immersive 3D virtual environment where humans (as avatars) interact with each other socially and economically.

[7] Fictionalized person based upon an amalgamation of managers.

[8] Scope creep in project management refers to uncontrolled expansion in a project's scope. This phenomenon can occur when the scope of a project is not properly defined, documented, or contained. Typically, the scope increase consists of either new products or new features of already approved products. Hence, the project team drifts away from its original purpose. Because of the tendency to focus on only one dimension of a project, scope creep can result in a project team overrunning its original budget and schedule.

After five years of behind-the-scenes development funded by $40 million of venture capital, There finally launched in October, 2003. Harvey recalled that "It was in the *Wall Street Journal*. We were in the *New York Times* and a bunch of other publications. Millions of people read about it." However, There did not catch on with users as Bell, Harvey and their employees expected. At the time, There's product only ran on powerful personal computers and necessitated a 100-megabyte download. Extensive hardware requirements[9] excluded lower-end computer owners. Would-be subscribers simply did not enjoy the service enough to pay for it. Ries noted, "The press attention was wasted because we could not convert it into a growing subscriber base."

During its first month, the company that launched with such fanfare only pulled in revenues of $20,000, which was far below management's expectations. There.com's sales remained disappointingly flat over the next six months as it struggled to find new customers. With the board's approval,. Jamie Bell opted to steer the company in a drastically different direction from Harvey's original vision. "They repositioned to focus on simulation software for military applications," he remembered. "Our investors supported that decision, but my personal interest was in creating entertaining experiences."[10] In June 2004, Harvey and Ries struck out on their own to form IMVU.

HOW THE WORLD WORKED

When founding the company, the early IMVU team considered what they could do better than anyone else**.** Developing new and unique technology from There.com, they decided that IMVU's competitive advantage would center on its ability to create lifelike, customizable avatars and the accoutrements that could make those 3D characters interesting and useful.[11] Harvey and Ries sketched out how these online personae could be incorporated into a chat platform. They developed an instant message prototype in which a new user signed up, chose a screen name and then picked out an avatar from a wide array of options. Among other features, hair style, skin tone and eye color could all be modified. Once an avatar had been adjusted to suit its creator, friends or randomly connected strangers could instant message each other with the typed text shown in bubbles (**see Exhibit 1**).

The IMVU team expected the main revenue stream to come from customers who bought supplementary products for their avatars. Outside of the free wardrobe provided to all users, additional clothes, accessories and gifts for the online figures could be purchased using "Credits," the IMVU currency. Subscribers could buy "Credit Bundles" for $25 each or earn them by chatting, inviting their friends to sign up or by browsing the IMVU catalogue. Ries, who was immersed in the open source software movement, also lobbied for members to be able to create their own content, including avatars, clothing, animations and textures, using a system of simple tools to be created by the IMVU team. User-created items could then be sold on

[9] Requirements included Windows 98 SE or later, an 800-MHz or faster processor, 256MB of RAM and 400MB of free hard-drive space.

[10] Gamasutra, "*Playing Catch-Up: Will Harvey.*"

[11] Tony Walsh, Clickable Culture, "*Will Harvey*," September 8, 2005.

commission to other subscribers. Once a subscriber invested in his avatar, clear switching costs would deter moving to another provider.

Before Harvey and Ries began developing the full application in earnest, they committed to a new modus operandi for IMVU, one that would not require millions of dollars and several years of work before proof of concept. The duo hoped to build a profitable, pioneering company. They believed that iterating the product as quickly and cheaply as possible based on customer feedback was the best way to ensure success. The colleagues agreed on a management philosophy they called the "IMVU Owner's Manual (IOM)." Based on what Steve Blank, the co-founder of E.piphany and a lecturer at Haas Business School, termed the Customer Development Process, this approach was characterized by three key operating principles:

- **Contain the cash burn rate** and view financing as a bridge to profitability
- **Test critical assumptions early**, including whether consumers would purchase the product
- **Take a high-touch approach** to discovering the target customer and the product s/he wants

Contain the cash burn rate

Throughout his career as an entrepreneur in Silicon Valley, Harvey observed a common cycle whereby start-ups (including his own) raised funding to spend it "finding more funding and developing the company to the point where it would be even more 'fundable.'" These priorities put VCs at center stage instead of paying customers. "Webvan is an iconic example of this pattern,"[12] Harvey noted. In his view, managers of start-ups flush with cash risked spending far more money than necessary, while also sacrificing the majority of their original equity stake. In contrast, Harvey and Ries wanted to limit external financing in order to retain as much ownership as possible. The IMVU team based the company's early culture on Plato's maxim that "necessity is the mother of invention." They focused on breaking even as quickly as possible, even on a micro-scale, by coming up with creative, inexpensive ways to solve technical challenges. Ultimately, the founders raised $1 million in angel funding, just enough of an investment to cover their costs for eighteen months, at which point they expected to be profitable.

In order to stretch that financing as far as possible, they kept the cash burn rate below $56,000 per month. They agreed not to hire any outbound marketing, sales, finance or administrative employees while iterating the product based on feedback from their fastest adopters. Ries and Harvey's team of six people included only non-developer employee, "Customer Liaison" Ari Levitt, whose sole job was to collect and coordinate customer feedback. Once the prototype had improved enough to interest a slightly broader set of customers than the "earlyvangelists," the team spent $5 per day on advertising to ramp sales. Eric Ries, the CTO, took on the role of acting VP of Marketing. He noted:

> It sounded like a tiny amount, but it was all we needed to buy 100 clicks to the site through Google Adwords.[13] That gave us a sufficient number of visitors and

[12] Launched in 1996, Webvan raised $800 million in private and public capital to revolutionize the retail grocery business with online ordering and same day delivery of household groceries. After scaling far in advance of their customer acquisition curve, the company went bankrupt and was out of business by 2001.

[13] Google Adwords are links which appear next to Google search results when a particular keyword is entered. It is often considered a cost-effective form of advertising since there is no minimum spending requirement and

customers to test features and provide the feedback IMVU needed in order to continue improving the product.

Test critical assumptions first

While carefully controlling expenses, Harvey and Ries also endeavored to avoid the practice they had previously seen of basing key financial projections on untested assumptions. For example, some of the estimates made by the There.com team had glossed over fundamental market realities – to detrimental effect. As Harvey recalled, "We delayed many important questions at There until the product was 'baked.' First and foremost, we did not substantiate our expectation that a sufficient number of paying customers existed for that product." Ries expanded, "We wanted to believe so badly that the slightest bit of confirming evidence was enough."

Rather than duplicate the failed approach from There (and other start-ups), Harvey and Ries decided to try the opposite tack with IMVU. In November 2004, the young company began shipping product while it was still under development and carried a beta label. "It was in a terrible state," Ries remembered. "It was buggy and crashed computers. It took chutzpah to request payment, but we were determined to have customer feedback shape the product from its earliest stages." Noting the limitations of their early beta application, the management team set monthly revenue goals of just $300 (**see Exhibit 2**). This represented sales of twelve $25 "Credit Bundles" that subscribers could use to buy virtual paraphernalia for their avatars.[14] "Most of us were engineers," Harvey noted. "It turned out to be an aggressive goal since we did not have sales experience and people were wary about making purchases with a beta version."

Nonetheless, the IMVU team pushed forward, believing that the information gained would justify the risks of unveiling their product early, including temporarily frustrating their subscribers. Even hitting their modest revenue goal required months of preparatory work on the infrastructure. Ries noted, "We agreed not to invest an excessive amount of time or money into developing additional features or polishing the existing ones until we knew if a viable segment of the market would purchase a product like ours." They thought they would be able to confirm an answer to that question by October 2005 – one year after shipping the beta version.

Take a high touch approach

The IMVU team found that some visitors took to the application immediately, even in its incomplete state. The founders actively pursued feedback from these early adopters through online forums, email surveys and one-on-one "focus group" discussions. They also spent many hours observing how they used the website.

Early on, positive feedback tended to focus on how the high-quality graphics enhanced the instant message experience. One user commented, "I like the sense of 'presence.' Like you are really there hanging out with your friend as opposed to being physically separated."[15] Constructive criticism often highlighted the many bugs in the software. Typical comments included, "It seems to crash every time I use it." The IMVU team used customer input to refine

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purchasers are charged only if someone clicks on their ads, not when the ads are displayed. The system also gives advertisers access to an extensive amount of data related to how customers interact with their advertisements.

[14] The average unit price for virtual clothes and accessories (e.g. one shirt) was $.50.

[15] IMVU customer feedback; all subsequent customer remarks are from the same source unless otherwise noted.

the application – often adding (or removing) new features within a matter of days. A core group of "earlyvangelists" offered the most suggestions for improvement. When considering whether to implement a proposed refinement, IMVU "split tested"[16] it with new subscribers to see whether the change prompted more instant messages or purchases. If a new feature proved to be popular, IMVU would roll it out to all subscribers. The company planned to steadily tailor the product according to user feedback, constantly iterating to make it more appealing to increasingly mainstream customers.

One drawback of the IOM approach as a whole was that it forfeited the possibility of a dramatic, highly advertised public launch. This event typically boosted employee and investor morale and was often followed by an immediate (although not necessarily sustainable) sales spike. Instead, IMVU's team knew the company's growth would begin with a slow ramp while they finalized the product in public view. On the flip side, they expected to hold costs down as well. They anticipated that an application designed with considerable user input would ultimately produce stronger sales growth and returns in the future.

THE CUSTOMER IS WRONG

When the IMVU team initially thought about recruiting customers for the product's beta version, they expected early adopters to fit into what they thought of as the "homemaker" market. Core customers of There.com, "homemakers" were largely middle-aged female users interested in making online social connections. Yet, as IMVU began acquiring subscribers, it turned out that roughly half of them were 18 years old or younger **(see Exhibit 3)**. Harvey and Ries found this segment somewhat unattractive for two main reasons. They believed teenagers tended not to have much disposable income and were therefore a particularly price-sensitive group. Secondly, few possessed credit cards, which made it difficult for them to pay for the service even if they could afford it. During the first six months that IMVU was up and running in beta, one typical teen subscriber said he would use the application more often if "there were [additional] ways to get free credits…since young people don't really want to spend money on an IM program." When the IMVU founders looked at an average seven day funnel,[17] 2.7% of active adult users converted to paying customers, but no teenagers did.

Harvey and Ries wondered whether the situation had to do with the look and feel of the site. In the race to launch the application, they had not specifically geared avatar looks, fashions and accessories toward adults. One of the relatively few adult subscribers noted, "All of the avatars look like 14 year olds. I'm 28, and I'd like to have a '28 year old' face, not a teenager face." A male user requested that IMVU "add 'office attire.' I occasionally do client consulting via IM. Clothes suitable for a tech engineer would be nice." Similarly, adults seemed turned off by the bubble letters and funky colors on the homepage (**see Exhibit 4**). They requested different avatar scenes (e.g. an office), and animations (e.g. shaking hands) than the ones that interested teenagers. In addition, teen users had literally created a vast "instant message language" based on acronym slang (**see Exhibit 5**). Their messages were unintelligible to most adult users, often by design to escape parental oversight. Since the success of the start-up was based in part on the

[16] In a split test, a cohort of new users is divided in half. The control segment sees the unmodified application. The "test" segment sees a revised product.

[17] The funnel started with visitors and narrowed to users, active users and then active paying users.

network effects of strangers conversing and getting to know each other online, a large language gap between the two disparate groups was an issue of concern.

In April 2005, six months after launching the beta version, Harvey and Ries realized they needed to decide whether to focus on teens with the current product or to alter it substantially in order to target adults. While the early adopter adults who visited the site paid for the service more often than teenagers did, it was not clear that IMVU appealed to a broad enough adult audience in general. On the other hand, although many teens could not easily pay for the current application, they clearly liked it. Some were so enthusiastic that they sent handwritten letters with dollars and coins included (**see Exhibit 6**). Ries recalled, "While we thought that kids sending in quarters made a cute story, it was clearly not an efficient way to scale a serious business." The IMVU team worried that attempting to capture both segments would dilute the offering to the point that neither would remain interested. They would have to pursue one market over another.

BOARD DYNAMICS

Harvey assembled a world-class board of directors soon after IMVU was formed. Steve Blank, formerly the CEO of Rocket Science Games, was the first director. Blank became close with Harvey while they worked together at RSG. When describing his reaction to Harvey's inquiry, Blank exclaimed "I had known Will for a long time and would have backed him in anything – even a candy store." In addition to Blank, Owen Mahoney, the EVP of Business Development at Electronic Arts, Alex Winters, the VP of Business Development at Webvision, and Josh Klevens,[18] the co-founder and President of StrataGames filled out the rest of the board. Several of the directors were also angel investors in the start-up, responsible for most of IMVU's $1 million equity financing.

Harvey intentionally targeted preeminent professionals for these roles; individuals who could bring deep expertise to bear on IMVU's success. There were obvious advantages to being surrounded by "heavy hitters." However, it was also challenging to hold their attention. Harvey explained, "Time is the most precious resource for these people. Given that they are so stretched, they want to be sure that the start-ups they advise are going somewhere before they commit for an extended period."

Between December 2004 and April 2005, the founding team kept IMVU's board apprised with detailed progress reviews. The reports included financial results and information gleaned from customer research, including raw survey data. Having seen the outcome produced by an "information-hiding" culture at There, Harvey and Ries decided to be completely transparent about the company's progress and prospects, even when the conclusions were grim. As Harvey explained:

> It was a scary strategy. We shared negative user comments with our directors every two months. If we had followed the traditional Silicon Valley model and said 'We're going to take two years to build a product,' we would have had some leeway to ignore the inevitable bumps in the road. The path we took left us

[18] Winters and Klevens are fictitious characters based on an amalgamation of investors

> exposed. We had no cover for talking up the application that we were building, without also revealing its shortcomings.

After a few months, some directors signaled dissatisfaction with the company's trajectory. Between November 2004 and April 2005, IMVU produced roughly flat monthly sales of less than $700. Harvey recalled, "It is safe to say that our product was not a smashing success in its beta release." Of the few visitors who were registering, just 0.4 percent paid for the product, versus the target of 4 percent. Given the parameters outlined in the IOM approach, Harvey and Ries expected a slow ramp, but not that slow. Their advisors began to chafe at the small returns. Harvey recalled:

> "During the April meeting, one board member looked at the revenue graph and asked, 'are you missing a couple of zeros?' When it was time to wrap up, I tried to schedule the next session and another member said 'Will, you know all of us have a fleeting attention span. I'll come to the next meeting, but I may not be involved after that.' The message from these guys was that something was not working."

In May 2005, IMVU added a feature that enabled users to charge Credits to their mobile phone bill. The company's revenues jumped to $1,400 that month. Revenues increased again in June to $2,200. Harvey and Ries concluded that the spike was due to providing teens with a convenient way to pay. Steve Blank found the upward trend promising. He noted, "It looked like the beginning of a hockey stick growth pattern." Yet, on a micro-scale, it was not enough to convince the more skeptical board members that the start-up should continue pursuing the IOM strategy. In particular, Klevens and Winters felt that putting the product in the hands of consumers well before it was complete was not an efficient way to build market share. Winters called Harvey and argued:

> The bugs will damage IMVU's brand and credibility. That will turn mainstream customers off and prevent meaningful sales growth. In the mean time, while chasing down every feature recommended by early adopters, you're waving a red flag to potential competitors to learn from our mistakes and enter the market with a finished copycat product. My strong suggestion is that IMVU pull the product back in-house, fully complete it out of public view and then reship.

Winters was essentially recommending the conventional way of building a technology company in Silicon Valley.

WHEN IT RAINS IT POURS

Before the founders had time to fully assess the merit of Winters' recommendation, Jack Ardell, a friend of Blank's and a partner at Red Oak Capital (ROC), a second tier venture capital firm, approached them about making an investment. He agreed with Blank that the IOM approach to starting the company was beginning to pay off in the form of faster-growing revenue and found the scale to be less important than the emerging trajectory. Harvey and Ries decided to test the waters with other Sand Hill Road VC firms. To their surprise, within one week, they had seven term sheets from competing firms as well as an offer from Janga, a large online search engine.

The IMVU team narrowed the playing field down to ROC, Janga and Pacific Capital (PC), a very highly regarded venture capital firm. As the team analyzed the term sheets in detail, they found critical differences among them. Red Oak proposed investing $5.5 million for 33 percent of the company, while PC submitted an offer of $5.25 million for a 35 percent stake. The firms also outlined very different perspectives on how to grow the company going forward. Jack Ardell said, "It is still early, but the IOM approach seems to be working. Why fix something that isn't broken?" Working with him guaranteed that the IMVU team would have more autonomy. However, ROC had a less impressive rolodex and a somewhat less distinguished track record of mega successes than PC did. In contrast, Rob Stewart, a partner at Pacific Capital had a different take. "Your team put a decent bootstrapping strategy in place, but it is time to move on and ramp sales faster." Pacific wanted the company to execute a massive, near-term public launch. This meant bringing in "professional management," staffing up the marketing and sales divisions, buying servers and hiring many more engineers to complete the application. Stewart also wanted IMVU to aggressively target adults going forward, rather than "kids who were paying with their lunch money."

Harvey and Ries thought of PC's recommendation as a binary approach in which IMVU would either succeed massively or fail miserably. Harvey recalled, "It was exciting and flattering to be courted by the partners at Pacific Capital. They had an unmatched track record of huge returns. But working with those guys would also require that we opt-in to their formula for growth." In addition, the politely stated, but unequivocal message was that if the current management team made any mistakes, they would be quickly replaced.

Janga's acquisition offer of $20 million turned out to be the most lucrative. The founders would receive 50 percent of their ownership stake upfront in cash and the balance would vest over two years. Janga also offered an additional $15 million performance-based earn out over four years. Eric Ries, only 27 years old at the time, found it to be a particularly compelling proposal. "They essentially plunked a few million dollars on my desk with the promise of more to come.[19] After watching the value of my There.com equity evaporate, I was pretty excited about an offer that seemed to be both a fair price and a sure thing." Although they had not clarified the specifics, the IMVU team also knew that being acquired by Janga would mean accepting a substantial degree of corporate oversight.

TAKING STOCK

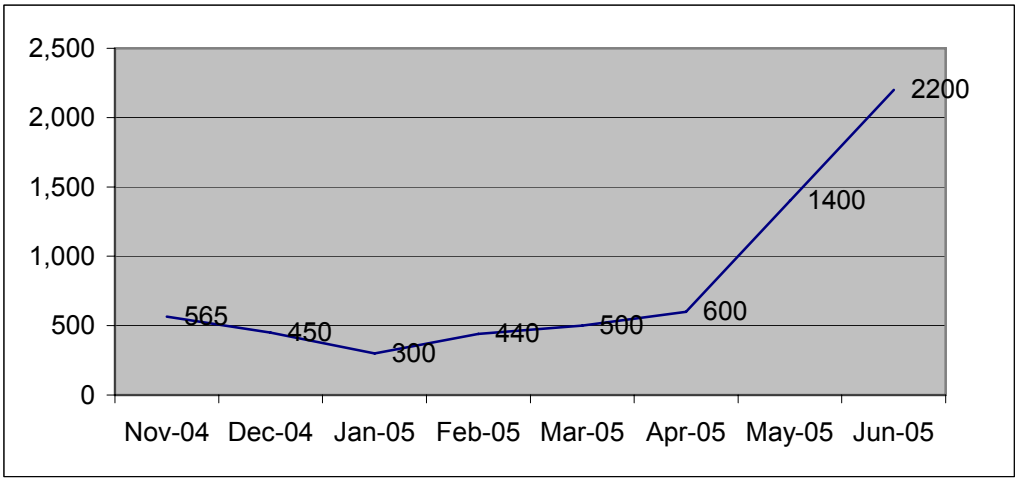
As Harvey reached the top of Old La Honda Road, he wondered whether all three offers actually sold IMVU short. He thought that, with revenue finally beginning to grow, the team would be able to command a much higher valuation in just one year. If they agreed to hang in there for another twelve months, they could potentially secure a substantially larger return. He wondered what course of action to recommend to his colleagues.

[19] IMVU's management team owned 80 percent of the company and IMVU's angel investors owned the balance.

Exhibit 1
Example IMVU Instant Message

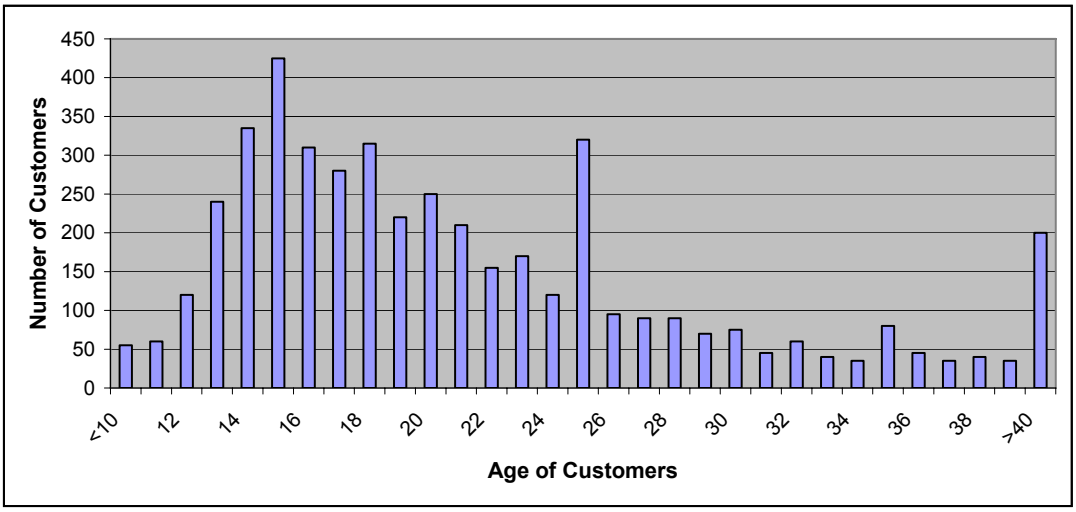
Source: IMVU.com

Exhibit 2
IMVU Revenue Growth, $



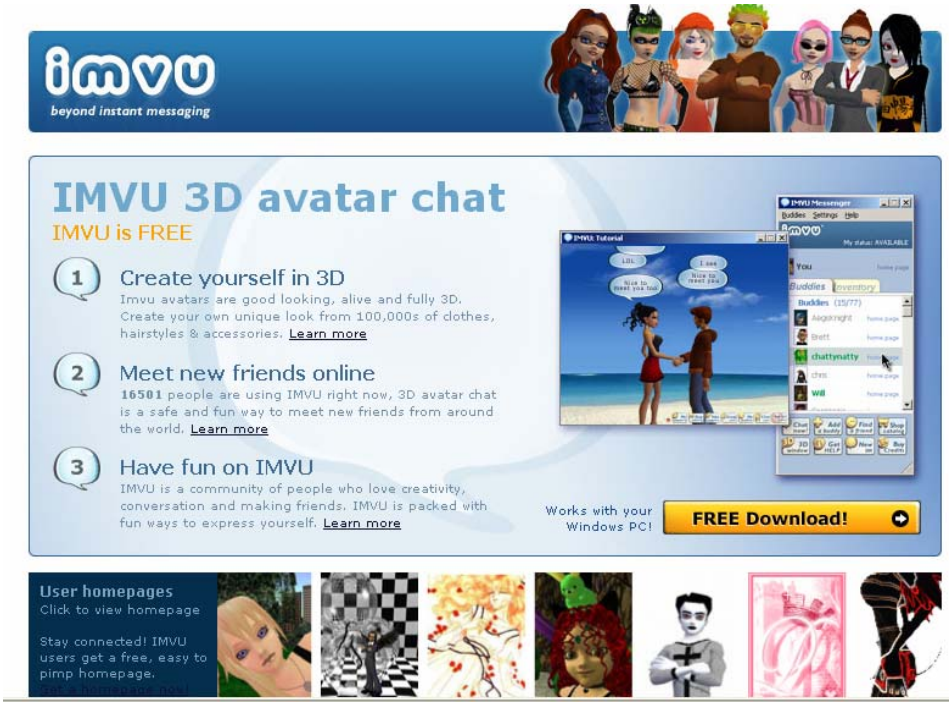
Source: IMVU.com

Exhibit 3
Customer Age Distribution



Source: IMVU.com

Exhibit 4
IMVU Homepage



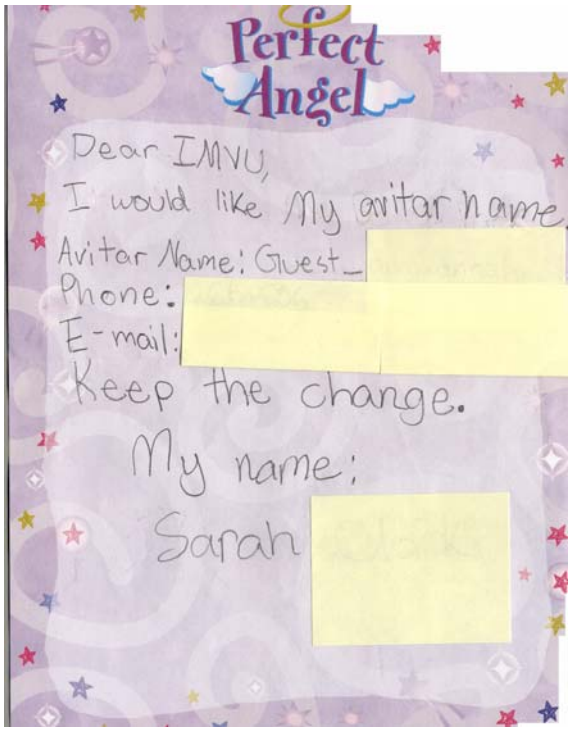
Source: IMVU.com

Exhibit 5
Excerpt of Teen IM Slang Language

ASL	age, sex, location
AAF	as a friend
AFAIK	as far as I know
AFCPMGO	away from computer, parents may go on
AYPI?	and your point is?
B4N	bye for now
BBL	be back later
BBML	be back much later
BFFL	best friends for life
C/T	can't talk
CD9	code 9 (other people are around)
CMCP	call my cell phone
CTPC	can't talk, parents coming
CUL8R	see you later
DDG	drop dead gorgeous
DKDC	don't know don't care
DYW2GOWM?	do you want to go out with me?
FBTW	fine be that way
FIO	figure it out

Source: Noslang.com

Exhibit 6
Teen Customer Letter (Disguised)



Source: IMVU.com