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July 8, 2008

Virtual Worlds Are So Hot Right Now: \$345 Million Invested So Far This Year

Erick
Schonfeld

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I feel like today is Virtual World Day. We started off the morning covering the public beta **launch of Vivaty**, then Second Life and IBM announced that they **bridged two virtual worlds**, and Google launched its **own version of virtual worlds with Lively**.

If it seems like everybody is starting their own virtual world, it is because they are. A report put out today by Virtual Worlds Management tracks \$161 million

put into 14 virtual-world investments during the **second quarter of 2008**. In the **first quarter** there was even more activity, with \$184 million put into 23 virtual worlds and supporting technology companies. That brings the total this year alone to \$345 million across 37 deals. Some notable deals (you can see the full lists by clicking on the last two links above):

Second Quarter 2008

Grockit—MMO Learning Game—\$8 million—Integral Capital and Benchmark

Nurien Software—3D social networking—\$15 million—Northern Light, Globespan, NEA

PrimeSense—Gestural Interface—\$20.4 million—Led by Canaan Partners

Realtime Worlds—MMOG Developer—\$50 million—Maverick Capital, NEA

Stanford Parallel —Parallel Processing—\$6 million—Sun Microsystems, AMD, Nvidia, IBM, Processing Lab for Virtual Worlds HP, and Intel

Turbine—MMOG—\$40 million—Time Warner and GGV Capital

First Quarter 2008

9You-----Virtual World/Casual Games---\$100 million---Temasek Holdings

Dizzywood -----Youth World----- \$1 million---Shelby Bonnie,
Charles River Ventures

EveryScape----- Mirror World-----\$7 million---Dace, Draper Fisher
Jurvetson

Fix8 ----- Avatar Content-----\$2 million ---SK Telecom

Gizmoz ----- Avatar Creation ----- \$6.5 million---DoCoMo Capital,
ngi group

iOpener -----Mixed Reality ----- \$6 million---Triangle Venture
Capital

Sparkplay Media---Casual MMO with Games---\$4.25 million---Redpoint,
Prism Ventureworks

Unisfair -----Virtual Events Platform---\$10 million---Norwest,
Sequoia Capital

mPrimeSense

Website: primesense.com

Location: Tel-Aviv, Israel

Founded: 2005

Funding: \$20.4M

Prime Sense's concept is a device, which allows a computer to perceive the world in 3D and derive an understanding of the world based on sight, just the way humans do.

The device includes a sensor, which sees a user (including their complete...

[Learn More](#)



Realtime Worlds

Website: realtimeworlds.com

Location: Dundee, United Kingdom

Founded: 2002

Funding: \$82.8M

Realtime Worlds is a entertainment software company with a focus on video games such as Crackdown and APB. The team behind Realtime Worlds has been involved with the development of hits such as Lemmings and Grand Theft Auto.

The company is the... [Learn More](#)



Turbine

Website: turbine.com

Location: Westwood, Massachusetts, United States

Funding: \$70M

Turbine creates and operates online games. It is one of the largest privately-held online gaming studios in North America. Turbine's online games include The Lord of the Rings Online, Shadow of Angmar,... [Learn More](#)



Dizzywood

Website: dizzywood.com

Location: California, United States

Founded: November, 2007

Funding: \$1M

Dizzywood is a virtual world for kids between ages 8-12. In Dizzywood, kids can play games, explore imaginative areas in a virtual world, and meet new friends in a safe environment.

Launched in November, 2007... [Learn More](#)



EveryScape

Website: everyscape.com

Location: Waltham, Massachusetts, United States

Founded: 2002

Funding: \$7M

EveryScape allows companies to create photo-realistic, 3D interpretations of real-world locations. The locations are then crossed with [Google Maps](#), and users can navigate throughout the city... [Learn More](#)



Fix8

Website: fix8.com

Location: Sherman Oaks, California, United States

Funding: \$5M



Fix8 is a communication application that allows people to customize their on-screen virtual appearance in real-time using avatar technology and creative accessories. Fix8 integrates human expression analysis and rendering... [Learn More](#)

Gizmoz

Website: gizmoz.com

Location: Menlo Park, California, United States

Founded: January 1, 2003

Funding: \$12.8M



Gizmoz is a community of photo realistic 3D animated avatars founded by Eyal Gever in 2003. Their service creates 3D avatars based off of a 2D profile photo, which is “plastered” onto the 3D image.

User can customize the look of their avatar by... [Learn More](#)

Sparkplay Media

Website: sparkplaymedia.com

Location: Mill Valley, California, United States

Founded: January 1, 2006



Funding: \$4.25M

SparkPlay Media is a developer of browser-based MMO games, the first of which will be released in 2008 and titled Earth Eternal. SparkPlay is also developing a platform for developers to work with to lower the barriers to entry for MMOG creators. [Learn More](#)

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July 8th, 2008 at 10:43 pm

2. [Virtual Worlds become hot again - and then again,](#)

RedRum! « The Analytics Guru

July 8th, 2008 at 11:04 pm

3. **Google Enters the Virtual World Arena with Lively | mikolas**

July 8th, 2008 at 11:49 pm

4. **Google intră în spațiul lumilor virtuale | CNET.ro**

July 9th, 2008 at 12:03 am

5. **Search Engine Oracle (SEO) Ltd**

July 9th, 2008 at 12:31 am

6. **Virtual Worlds are Hot right now - EntropiaForum.com**

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7. **Jack O'Neal a Spock: Teletransporteme « Aprender a emprender**

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8. **נומולס לטיור | לגוג לש שדחה מלועה**

July 9th, 2008 at 3:29 am

9. **Bashers » Blog » Lively en Vivaty: nieuwe golf virtuele werelden**

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10. **Virtual environment development—lots of activity**

July 9th, 2008 at 4:27 am

11. **Virtuell Psycholog - Psychologiaktuell**

July 9th, 2008 at 8:28 am

12. **3D Gone Wild! « VCMike's Blog**

July 9th, 2008 at 8:52 am

13. **Virtual Paris 2007 » Mes liens du 9 juillet 2008**

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14. **Lively: Has Google Jumped the Shark? | Make It Big In Games**

July 9th, 2008 at 11:09 am

15. **Remarkable funding for Virtual Worlds - itsReal « APLINK - itsReal**

July 9th, 2008 at 1:08 pm

16. [Technology Trends » Blog Archive » Virtual Worlds Are So Hot Right Now: \\$345 Million Invested So Far This Year](#)

July 9th, 2008 at 3:12 pm

17. [Wuensch-Media.de](#)

July 9th, 2008 at 10:01 pm

18. [FredCavazza.net » Google lance son univers virtuel \(Lively\)](#)

July 9th, 2008 at 10:15 pm

19. [videogaming247 » Blog Archive » \\$345 million invested in virtual worlds this year](#)

July 9th, 2008 at 11:13 pm

20. [Teletrasporto e investimenti: cresce \(anche se in sordina\) l'interesse per i mondi online - Appunti Digitali](#)

July 10th, 2008 at 5:01 am

21. [\\$345 Million Invested So Far This Year in Virtual Worlds - MMOGCenter.com](#)

July 10th, 2008 at 5:30 pm

Comments

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1. **Andy Wong**

July 8th, 2008 at 9:49 pm

So many virtual worlds for me to go to. What a shame. My spare time is mostly spent on gardening, baby sitting and BBQ. I am just too busy to be virtual.

2. **lipuman**

July 8th, 2008 at 9:56 pm

but,i really don't like the virtual worlds.i even never went to there anytimes.

3. **Suraj Luke**

July 8th, 2008 at 10:03 pm

Erick,

Do another post on how much money these virtual worlds are actually making..I would love to know that

4. **Gebadia Smith**

July 8th, 2008 at 10:05 pm

House of cards. I was at the conference in San Jose built and got told to invest in one of the many companies doing this.

It got me thinking about demographics. The greatest percentage of the population is still the older age group and they have the most money. Selling this group on social sites is one thing but a virtual world is another completely. I am a net geek and I don't want to spend my time in a fake world when the real world is so spectacular. I can't get past this point. You're still on a computer, no matter how amazing the graphics, it can't compare to the physical and emotional stimulus of real world interaction.

Can a virtual world ever match the feeling of having a pretty girl smiling at me and the answer is always no.... I can't get past that...

That said gaming sites do well online so there must be a market but how big is that market. Also how long till 2nd and 3rd world countries have the net speed to handle virtual worlds.

I guess you can say I am undecided but I tell you this, I hope my kids have better things to do than live on a computer. Has life become so pathetic that virtual worlds are the answer?

5. **Kevin Milden**

July 8th, 2008 at 10:07 pm

Seriously. If I wake up one day and the internet is "The Sims" I will shut off my computer and never look back.

6. **Peter Urban**

July 8th, 2008 at 10:08 pm

Do you mean the V-Worlds are so hot or the virtual women... The pic makes me wonder 😊

7. **shammara**

July 8th, 2008 at 10:17 pm

this is really helpful research. it would be great if you covered other hot areas in web technology. product reviews for instance, many wouldn't have guessed how much has/is being invested..powerreviews 22+ million, bazaarvoice just raised their 4th round, summize used to be product reviews focused.., wize, retrieve, etc.

8. **Philipp**

July 8th, 2008 at 10:28 pm

Erick, you forgot Metaversum GmbH with twinity.com. Balderton Capital invested several millions in this company in april 08.

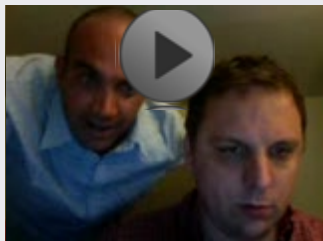
9. **=jason**

July 8th, 2008 at 10:43 pm

OVERATED.....clap.clap....clap.clap.clap

10. **Michael Arrington**

July 8th, 2008 at 10:45 pm



11. **flopsie**

July 8th, 2008 at 10:55 pm

wow. reading some of these responses reminds me how email was a fad that would never catch on, at least according to my grandma. its an infant technology, and there is a lot of fluff that will eventually be seen as a cash sinkhole the same way so many dot coms were. but its a vibrant technology and in 15 years you will see it being ubiquitous. picture the internets in the early 90's. its the future baby. adapt or become a fossil. btw, i earn a living as an independent developer for second life, so im a bit biased.

12. **Sean**

July 8th, 2008 at 10:56 pm

People seem to be liking reality less and less. It's not that bad is it? I enjoy my video games but also enjoy the real world. An entire virtual "world" is just too much.

PS: Nice video comment Mike, heh 😊

13. **Sergiooo**

July 8th, 2008 at 10:58 pm

Don't forget Vastpark, Blink3D(big big potential with lowest barrier to entry), Multiverse, Activeworlds, Twinity, and now Vivaty and Lively. There are 2D virtual worlds as well, like Metaplace.

14. **Graham Langdon**

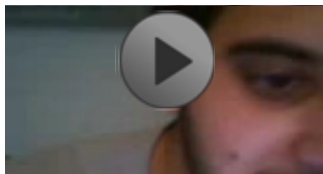
July 8th, 2008 at 11:01 pm

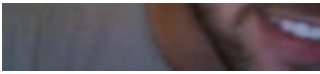
This might go down as the most asinine, near-sighted comment in history, but I really do feel like these virtual worlds are a passing fad. I don't see myself ever participating in one.

15. **Ben Kessler**

July 8th, 2008 at 11:02 pm

leweb!





16. **Brian Daniel Eisenberg**

July 8th, 2008 at 11:06 pm

Mike, Loic, & Steve Gillmor are Qik'ing while drinking Stella Artois



17. **Mark Sardon**

July 8th, 2008 at 11:09 pm

It's not a fad, this is REALLY late in the game... http://www.dipity.com/user/xan.....ual_Worlds

18. **Tim F.**

July 8th, 2008 at 11:12 pm

Eric, nice... table?

19. **Paul Montgomery**

July 8th, 2008 at 11:20 pm

DO YOU SEE THE RED THING?

20. android

July 8th, 2008 at 11:34 pm

Those investors might as well of lit all that money on fire. Pretty much none of these companies will prosper. The don't provide a real solution to a real problem. Simple entertainment but that only goes so far.

21. Greg

July 8th, 2008 at 11:38 pm

But what about Hansel... isn't he hot right now too?

22. Andrew

July 8th, 2008 at 11:52 pm

Techcrunch doesn't have Excel?

23. Daniel it

July 9th, 2008 at 12:03 am

I prefer activeworlds.com

I seem it is more simple than others. But I like for this : it remains little more than a game.

24. D-Tokyo

July 9th, 2008 at 12:29 am

There is a tonne of money to be made in this field, apparently World of

Warcraft is raking in 120 million usd a month, that has to be more than any other sort of entertainment product out there...

25. **rooseve**

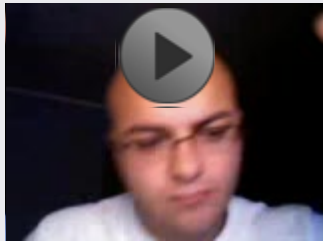
July 9th, 2008 at 12:48 am

Internet is something virtual originally , so I think it's just some problem how we could combine the real and the virtual. After all, we're not robot.

26. **Johnny**

July 9th, 2008 at 12:49 am

LeWeb is also hot right now.



27. **Andrew Tobin**

July 9th, 2008 at 1:56 am

And don't forget Sony has Home coming out soon too...

28. **SocialBang Chat rooms**

July 9th, 2008 at 2:25 am

Many of these are very similar. We've decided to go for a 2D mixed reality approach that we think is unique and also provides a more efficient interface for communication.

29. **Raskin**

July 9th, 2008 at 4:47 am

Crap the what?

I know the kids love 'em, but has anyone shown a VW business model that works?

30. **nathhh**

July 9th, 2008 at 8:31 am

will we all finish to have sex virtually lol ??

Nath

<http://www.themostpowerfulcompany.com>

31. **LeiIR**

July 9th, 2008 at 8:45 am

Are we all tired dealing with reality and decided to make a perfect virtual world? 😊

I'm sure tons of "virtual"guys will be hooked to this. Agree?

32. John

July 9th, 2008 at 8:49 am

You have to think that they are planning to get those \$345 Million back, right? **Virtual marketing is a growing trend**, marketeers are trying to bring more and more ads into those worlds as users spend a lot more time there (and metrics are more measurable and accurate)

33. Chris

July 9th, 2008 at 10:09 am

Sony @home is coming this year too.

34. Alex Berger

July 9th, 2008 at 10:23 am

Ahh, it's so frustrating how few people actually get it. These "games" have technology 10X more advanced than 80% of what's being used in the professional business environment. All the while, they've developed streamlined user interfaces, expansive, interactive virtual environments and the technology is continuing to catapult forward.

The demographic for these audiences is no where near the stereotypical 16 year old and the perpetuation of that delusion is one of the greatest business mistakes you can make. You harp about the benefits of globalization as a business and political tool, then turn around and

neglect an expansive new technological frontier.

Just because the word "Game" is involved doesn't mean it ought to be written off wholesale as trivial.

35. **Bob Ketner**

July 9th, 2008 at 11:58 am

Agreeing with Alex (34) above. It's far from figured out which worlds will succeed or wither out of the hundreds that have launched over the past 5 years, but it's big. Kids are using the internet first through virtual worlds, where a relatively safe environment can be created.

Virtual world tie-ins are becoming part of the basic media platform mix for entertainment and the business market is just sitting there waiting for an easy solution.

36. **Mapper99**

July 9th, 2008 at 1:07 pm

There is already a Google Map displaying Google Lively Worlds by location. Pretty cool...you can even browse Lively Worlds from in Google Maps:

<http://www.livelyworlds.com>

37. **eas**

July 9th, 2008 at 1:15 pm

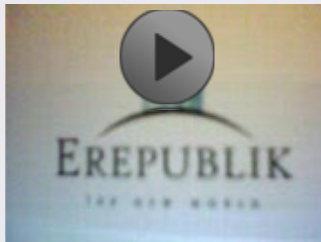
Don't forget Microsoft Virtual Earth. When I first saw their v2.0 model of Vegas I thought it wouldn't be long before 3rd parties would be running video games inside it.

Right on, Alex, besides, games are important learning tools & the sort of cooperation and coordination that happens in something like WoW is pretty impressive.

38. **alexis**

July 9th, 2008 at 2:35 pm

there is another way without 3D



39. **Scorpiono**

July 9th, 2008 at 5:03 pm

It's sick - seeing people giving more value to the virtual world than their real one. I've been addicted to world of warcraft, but heh, second life is definetly the ultimate virtual world drug.

40. **Crash Solo**

July 10th, 2008 at 3:45 pm

I've been waiting for this explosion for about a year now - i never was able to do 2nd life because either i didn't have the right video card in my computer, or the right operating system, but it didn't matter because it didn't look that interesting. Something like Vivaty, which i've been fiddling with for a day now, seems to have what I have been looking for, which is simply a 3D virtual environment with social networking style web-based content - right now mainly youtube vids and flickr pics. It's like facebook folded origami style into a little house. In fact, that should be the next step for something like Vivaty, to make it so users can say, build a bookcase that displays their goodreads books, or a coffee table that has their game of Scrabulous sitting out on it, or a noteboard where visitors can post pics, vids, and comments. 3D widget creation. Maybe all that is in the works, or is there and I haven't discovered it yet.

Which doesn't get away from the idea that virtual worlds are a big waste of time - they are - but so is the rest of the 2D internet, and that hasn't stopped it from being really popular, and it hasn't stopped people from using the Internet for really useful, valuable, interesting things that are not a waste of time. I'm thinking the fun and games aspect of 3D worlds now is simply a good way to engage users into learning how to do it, so that when more serious applications come down the pipe, like virtual work environments, the transition will be

easier and make more sense.

41. Nicholas

July 10th, 2008 at 10:31 pm

There virtual world will deliver real dollars to investors.

They allow people to connect with each other and allow for self-expression in a way that is different from the 2-D web.

Those are two fundamental human needs.

Mobile ring tones are a good example. Some people here would say that they would have not have invested in that market because tones don't fulfill a need.

42. Pavan K

July 11th, 2008 at 6:34 am

Funny guys... More real world arguments between Mike & co. add plenty of value to the Seismic Service...

43. RAE

July 12th, 2008 at 5:19 pm

Finally. This will put an end to the virutal-world-me-too insanity. Thank you google.

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Name (required)

Mail (will not be published) (required)

Website

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