

Children and penguins turn trio into kingpins

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WASHINGTON — To an adult, it all seems like child's play.

Visitors to clubpenguin.com adopt a penguin character, then enter an animated world that is a mix of gaming, chat and fantasy. You can zip down slopes on a snowboard, buy furnishings for your igloo, talk to friends and throw a party.

The one-year-old website, based in Kelowna, B.C., has emerged as an unlikely Web phenomenon -- a wildly popular social networking site for the preteen set that draws more than two million unique visitors a month from around the world. That's more hits than the websites of many major newspapers.

On a good day, as many as 50,000 new users join, helping to make the site a sort of MySpace.com or Facebook.com for eight- to 14-year-olds.

So far, Club Penguin's owners and creators -- three guys from the B.C. Interior -- have resisted the temptation to cash in on the site's cult status. They've rebuffed big-time advertising deals from Google Inc. and scores of others. They've also turned down generous offers from potential investors who would like to buy a piece of the business.

"We wanted to create something that we'd be comfortable letting our own kids use," said Lane Merrifield, 28, the site's co-founder and chief executive officer.

"We grounded ourselves in those values. We knew why we were doing it, and none of it had to do with money. We didn't want to have to explain to anyone why we were making particular decisions."

So the partners have doggedly focused on making Club Penguin a safe and fun place for kids on the Internet, carefully studying other sites' security measures and throwing their resources into sophisticated word filters, intense conversation monitoring, strict privacy policies and hands-on service for users and their parents.

"Advertising is a great model for a grown-up world," explained Mr. Merrifield, who has two children of his own. "But I wouldn't want my seven- or eight-year-old being pitched all day long. I wouldn't let my child watch an hour of advertising on TV. So why would I on the Web?"

On some sites targeted at children, visitors may be only a click or two away from winding up at a gambling site or worse, he said.

So for now, Club Penguin's only source of revenue comes from memberships, which cost \$5.95 (U.S.) a month or \$57.95 a year, plus sales of T-shirts and stuffed animals. Visitors can use much of the site for free. All they need to do is provide an e-mail address and adopt a penguin name, which must be approved by the website.

Club Penguin does not disclose revenue figures or its membership count. Mr. Merrifield will say only that the venture is profitable.

The company is actively exploring ways to leverage the brand in other ways -- by expanding the range of merchandise it sells and looking to enter new geographic markets. It's also considering offers from broadcasters in Canada and the United States to create a Club Penguin television program.

The inspiration for Club Penguin came from Web designer Lance Priebe, who had been fiddling for years with so-called flash games -- Web-based games that don't require downloaded software. He and Mr. Merrifield, a friend and colleague at Kelowna-based video production house New Horizon Interactive, approached their boss, David Krisko, about creating a spinoff company.

They launched the website a year ago after a couple of years of testing and development. It all began with a loyal base of about 15,000 users, which grew after a sample game was posted for a few months on Miniclip.com, a British-based compiler of free online games. By March, that base had ballooned to nearly 1.4 million, including Canadian and U.S. users, according to ComScore Media Metrix, an Internet research company. In September, the site had 1.9 million U.S. users plus 754,000 more in Canada, for a total of more than 2.6 million.

Remarkably, Club Penguin has never advertised. Almost all of its growth has come through word of mouth -- children convincing their friends to join.

And that's exactly the kind of community the company's founders had in mind -- a virtual sandlot, rather than a game site for loners.

"We wanted it to be a situation like they're on the playground, like they are interacting with each other, and not just an isolating experience," Mr. Merrifield said. "This is a safe and moderated way for kids to be able to hang out with their friends at school, and then to hang out online in different ways when they're at home."