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## Virtual World Gold Rush?

Reports that Sony or News Corp. could snap up Club Penguin highlight the growing allure of such sites to potential acquirers

by [Olga Kharif](#)

Kids who immerse themselves in Club Penguin, the online virtual world for youngsters from 8 to 14, can chat with friends' penguin avatars in icicle-covered cafes and earn coins for accessories like sombreros—a must-have in Antarctica. For Club Penguin's owner, [New Horizon Interactive](#), all that virtual commerce could soon translate into a wad of real loot.

Sony ([SNE](#)) and News Corp. ([NWS](#)) are said to be interested in paying as much as \$400 million for the site, based on reports from blogs paidContent.org and GigaOm. Neither Club Penguin nor the would-be suitors would comment. But the reports underscore the growing attractiveness of immersive online worlds as takeover targets and are fueling speculation that a wave of purchases may be on the horizon. Some of tech's titans—including Google ([GOOG](#)), Yahoo! ([YHOO](#)), Microsoft ([MSFT](#)), and Time Warner's ([TWX](#)) AOL—have cause to engage in a round of purchases reminiscent of the social network land grab touched off when News Corp. bought MySpace.com for \$580 million in 2005.

### "THE NEXT BIG THING"

Like social networks, virtual worlds have become big business. Online advertising is booming, and a growing number of companies—from Coca-Cola ([KO](#)) to IBM ([IBM](#))—are promoting their brands in virtual worlds such as Second Life, owned by [Linden Lab](#). Subscription sales from online virtual worlds rose to \$526 million in North America in 2006, according to media consultancy [Screen Digest](#). And consultancy Gartner ([IT](#)) predicts that 80% of active Internet users will join a virtual world by the end of 2011.

In the coming years, surfing the Web may more closely resemble the immersive experience of virtual worlds (see BusinessWeek.com, 4/16/07, "[The Coming Virtual Web](#)"). Potential acquirers "are thinking virtual worlds are the next big thing, and they want to get in early," says Joe Laszlo, an analyst with consultancy [JupiterResearch](#). Considering it can take two years or longer to build a flourishing virtual world, acquisition may be the fastest way in.

And while Second Life has come to typify the rise in popularity of virtual worlds, it may not be among the most attractive target, some analysts say. In April, Second Life didn't even break into the top 10 most popular virtual worlds, as measured by percentage of traffic, or market share of visits, according to consultancy [Hitwise](#).

### REAL WORLD ACQUISITION CANDIDATES

Which worlds, then, might wow buyers more? Try Webkinz.com, a site where children care for virtual pets and play online games. Webkinz had seen its share of Web traffic rise by 1462% in the past year, according to Hitwise. The virtual world, owned by closely held toy and accessories manufacturer [Ganz](#), now commands a greater share of Web traffic than Second Life and the [World of Warcraft](#) online community combined. Ditto for Club Penguin, whose traffic share jumped by more than sevenfold in the past 12 months. Its share is also higher than Second Life's and World of Warcraft's combined.

Using Hitwise's figures, an even more popular site is RuneScape.com, where users can explore haunted mansions and join other knights in battles. RuneScape commands 0.17% of all Web traffic, outstripping Second Life's 0.00091%. The site's share of Web visits rose by 32% year over year in April, according to Hitwise.

Virtual worlds that are profitable are also likely to draw attention. This group includes Habbo.com, a popular destination for teens owned by Finland-based [Sulake](#). A slew of smaller sites, like There.com, expect to swing into the black this year as well. "Those companies that really stand out will get high valuations," says mergers-and-acquisitions expert Tom Taulli.

What many sites have in common is their appeal to kids and teens, a demographic that advertisers covet. In 2003, 47% of 9- to 17-year-olds surveyed by [Mediamark Research](#) were asked by their parents to research products and services online, up from 37% in 2001. Teens spend about \$112 billion a year of their own funds, according to Mediamark.

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