

TECHNOLOGY

AND BUSINESS

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ENERGIZING THE GAMING INDUSTRY: E3 trade show takes on new significance with the introduction of next generation of video game consoles and a looming DVD format battle

Keeping players in the game

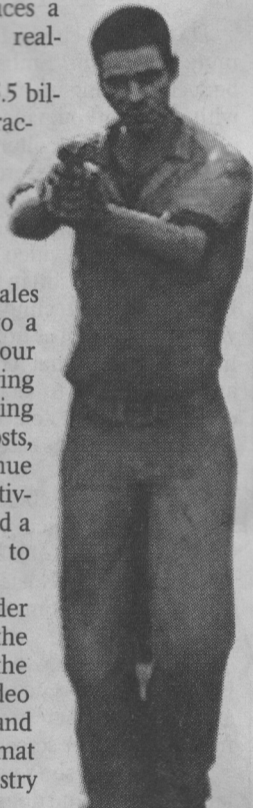
By Ryan Kim
CHRONICLE STAFF WRITER

For an industry built upon care-free, escapist fun, the video game sector faces a number of crucial real-world concerns.

To be sure, the \$25.5 billion worldwide interactive entertainment industry has grown by leaps and bounds since the early days of video games.

But domestic sales growth has slowed to a trickle in the last four years. There are growing concerns about spiraling game development costs, few new revenue streams, a lack of creativity in video games and a user market limited to young boys and men.

Analysts also wonder who will emerge as the market leader of the next generation of video game consoles and which new DVD format will become the industry standard.



Top video games

	Video game	Platform
1	Kingdom Hearts II (Square Enix)	PS2
2	Tom Clancy's Ghost Recon (Ubisoft)	Xbox 360
3	The Elder Scrolls IV: Oblivion (2K Games/Bethesda Softworks)	Xbox 360
4	Black (EA Games)	PS2
5	MLB '06: The Show (Sony)	PS2
6	Fight Night Round 3 (EA Sports)	PS2
7	Black (EA Games)	Xbox
8	The Godfather (EA Games)	PS2
9	Fight Night Round 3 (EA Sports)	Xbox 360
10	God of War (Sony)	PS2

Source: NPD March 2006

Top anticipated video games

	Video game	Platform
1	Final Fantasy XII (Square Enix)	PS2

Carving out a new niche for making money online

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downsides to this sweet deal: "One of the problems of this business is that the advertisers are total scum" and sometimes have to be reminded to pay, said the Web master, who spoke on condition of anonymity because he feared Google would put an end to his lucrative business. He has been ripped off before by advertisers. Another problem: Google frowns on this practice, and according to a Google spokeswoman, "Those sites selling links can lose the trust that Google would normally give to a site." Google wouldn't get more specific than that, but Mr. Popularity believes that if Google notices what he's doing, the company could strip him of his high ranking, destroying the livelihood that has freed him up to travel and pursue personal projects.

Adam Sass, a former dot-com

employee in Oakland, is simply acting as an ad buyer for companies that want to advertise on Google and other search engines. He used to do similar work for South of Market company LookSmart, but on his own, he makes more than twice his old salary. He works at this and a few blogs for about two hours a day.

"I'll go look at the garden, and get some coffee, and pop in and out" of his two-hour workday, Sass said. He's taken a part-time consulting job to diversify his income. Such niche opportunities are likely to wane as Internet advertising matures, Frank said.

"At the same time, the skills and connections that people cultivate during the arbitrage phase may enable them to make the transition to the next phase of stable income," he said.

For every individual who has found a sizable Web niche to pay all his bills, there are more who

"The skills and connections that people cultivate ... may enable them to make the transition to the next phase."

ANDREW FRANK, *Gartner*

are exploiting a tiny niche to pocket a little bit extra each month. Frank likens these folks to the proprietors of small corner stores.

Take Brian Hall, a Berkeley man who recently quit his job making video games to work on other projects. His transition will be eased by the \$450 a month his pirate-themed Web site (<http://beej.us/pirates/>) brings in through ad revenue. Number of hours Hall spends on his Web site per week: 0.

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Web 2.0 offers niche careers for a clever few

Outsmarting search engines generates cash for little work

By Carrie Kirby
CHRONICLE STAFF WRITER

In an echo of the first dot-com boom, a growing contingent of individuals is wringing a living out of the Internet without doing much, if any, work.

In Boom 1.0, it seemed like everyone was getting money for nothing online. If people weren't playing foosball at dot-coms for mountains of stock options, they were sitting home and getting paid to cruise the Internet or type their opinions of the latest video they watched.

Nowadays, a few lucky folks are living a low-work lifestyle thanks to Internet advertising. Two Bay Area men whose short workweeks comfortably support them recently shared their secrets with *The Chronicle*.

Questionable or illegal online activities such as click fraud, spamming and spam blogs are well-known sources of easy online money, but neither of these guys is a scam artist or a spammer. They just happen to be well-positioned to profit from the Internet advertising structure set up by Google and other search companies.

It's an old story of a few people cashing in on rapid market change, said Andrew Frank, who studies Internet advertising at research firm Gartner.

"With the rate at which money is shifting from traditional media to Internet advertising, especially search advertising, it's bound to create opportunities for people who are clever enough to exploit the inevitable arbitrage," Frank said.

One San Francisco man has a very high Google ranking, which means that if one searches for certain terms, his site comes up first. The shareware software he wrote is widely downloaded. He is capitalizing on his high ranking by charging other Web sites for ad space on his site. It's not really the ads the buyers want, it's the link to a popular site, which will improve their own site ranking.

Because Google and other search engines determine Web site rankings based in part on the popularity of sites that link to it, getting links from this guy's site is a good way to boost rankings, and advertisers pay high rates for the privilege. Google doesn't like the practice. There are a couple of

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