Virtual worlds for children

Online playgrounds

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There is life in virtual reality after all

REMEMBER Second Life, the virtual world that was supposed to become almost as important as the first one? Now populated by no more than 84,000 avatars at a time, it has turned out to be a prime example of how short-lived internet fads can be. Yet if many adults seem to have given up on virtual worlds, those that cater to children and teenagers are thriving. Several have even found a way to make money.

In America, nearly 10m children and teenagers visit virtual worlds regularly, estimates eMarketer, a market researcher—a number the firm expects to increase to 15m by 2013. As of January, there were 112 virtual worlds designed for under-18s with another 81 in development, according to Engage Digital Media, a market research firm.

All cater to different age groups and tastes. In Club Penguin, the market leader, which was bought by Disney in 2007 for a whopping $700m, primary-school children can take on a penguin persona, fit out their own igloo and play games. Habbo Hotel, a service run from Finland, is a global hangout for teenagers who want to customise their own rooms and meet in public places to attend events. Gaia Online, based in Silicon Valley, offers similar activities, but is visited mostly by older teens who are into Manga comics.

Not a hit with advertisers, these online worlds earn most of their money from the sale of virtual goods, such as items to spruce up an avatar or a private room. They are paid for in a private currency, which members earn by participating in various activities, trading items or buying them with real dollars.

This sort of stealth tax seems to work. At Gaia Online, users spend more than $1m per month on virtual items, says Craig Sherman, the firm's chief executive. Running such a virtual economy is not easy, which is why Gaia has hired a full-time economist to grapple with problems that are well known in the real world, such as inflation and an unequal distribution of wealth.

There are other barriers that could limit the growth of virtual worlds for the young, but the main one is parents. Many do not want their offspring roaming virtual worlds, either because they are too commercial or are thought to be too dangerous. Keeping them safe is one of the biggest running costs, because their sponsors have to employ real people to police their realms.

Youngsters are also a fickle bunch, says Simon Levene of Accel Partners, a venture-capital firm. Just as children move from one toy to another, they readily switch worlds or social networks, often without saying goodbye.

Even so, Debra Aho Williamson, an analyst at eMarketer, believes “these worlds are a training ground for the three-dimensional web”. If virtual worlds for adults, which so far have been able to retain only hard-core users, manage to hang on for a few years, they may yet have a second life.

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