

Recession casts shadow over video game conference

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In this Feb. 6, 2008 file photo, Brandon Bateman, right, a technical artist, works on a project at the Turbine video game company in Westwood, Mass. The video game industry is holding up, but the gloom of the recession will be on the minds of thousands of people at this week's Game Developers Conference in San Francisco, a key event for video game insiders looking to learn new skills, showcase innovations and if they're lucky enough, find work. (AP Photo/Charles Krupa, file)

(AP) -- The video game industry is holding up, but the gloom of the recession will be on the minds of thousands of people at this week's Game Developers Conference in San Francisco, a key event for video game insiders looking to learn new skills, showcase innovations and if they're lucky enough, find work.

Bolstered by an ever-expanding audience that is turning to games for cheaper entertainment, video games are benefiting in some ways from

the economic turmoil. Yet the industry is not completely immune, with layoffs and closings of studios that produce games. [Electronic Arts Inc.](#), the [game](#) publisher behind the "Madden" football series, is cutting 1,000 jobs, most by the end of this month.

Meggan Scavio, the Game Developers Conference's event director, expects attendance to be slightly down this year from last year's 18,000 people. When game studios cut back, she noted, travel and training budgets are among the first to go. She also expects fewer, more informal parties.

"It's kind of like let's celebrate, but do it quietly," she said.

Even amid the recession's pall, this is a fertile time for video games. Blockbuster games with intricate story lines and movie-quality graphics have become popular entertainment for millions. Technological advancements like digital distribution are making it easier for new developers to get their games into players' hands. People are playing games on more platforms than ever - on their mobile phones and handheld systems, on social networks like Facebook and on consoles not just in their living rooms but in bars and retirement homes.

In 2008, Americans spent more than \$21 billion on [video game](#) hardware, software and accessories, up from \$18 billion in 2007, according to market researcher NPD Group. And sales continued to rise in January and February of this year.

However, while people are still buying a lot of games, the industry's explosive growth now means there's more competition. Consumers are looking more carefully at which games they want to spend money on. And mindful of the recession, stores are watching their inventories carefully, reluctant to offer too much shelf space to games that aren't going to be hits.

Game companies that can't recoup their development costs - which can be in the tens of millions of dollars - face steep budget cuts to stay afloat. If they are publicly held, the companies must also please their shareholders.

In addition to EA, THQ Inc., which last month reported a loss and lower sales, is cutting 600 jobs - nearly a quarter of its work force.

IDC video games analyst Billy Pidgeon suggests job cuts in this industry are a knee-jerk reaction to Wall Street. "What worries me about the economic climate is that you are losing research and development (talent)," he said.

Compared to people in other industries, laid-off video game developers might have a better chance of landing another job. There are still video game companies hiring - the game conference will have nearly 50 companies recruiting new talent in the career pavilion.

Among the companies looking to fill jobs will be Activision Blizzard Inc. and Microsoft Corp., though it's not clear how many positions are open.

It also might be easier today for a talented developer laid off from a big publisher to make it as an independent game designer. With a broadening audience, the definition of what counts as a game is expanding, as is how we play.

The recently launched "Flower" for the PlayStation 3, for example, lets players be the breeze, softly guiding a petal across fields on the screen. It was created by Thatgamecompany, co-founded by students at the University of Southern California. Another independently produced game, "You Have to Burn the Rope," can take 30 seconds to complete because the player has just one objective: to burn a rope so the

chandelier it's holding falls and kills an angry boss. The latter is a finalist for an innovation award at the Independent Games Festival, which takes place throughout the week in conjunction with the [Game Developers Conference](#).

Another highlight of the show will be a keynote speech by Satoru Iwata, the president of Nintendo Co., who started out as a game developer. Nintendo is responsible for much of game industry's recent success, ever since its 2006 Wii console broadened the definition of what it means to be a gamer. Now Nintendo has high hopes for the DSi, the latest version of its handheld system, which can incorporate sound recordings and photos into game play.

Still, there's no escaping the recession. This year will mark the first time that the Game Developers Conference features panels putting the economy front and center, with sessions entitled "Surviving the Squeeze" and "Stability in the Stormy Weather."

"People are finding ways to make money with smaller budgets, and that takes creativity," Scavio said. "The thing about game developers is that they are a resilient bunch. What they do is find their way through this downturn."

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