



The Rip-Off Games

How the new business model of online gaming exploits children

A Parent Zone Report
29 August 2019

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Preface

Gaming is very big business. Millions of children play online games every day – and parents are involved, whether they like it or not, and whether they know it or not: they are usually the ones paying, sometimes without realising exactly what they are paying for. As this report shows, some gaming companies appear to have deliberately designed their games to extract the maximum amount of money from players and, by default, their parents and the wider family.

Parent Zone has been interested in gaming since we started working with young gamers to expose ‘skin gambling,’ a form of betting that generates substantial revenues for companies and individuals who have found ways to circumvent mainstream gambling laws and regulations.

In this report we continue to explore the financing of gaming. We expose practices that are at best duplicitous, at worst, exploitative. With the help of the gaming community, we look at business models that put profit maximisation ahead of young people’s best interests and the interests of their families. The fact that this happens under the cover of playfulness and fun risks making critics appear killjoys, dinosaurs or both. Parent Zone is neither.

Parent Zone does, however, believe that the dominant gaming business model needs to change.

Our research found multiple ways in which young gamers are encouraged to maximise their spending – from gambling-like offers that are opaque about the odds of winning desirable items, to impenetrable pricing models that make it difficult for players to assess the true value, in real-world currency, of their in-game purchases. We were shocked to discover high levels of dissatisfaction with the games industry among the very people the industry relies on – gamers.

There is no question that gaming can be an important and rewarding part of many young people’s lives. The industry is a British success story. The enjoyment, skills and friendships that can develop through gaming should not be underestimated. It is for these reasons that the industry needs to be scrutinised. While the amount of time children spend gaming has been – and is likely to remain – contentious, here we look at a hidden side of this £137 billion industry and ask: ‘is much of the gaming industry a rip-off?’



Vicki Shotbolt
CEO & Founder of Parent Zone

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Summary

The business model of online games has changed. The move from games sold as physical objects, on a disk, in a box, to games downloaded from the cloud has seen the increasing use of microtransactions to pay for updates and add-ons.

Our research, carried out with Ipsos MORI, and through a series of qualitative interviews and observations in June and July 2019, found that in the UK, online games are an almost universal pastime among children, with 93% regularly playing. Of those, more than three quarters (76%) believe that online video games try to make you spend as much money as possible.

Almost half (49%) believe that online video games are only fun when you spend money.

Many of the games children play contain loot boxes – mystery objects in virtual treasure chests that may be desirable, or much less so. Of the more than 60% of children who know about loot boxes, 44% think online games would be better without them and 59% would prefer to buy the individual items rather than take the chance of winning them through loot boxes.

Online games are engineered to keep children not just playing but also paying. We found evidence of disquiet among older, more seasoned gamers at the psychological tactics that are being used to encourage spending, many of which are drawn from the gambling industry.

We make a number of recommendations for parents, children and policymakers.

Parents need access to more information about the microtransactions that their children are being encouraged to make in the course of play, and about the psychological techniques that are being used to induce spending, including on loot boxes.

Children need to be educated to understand that they are being encouraged to spend, and that game developers may not have their best interests at heart.

Policymakers should look at flagging games in which spending is required to make progress, or in which loot boxes are an essential part of the game. Policymakers, the gaming industry, and civil society should consider the possibility of age verification and parental consent for in-game spending.

Further research is needed into the overlap between gaming, especially involving loot boxes, and gambling. Given what we know so far about the links between gaming and problem gambling, caution should be exercised over promoting loot boxes to children. The UK needs an independent inquiry into whether loot boxes should fall under gambling legislation, along the lines of the one that has been commissioned in Australia.

There should be more discussion of how to reward the immense creativity of games designers and developers, especially given the importance of the games industry to the economy. Gaming should not be reliant on the exploitation of children and the most vulnerable for profit.

1 PLAYER
▶ 2 PLAYERS



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Background

Over the last 10 years, the business model of what we used to think of as the computer games market has changed. It used to be that games were bought from a shop or by mail order. They existed on disks; the game, when bought, was complete. Nowadays, the \$137.9 billion market mainly involves games downloaded from the cloud, meaning that the software can be updated frequently and at any time. This has opened up the opportunity for more downloadable content in the course of play – and for getting players to pay for it. Modern games are no longer products you buy and use; they have become a gateway to perpetual spending opportunities. We argue in this report that this has led to the exploitation of children, who are constantly being ‘nudged’ to keep on spending money.

We should say at the outset that it’s not our intention to suggest that games developers, publishers and distributors shouldn’t be rewarded for their creativity. Businesses need to generate surplus value and we are not opposed to the monetisation of online games. Our argument is with how this is happening. Techniques are being designed to take advantage of children’s lack of worldly experience and to prey on their vulnerability.

Nearly all children are affected

Our research found that **93% of children aged 10-16 in the UK play video games**. For boys, it’s 97%, for girls, 90%.

The worldwide market was worth \$137.9 billion in 2018, with 2.3 billion people playing regularly worldwide.¹ In the UK, there are **37.3 million gamers spending \$4.5 billion annually**.²

We know that younger children play online games in large numbers. In 2017, **64% of 6-10-year-olds were regular gamers**.³ Ofcom research found that 8-11-year-olds spend on average 10 hours a week gaming, and 12-15-year-olds 12 hours.⁴

1. [newzoo.com/insights/articles/newzoos-2018-report-insights-into-the-137-9-billion-global-games-market/](https://www.newzoo.com/insights/articles/newzoos-2018-report-insights-into-the-137-9-billion-global-games-market/)

2. [newzoo.com/insights/infographics/uk-games-market-2018/](https://www.newzoo.com/insights/infographics/uk-games-market-2018/)

3. ISFE GameTrack 2013-2017
www.isfe.eu/wp-content/uploads/2019/01/gametrack_european_summary_data_2017_q4.pdf

4. Ofcom, Children and Parents: Media Use and Attitudes Report 2017
www.ofcom.org.uk/_data/assets/pdf_file/0020/108182/children-parents-media-use-attitudes-2017.pdf

The new business model

While it is still possible to buy a physical version of games from an offline or online retailer, games are mostly acquired by players in one of several other ways:

- By purchasing and downloading – usually known as a **digital download**, where customers pay to download the data for the game onto their own device. Many digital downloads are bought via a third-party site that functions as a store – for example Steam, which is owned by the games developer, publisher and distributor Valve Corporation which sells both Valve and non-Valve games.
- By **subscription** – where a game needs ongoing payments (for example once a month) in order to keep playing. World of Warcraft is a subscription game.

- For free – this is particularly the case with mobile, app-based games. Some 80% of worldwide in-game expenditure in 2018 occurred in so-called ‘free-to-play’ games.⁵ Where these games seek to recoup revenue through in-game purchases, the model is generally known as ‘**freemium**’. Free-to-play games console games include some of the world’s most popular titles, such as Fortnite and Apex Legends.

5. superdataresearch.com/market-data/market-brief-year-in-review/



In-game monetisation

Many forms of in-game monetisation were developed for freemium games, which were required to generate revenue in the course of play. The practice of in-game transactions has now spread to paid-for games, including many big-budget games with high production values – so-called AAA (pronounced ‘triple A’) games.

There are various, often overlapping ways in which this in-game spending occurs:

- Microtransactions – a relatively small payment for an additional aspect of the game. This might be new playable content, or in-game currency, or cosmetic items to alter the appearance of characters or weapons (known as ‘skins’).
- Downloadable content (DLC). Often paid for via a microtransaction, this is additional material – which may have significant impact on the game or be cosmetic. DLC can take the form, for example, of skins, maps, or stories.
- Loot boxes – A microtransaction where the rewards are random. The player has no control over what they get for their money. The rewards may affect gameplay – for example, avoiding ‘grind’, where players have to plug away for long periods to make progress – or they may be cosmetic. Some games rely more heavily on loot boxes than others.
- Player trading – digital currencies and other in-game items such as skins can be traded between players. This usually happens on third-party websites. In most cases the publisher can get a percentage from transactions. This happens on the Steam community market.⁶

6. See also: Skin gambling: teenage Britain’s secret habit parentzone.org.uk/skingambling

Coercive monetisation

The advent of smartphones opened the way for independent developers and studios to create online games on apps more cheaply than ever before. These independent developers, generally small companies, couldn’t charge the same sort of prices as the big publishers, so developers sought to recoup investment and turn a profit during play via microtransactions. Larger, publicly quoted publishers, under pressure to show quarterly results, quickly saw the potential and started to exploit it.

A number of ways of monetising content have developed that may be seen as predatory or exploitative:

**Some games are
practically unplayable
without spending money**

The studios' usual justification for in-game monetisation is that paying for additional extras is optional.

Gamers respond that, too often, games are designed to create frustration if you don't spend.

'Game developers are intentionally making their games worse in order to give the gamer an incentive to purchase additional things like experience boosts, faster run speeds, a better starting weapon, etc.'

Ly-the-Fairy, on gamespot

One of the most frustrating versions of this occurs where the game of skill becomes, especially towards the end, a game of money:

'Shadow of Mordor is a damning example. You can avoid microtransactions during the main campaign but to unlock the true ending you either need to grind for 30+ hours or you can purchase the orcs and weapons you need.'

Grimmer2, on IGN

There is a suspicion among seasoned gamers that 'grind' (working away at the same tasks for many hours) is being introduced specifically so that it can be bypassed with the help of a microtransaction.

'I don't like wasting hours to get where another person who shelled out a couple bucks got in a couple seconds.'

XImperialDragon, on gamefaqs

The Stockholm-based games developer and teacher Eira A. Ekre wrote in 2015: *'Game studios are now purposefully designing bad systems and mechanics, hoping that people will be willing to pay to get past the poorly-made parts of the service: when microtransactions are the sole source of income, we start to build our entire product around that model.'*⁷

7. Ekre, E. A., The Whales of Microtransactions, and the Elephant in the Room, Model View Culture, Issue 30 (November 2015) modelviewculture.com/pieces/the-whales-of-microtransactions-and-the-elephant-in-the-room

Some offers are time-limited

Sometimes game studios incentivise spending by restricting transactions to a specific time period. In Anthem (by Electronic Arts) for example, players may have a limited time to buy skins or emotes (commands that will cause characters to animate). This will be made clear via an on-screen countdown when players view the objects in the shop.

The objects can be bought with one of two in-game currencies: Coin, earned through play, or Shards, bought with real-world money. When the grind to get enough Coin would take longer than the countdown allows, players can buy the items with Shards.

Early access to games

Sometimes consumers are presented with a confusing array of options – early access, demo access, time-limited access, and various editions with perks like in-game currency boosts. It is not always clear what you're buying.

Sometimes early release games prove to be bug-ridden and glitchy and in need of patches.

- **Mass Effect: Andromeda** (Electronic Arts, released in 2017) initially cost £30 in the UK. Players reported missing or flickering scenery, characters running through walls and appearing contorted, as well as poor speech animation.
- In **Fallout 76** (Bethesda, 2018), which retailed for \$60, players complained that characters floated around on the map, became bizarrely shaped or positioned, or got submerged in the floor or stuck inside objects.

'Why release a full game with bonus features if you can push a half-assed product out at full retail and then double your money with DLC and triple it with microtransactions and stuff?'

WhiskeyDisk, on gamefaqs

Many of the items gamers are encouraged to buy are purely cosmetic

High price-tags are often attached to items that don't change gameplay but are nevertheless prized among gamers – such as £15.99 for skins in Fortnite.

“ ‘They try to monetise just about everything... [including] game release dates, so you can pay more, or subscribe to their most premium service to get the game earlier than everyone else, while the less premium subscribers get it 14 days earlier, and the folk who aren't subscribers get it 10-14 days after the lesser premiums do.’ ”

FreedomEclipse on techpowerup



Psychological manipulation

There are a number of reasons why we should be concerned about the tactics used to encourage gamers to spend money in the course of play.

Microtransactions are set up to be difficult to resist. They deploy sophisticated psychological techniques to persuade players to spend.

These include:

- The use of in-game currency to hide the value of what is being purchased. This currency adds a layer between the player and their purchases, so that it's harder to assess the value of what's being bought, especially in what can be a stressful moment in the game. Some games use 'odd' exchange rates to further obfuscate real-world monetary value in high-pressure situations.
- Loss aversion – gamers are more likely to spend money if they are only one or two steps away from winning, rather than when they are on the edge of losing. This is linked to:
- Reward removal, where players are given a reward and then threatened with its being taken away. People hate losing what they already have. Also linked to:
- 'Fun pain' – where a painful situation (running out of moves, facing loss) is rescued by, say, a pop-up offering a way out.
- Inducements to spend more – where bigger packages of add-ons are sold at a greater discount. The packages that "represent the best value" are the most expensive.

We should be particularly concerned about children being targeted by these techniques. Adults can fall for coercive monetisation techniques of course – and do, all the time, offline as well as online. But the adolescent brain may be particularly attuned to risk-taking. A paper from the US Committee on the Science of Adolescence notes that there is a developmental imbalance in the brain systems of adolescents: the prefrontal cortex (responsible among other things for impulse control) doesn't reach maturity until around the age of 25. At the same time, adolescents have a rapidly developing limbic system, the area of the brain that governs appetite and pleasure-seeking. Hormonal changes dispose adolescents to sensation-seeking. Biological factors are strongly reinforced by the psychosocial needs of adolescence, which the Committee sum up as an urge to stand out, fit in, measure up, and take hold (make commitments to particular goals).⁸

In a sense, the science only confirms what parents have known for a long time: that children and young people need special protection from aggressive commercialism, as much as from other forces that would seek to exploit them.

8. The Science of Adolescent Risk-Taking - Institute of Medicine of the National Academies
www.hhs.gov/ash/oah/sites/default/files/ash/oah/oah-initiatives/ta-casey-report-slides.pdf



The special problem of loot boxes

Many aspects of coercive monetisation find their most egregious expression in loot boxes, which are now extremely prevalent in online games (63 of the top-grossing games on Google Play, for instance, contain loot boxes; and 32% of the top 50 games on Steam). Gamers spent approximately \$30 billion on loot boxes in 2018; this is predicted to rise to \$50 billion over the next five years.⁹

Some of these products (also called crates, packs, cases, bundles or cartons) are transparent; players can see what they're buying at the moment of purchase. Fortnite, for example, introduced transparent loot boxes in January 2019, allowing players to see what cosmetic items – skins, paragliders and pickaxes – were inside before they bought. The majority of loot box contents, however, are hidden. This means there is a lottery aspect to them.

Some loot boxes contain items that affect game play (leading seasoned gamers to talk in a derogatory way of 'pay to win'). Many contain items that are purely cosmetic – but to children wanting to fit in and stand out, measure up and commit to the game, they may be vitally important as a sign of success:

'Players want to feel that sense of progress, they want it visualised – they want to see that they're stronger...[Games companies] justify it with regurgitated slogans like "these items are only cosmetic and do not affect gameplay". But psychologically they do, they affect the players' perceptions of themselves.'

Death13, on gamequitters.

Loot boxes may be purchasable with XP (experience points, achieved by completing a level or stage); by spending in-game currency; or with real-world money – or a combination of these. In addition to the psychological techniques listed above, many of which can be seen in the operation of loot boxes, they deploy the technique of variable ratio reinforcement, meaning that rewards are delivered unpredictably. This is similar to the mechanism that drives behaviour on slot machines. Since players never know when the reward will show up, only that it will come sometimes, they are incentivised to keep trying.

9. Zendle, D., The Prevalence of Loot Boxes, March 7 2019 <https://osf.io/xnw2t/>

Gaming or gambling?

The similarities of loot boxes to gambling has led some researchers to conclude that loot boxes are a form of gambling. For Mark Griffiths of the International Gaming Research Unit in the Department of Psychology at Nottingham Trent University, the key similarities are:

- the outcome is determined by a future event, unknown at the time of paying.
- the result is determined by chance.
- the reward involves the reallocation of wealth without work of productive value on either side.
- losses can be avoided by simply not taking part.

There are, however, many different definitions of gambling. The gaming industry rebuts the suggestion that loot boxes are effectively gambling on the grounds, first, that a reward is always delivered; and, second, that the reward is specific to the game and can't be cashed in. The American Entertainment Software Regulatory Board, an industry self-regulator, argues that *'loot boxes are more comparable to baseball cards, where there is an element of surprise and you always get something'*.

In the UK, the Gambling Commission's decision not to classify loot boxes as gambling is based principally on the argument that the rewards remain in the game and don't have monetary value beyond it. A March 2017 position paper notes:

The payment of a stake (key) for the opportunity to win a prize (in-game items) determined (or presented as determined) at random bears a close resemblance, for instance, to the playing of a gaming machine...Where prizes are successfully restricted for use solely within the game, such in-game features would not be licensable gambling, notwithstanding the elements of expenditure and chance [Section 3.18] ¹⁰

In fact, items from loot boxes can be gambled and traded on third party sites, as we explored in our report on Skin Gambling.¹¹ The Gambling Commission does acknowledge that this is gambling but finds it difficult to regulate it thanks to the use of third-party websites, many of which appear and disappear very quickly.

There is no international consensus over whether loot boxes constitute gambling. The French authorities do not define loot boxes as gambling; Belgium's Gambling Commission has ruled that some loot boxes violate national gambling legislation. The Netherlands has classified any loot boxes whose contents can be redeemed for real-world money as a form of gambling. In China, legislation has been introduced requiring games to publish the odds of getting items via loot boxes. The Australian Senate recently authorised a committee enquiry to take a view on whether loot boxes are harmful to players.

10. Gambling Commission, VIRTUAL CURRENCIES, ESPORTS AND SOCIAL CASINO GAMING – POSITION PAPER. Gambling Commission (2017)

11. parentzone.org.uk/skingambling

Loot boxes are too recent a phenomenon for there to have been reliable research into their links to gambling addiction. In one large international survey of gamers, the researchers David Zendle (York St. John University) and Paul Cairns (University of York) found clear evidence of a link between loot box opening and problem gambling. They concluded:

*‘The relationship seen here was neither small, nor trivial. It was stronger than previously observed relationships between problem gambling and factors like alcohol abuse, drug use, and depression. Indeed, sub-group analyses revealed that an individual’s classification as either a non problem gambler or a problem gambler accounted for 37.7% of the variance in how much they spent on loot boxes.’*¹²

Zendle and Cairns considered that loot boxes may be a ‘gateway’ to problem gambling – but in the end, they were unable to determine whether loot boxes lead to problem gambling or problem gamblers are attracted to loot boxes.

A similar study from the University of British Columbia’s Centre for Gambling Research with university students also found a correlation between excessive use of loot boxes and the usual measures of problem gambling.

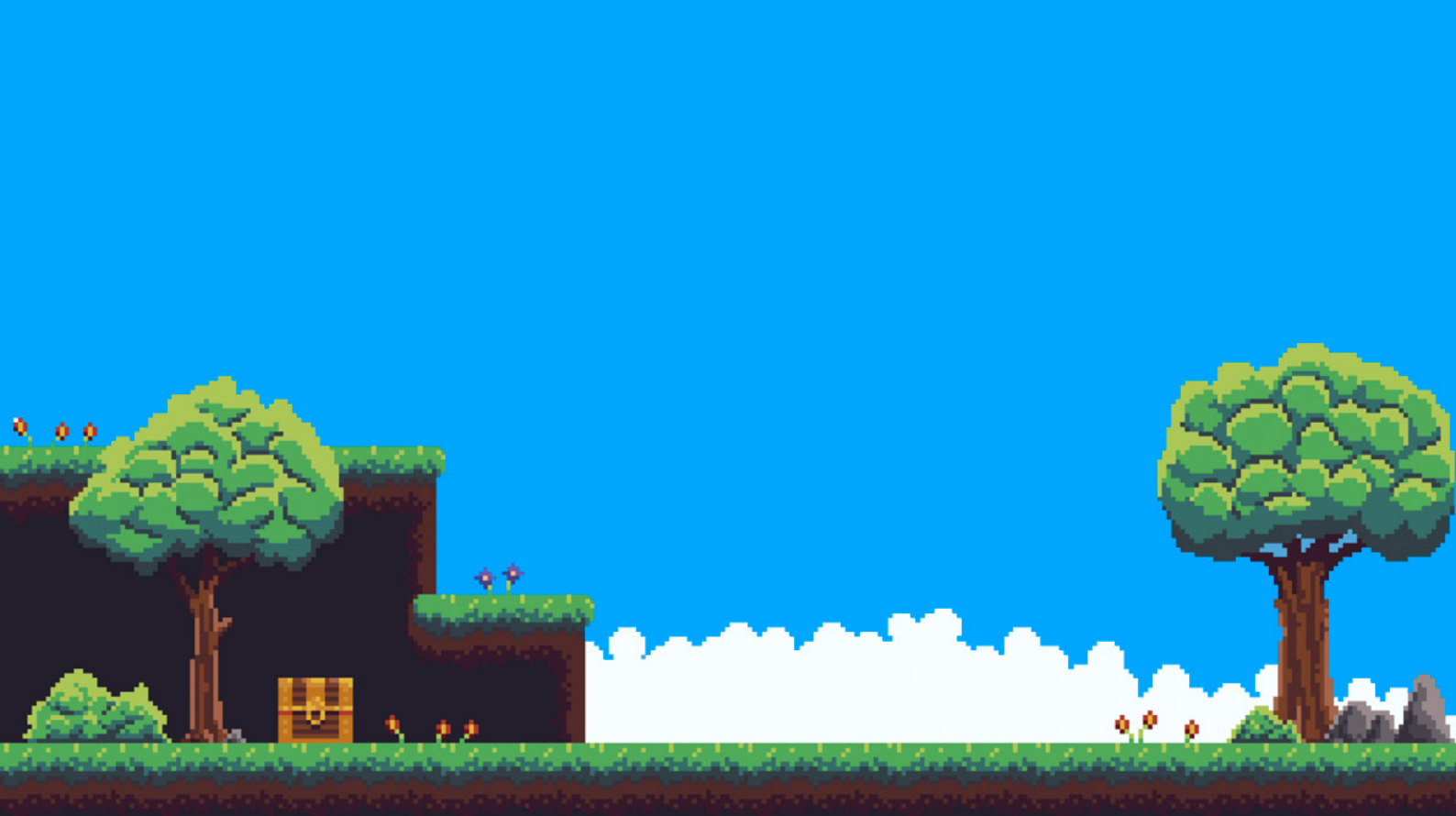
Researcher Gabriel Brooks concludes: *‘Our findings are consistent with voiced concerns that loot boxes overlap with gambling, and support the need for regulators to consider gambling-like mechanisms within video games.’*

Both the UBC researchers and Zendle and Cairns believe that, notwithstanding the lack of a proven causal link, the strength of the relationship between problem gambling and loot boxes calls for regulation. We would argue that the precautionary principle should lead policymakers to conclude that – at least until there is evidence that loot boxes are not linked to problem gambling – it is in the best interests of children to bring loot boxes under gambling rules and regulations, specifically a requirement to prove that purchasers are 18 or over.

Research by David Zendle also found that in February 2019, PEGI [Pan European Game Information], the body responsible for age-rating games in Europe, classified 49% of the games on Google Play containing loot boxes as suitable for children aged 7+, and 93% as suitable for children aged 12+.¹³

12. Zendle, Z., Cairns, P., Video game loot boxes are linked to problem gambling: Results of a large-scale survey, journals.plos.org/plosone/article?id=10.1371/journal.pone.0206767

13. Zendle, D., The Prevalence of Loot Boxes, March 7 2019 <https://osf.io/xnw2t/> (data compiled February 2019)



4.

The research

Parent Zone set out to understand children's relationships to in-game monetisation in the UK. We commissioned an Ipsos MORI survey with 1,001 children aged 10-16, which was conducted with parental permission.

This found that **93% of children aged 10-16 in the UK play video games.**

72% played on consoles, 47% on tablets, and 60% on smartphones.

At the same time, we undertook three focus groups with boys and girls aged 8-15 which took place between 7 and 14 June 2019.

We analysed existing posts on online gaming forums, posted questions soliciting the views of seasoned gamers, and conducted an ethnographic close observation of a nine-year-old gamer.

Results

76% of children who play online games think that 'online video games try to make you spend as much money as possible during the game'.

More than three-quarters of the overwhelming majority of children who are online gamers feel they are being ripped off.

'They make hard levels cos they know you can't do it so you have to pay. You would just be stuck on the same level, you couldn't do anything. You get bored of doing the same level over. The game loses its fun.'
girl, 12

'Fortnite battle pass: everyone has it so you feel like you have to get it, and when you do it's not that rewarding at all.'
boy, 12

Almost half (49%) of young gamers say some games are only fun when they spend money.

The majority of children feel the games they play are (at least) two-tier games, in which, if you don't spend money, you have a less satisfactory experience.

'Default' has become a general insult for [offline] social life.'
boy, 11

'In Fortnite they make the [default] skins look unappealing on purpose. I don't think anyone thinks the default skins look good. You don't have to buy skins, but everyone will judge you if you don't.'
boy, 12

The child in our observation described the default as *'the "no-skin,"'* adding, *'nobody wants that: not many people would play with you because they'd think you're bad. If I played with that, everyone would do the loser dance.'*

More than 60% of children who play

online games have heard about loot boxes.

Of those:

91% said there's loot boxes available in the games they play.

59% would prefer to buy the individual items rather than a loot box.

44% think online games would be better without loot boxes.

Of those who say there are loot boxes available in the games they play, 40% have paid to open one.

'People get addicted to buying them [loot boxes] and then they keep buying and buying, and when they've finished it's like 40 times the amount they'd have originally paid for a game.'

boy, 12

'Mostly what happens with loot boxes is you don't get anything good, what you normally get is like currency and scrap pieces.'

boy, 12

'In some games there's like a loot box culture where everybody buys loot boxes and once you buy one, someone's bought more loot boxes than you and has got more stuff comes and wipes out everything that you bought from the initial loot box, so you end up feeling really depressed because you spent a load of money and then lost it all. So then you're drawn into buying more and more to stop that happening again, and it gets into a vicious circle.'

boy, 12

'It makes you feel excited at the beginning when you've only just got it but then you open it up and it comes on screen, then you're kind of really nervous, and you say to yourself you're not going to get anything good. You always end up disappointed. You never have a happy feeling after you've opened one.'

girl, 12

'You think – the way your mind works – if you don't get it then you'll get it next time. you think you'll just give it one more shot, and that's how they get you.'

boy, 12

Our research found that younger and more vulnerable children tended to be more susceptible to the status conferred by the content of loot boxes:

'I've got a friend who is autistic – he spent all his birthday money in one go on FIFA packs. He didn't see it as a waste but I think he'd be more affected by thinking he's going to get something good.'

boy, 15

'My friend's younger brother spent all his birthday money on loot boxes – it was hundreds of pounds.'

boy, 17

Of those children who had bought a video game or received it as a gift, 22% did not think it was worth someone paying full price for, 3% were dissatisfied with the last game and 4% were unlikely to recommend it to others.

Of these:

35% said the game just wasn't worth the money.

18% gave the reason that they had to buy extra things to play the game fully.

19% said the in-game purchases weren't worth the money.

15% said either that the game was glitchy or needed multiple updates.

'When games release early access passes, it preys on children because children are not normally patient so they just want the game and will pay £50 for it.'
girl, 12

'I got early access with FIFA once: 16/17 and 18 are all basically the same players, just better ratings on the cards and better graphics.'
boy, 12

Technical Information

On behalf of Parent Zone, Ipsos MORI interviewed a representative quota sample of 1,001 children across the UK (England, Scotland, Wales and Northern Ireland) aged 10-16. Interviews were conducted online between the 14th of June and 3rd of July 2019. The survey data were weighted to the known population profile of UK children aged 10-16 years.

5.

Conclusions and recommendations

Games are increasingly being engineered not only to keep gamers playing; they are also designed to keep them paying.

Dark nudges, familiar from the gambling industry and other parts of the internet, are being used to offer potentially addictive or compulsive experiences that will encourage players to pay up as well as play on: near-misses, losses disguised as wins, artificial scarcity, the endowed progress effect (where players are gifted a degree of progress as an incentive to keep going) – the list of psychological techniques is long and varied.

This is particularly unfair to children, who are likely to be less adept at determining when they are being manipulated for profit. We found some evidence that older, more seasoned gamers are more impatient of microtransactions, and less in thrall to the lure of loot boxes while younger, more vulnerable gamers are more susceptible to the social cachet of skins and progress.

Whether children are being encouraged to pay for items that are cosmetic or that improve play hardly matters: the underlying message of many microtransactions is that, in a game, social superiority and the appearance of success can be bought, for a price.

Recommendations

For parents

Parents need clearer information about microtransactions in online games. The existing games rating system is no longer fit for purpose.

Parents need help to understand the range of psychological techniques that are designed into games to create potentially addictive or compulsive experiences that will encourage children to spend more and stay engaged more.

Parents need to know that there is a blurred line between some aspects of gaming and gambling and talk to their children about loot boxes.

For children

Children need to be educated to understand how games set out to make money out of microtransactions and to know that the games' engineers may not always have their best interests at heart.

Children need to understand that they are not necessarily in a position to judge the value of their purchases, especially when they are gripped by a game.





For policymakers

There should be clear signposting of games in which microtransactions are extremely prevalent or more or less required to making progress while playing.

Age ratings should take account of the presence of loot boxes regardless of their legal status under gambling legislation.

Further research is needed into the overlap between gaming and gambling. Given what we know already, caution should be exercised over promoting loot boxes to children.

The UK needs an independent inquiry into whether loot boxes should come under gambling legislation, along the lines of the one in Australia.

Policymakers, the gaming industry, and civil society should consider the possibility of age verification and parental consent for in-game spending.

There should be a more open discussion of the need to reward the immense creativity of online games developers and designers. Given the importance of the games industry to the economy, it would be unfortunate (not least because it is ultimately unsustainable) if a very large proportion of the industry's profits were being made by exploiting children and the most vulnerable.

The consequences of doing nothing

There is an argument that these business models are doomed. In early August 2019, Nintendo, Sony and Microsoft announced that from the end of 2020 they would require games publishers releasing games on their consoles to disclose the drop rates of loot boxes. In a statement, the Entertainment Software Association (ESA), which represents the online games industry in the US, said that a number of publishers – specifically, Activision Blizzard, Bandai Namco, Bethesda, Bungie, Electronic Arts, Microsoft, Nintendo, Sony, Take-Two, Ubisoft, Warner Bros, and Wizards of the Coast – had agreed to disclose the ‘relative rarity or probability of obtaining in-game virtual items from purchased loot boxes’ in their titles, ‘in a manner that is understandable and easily accessed’.

Whether or not loot boxes might lead to problem gambling is a cause for concern, but not the only or the defining issue. Loot boxes are simply an egregious example of the in-game monetisation that is happening on a grand scale – and which has exasperated many experienced gamers.

Acknowledgments

This is a Parent Zone report worked on by Sam Stuart, Geraldine Bedell, Tim Malster, Vicki and Max Shotbolt, Sophie Linington, Torjus Roberg and Zain Mahmood. With expert support from John Carr OBE

A number of the young people we spoke to understood that attempts were being made to make money out of them, minute-by-minute, in the course of their entertainment, and they didn’t like it. Some were choosing to play old, classic games. Some preferred to ‘grind’ rather than pay to play. Some despised players who had too many skins and add-ons. These, though, tended to be older, generally more resilient children. Younger children were more likely to believe that if they didn’t have the right look, no one would play with them; they were keener on the social reinforcement provided, for a price, by the sellers of skins and shortcuts.

While these predatory business models may in the end be self-defeating, it is clearly going to take a long time for them to exhaust themselves naturally. In the meantime, AI presents the possibility that the most vulnerable will be subject to the most enticements and inducements, the strongest dark nudges. There is an obvious and urgent need to protect children that parents and policymakers must address together.

14. <https://www.theesa.com/perspectives/video-game-industry-commitments-to-further-inform-consumer-purchases/>



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