
Written evidence for Department Culture, Media & Sport
Loot Box Consultation 2020



The Young Gamers & Gamblers Education Trust
(YGAM) Registered Charity: 1162425

This is a response to a request for evidence on the issue of 'Loot Boxes', as discussed in the context of purchasable items of chance in electronic computer gaming.

The Young Gamers & Gamblers Education Trust (YGAM) is a national charity committed to a social purpose to inform, educate, safeguard and build digital resilience amongst young and vulnerable people, helping them to make informed decisions and understand the consequences around gambling and gaming. Our vision is that all young and vulnerable people are safe from gaming and gambling-related harms.

The charity was founded in 2014 by Lee Willows, Keith Evans and Anne Evans following their own devastating personal experiences with gambling-related harm.

In partnership with GamCare, we are delivering the national 'Young People's Gambling Harm Prevention Programme' across all regions of England, Wales and Northern Ireland. Our Education Team of predominantly teachers, parents and individuals with lived experience provide evidence-led training and resources designed specifically for practitioners whose role enables them to deliver our information directly to young people.

Our submission has been informed by the expert information and robust research which supports our programme content and the insight we acquire through our engagement with workshop delegates. Between January and October 2020, the YGAM education team delivered sessions to 2239 education and youth work professionals.

We are also working closely with a team of leading researchers from Newcastle and Loughborough Universities to constantly improve our understanding, resources and approach to this topic. Our written evidence has been compiled in collaboration with Dr James Ash and we would like to align our response to his submission.

Whilst we recognise the scale and prevalence of Loot Boxes within games and their coverage within the mainstream media, it is important to recognise that they are only a symptom of wider issues within this space, and that by simply "fixing" loot boxes will not "solve" all the issues from in-game long-term profit generation mechanics. A wider piece of work is required to look at industry practice and processes, and this can only be achieved through positive and continuous engagement with industry stakeholders at all stages of the process. This is not an issue that can be solved with legislation alone due to the ever growing and evolving nature of the sector.

Loot boxes in video games

With the rise of mobile gaming growing exponentially in recent years, many employ a “free-to-play” model whereby the revenue is generated through a multitude of microtransactions. Loot boxes are also prevalent on home console and PC, as both a revenue stream in free-to-play games and as an additional feature to paid games. Whilst too numerous to list, loot boxes are employed frequently as a key microtransaction mechanism and are projected to generate £35bn in consumer spending by 2022 (MCV, 2018).

A 2020 report by the Society for the Study of Addiction found that a total of 58.0% of the top games on the Google Play store contained loot boxes, 59.0% of the top iPhone games contained loot boxes and 36.0% of the top games on the Steam store contained loot boxes. The report also found that 93.1% of the Android games that featured loot boxes and 94.9% of the iPhone games that featured loot boxes were deemed suitable for children aged 12+. Age ratings were more conservative for desktop games. Only 38.8% of desktop games that featured loot boxes were available to children aged 12+. (Zendle, Meyer, Cairns, Waters, & Ballou, 2020)

Many of the most popular and most famous gaming franchises utilise loot box mechanics as a way of unlocking in-game content. These franchises include Halo, Gears of War, FIFA and Call of Duty as well as having a prevalence in competitive E-Sports titles such as Counter Strike: GO, League of Legends and Street Fighter V. The latter not only enjoy huge player bases but also draw large viewer audiences to their respective E-Sports competitions. There has also been instances of games removing loot box mechanics from their games due to them being unpopular with their consumers. Examples of this are Star Wars: Battlefront II, Middle Earth: Shadow of War and Forza Motorsport 7.

During the delivery of our workshops, we always show delegates a picture of a loot box and ask the question “do you know what this is?”. Whilst we do not formally collate data on responses, only 2 or 3 delegates per session (average size approx. 20) will answer correctly. Whilst we appreciate that more delegates will be aware of the existence of loot boxes, it is very clear during our sessions there is a lack of awareness and understanding of their mechanisms or involvement within games. This, to us, shows the importance of education programmes to ensure professionals and parents are provided with the information and tools to identify areas of risk and potential harm.

The role of loot boxes

Loot boxes are a “chance” mechanic used to “unlock” (make available) additional virtual content that can be used within the game. This content can be purely cosmetic, such as “skins” for characters and weapons that alter the appearance and add to the customisation of a player’s experience as well as potentially unlocking more tangible content such as additional playable characters or levels. In console/PC games such as Counter Strike: GO, FIFA and many mobile games, loot boxes can also contain premium items that give the player a significant boost in the game such as more powerful weapons or characters. This is considered as a “pay-to-win” mechanic and is often viewed as problematic among gamers as it doesn’t rely on skill within the game.

Loot boxes are usually offered free as a reward for progressing in the game or successfully performing certain feats. The intervals that they are awarded in this manner can be quite

sparse, leaving the only option to purchase if a player wants to acquire a volume of boxes and thus increase the likelihood of them containing sought after content.

The pricing model of loot boxes usually mirror a multi-buy discount mechanic which encourages consumers to buy more expensive packs of multiple loot boxes under the guise of them offering better value. For example, popular online shooter Overwatch prices their loot boxes in the following way. The base package is just two loot boxes for £2.09, but from there you have the options of five loot boxes for £4.99, 11 loot boxes for £9.19, 24 loot boxes for £17.49, and 50 loot boxes for £36.24. (Xbox Store, 2020)

Potential to cause harms

Based on probabilities, we do believe harms can be caused to players as a direct result of loot boxes. We base this assertion on research being conducted in this field but also by looking directly at the mechanisms involved, and at how they could be seen by players, particularly younger players, and influence their behaviours.

We are fully supportive of the ongoing research project lead by Dr James Ash and researchers from Newcastle and Loughborough Universities. Funded by the Economic and Social Research Council (ESRC), the research investigates the blurring between gaming and gambling in digital games, specifically around the purchase of loot boxes. This research values children and young people's first-hand experiences and reveals how they make sense of these gaming systems in their everyday lives at home. We believe these views are really important to capture and should be used to inform any initiatives, such as our education programmes, aimed at protecting future generations. The early analysis of their in-depth qualitative data suggests that loot boxes can and do cause harm.

The concern about allowing those under 18 to access loot boxes is that it is conditioning them to gambling behaviour when they are not of an appropriate age – there is a reason why gambling products are age restricted. The RSPH report 'Skins in the Game' found that 80% of the young people they spoke to viewed loot boxes as being addictive. The knock-on effect could be more adults developing gaming or gambling additions, however, there isn't any clear evidence yet to suggest that this is the case.

With games like FIFA providing information on the "odds" of unlocking certain players, it is easy to see how a player, wishing to be the best, could find themselves trapped in a cycle of opening a pack and hoping for a better result next time. Take a "player of the year" edition of footballer Lionel Messi for instance (total score 95), EA's own website states that for a player with a score of greater than 82 you have an 18% chance to unlock per pack opened. This percentage chance decreases to just 4.2% for a player with a score of 84, a decrease of 13.8% for a score difference of +2 points. At Lionel Messi's score of 95 it has been calculated that you have a less than 1% chance of attaining this rarity of item you would need to, on average, open 102 gold player packs costing 250 points per pack (25500 total), to purchase this number would, in real currency, cost £148.83 based on the odds alone.

The connection between this purchase and "real" currency diminished directly because of the packs purchase being made with in-game currency and not pounds and pence. It is due to this disconnect between "real" money we believe younger players in particular are less likely to recognise the actual costs of their actions. It is also important to highlight that due to the annual release of certain games (such as FIFA) any spends in say FIFA 20 are not usually transferable to the new game (FIFA 21) meaning that spend is lost to the player.

Addressing the harms associated with digital in-game purchases requires the UK games industry to develop further self-awareness around this issue. In recent years, there has been both more discussions and actions to acknowledge how they can put both the consumers and the industries at risk. CEO of Epic Games Tim Sweeney, the creators of “Fortnite” which is one of the most popular games with children and young people argued that the games industry was profiting from “doing customers harm”.

During his keynote speech at the Dice Summit in Las Vegas, Mr Sweeney encouraged reflection within the industry. "Do we want to be like Las Vegas, with slot machines or do we want to be widely respected as creators of products that customers can trust? I think we will see more and more publishers move away from loot boxes." (BBC, 2020)

Since 2019, Epic Games have taken steps to minimise the element of risk from their loot box mechanics by allowing players to view their contents before making a purchase. They are not alone and there have been many instances of loot boxes being removed from games entirely, including Star Wars: Battlefront II, Middle Earth: Shadow of War and Forza Motorsport 7. It is evident that many within the games industry acknowledge the ethical questions and potential harms of loot box mechanics on their consumers.

Protecting young and vulnerable people

We strongly believe evidence-led, age-appropriate education is essential to safeguard future generations and prevent gaming and gambling harms. This education should be targeted at not just children but also parents, teachers, youth workers and those with influence over young people.

We think it is especially vital to ensure parents are informed as they are usually the ones who purchase the games for their children. The enormous variety of games and in-app purchases available can make it confusing for parents to keep on top of safety controls. Through our educational resources and Parent Hub website (www.parents.ygam.org), we are focused on providing crucial information to parents so they can identify changes in behaviours and understand the effects this may have on mental and financial wellbeing.

We believe game developers have a responsibility to produce, or work with third parties to produce information in a clear format suitable for professionals, parents/guardians to understand the key mechanisms within their game. This would enable them to understand and make informed decisions particularly where the player is under 18.

Another area that should be looked at carefully is self-regulation and a code of practice for developers with the focus being on not what they can do, but what they should do in relation to profit generation. The activity of gaming is playing an increasingly influential part in the lives of young people therefore developers should consider the wider implications of their behaviours and a code of practice to protect consumers should be at the heart of it.

Setting limits on the number of loot boxes that can be opened daily or on the amount that can be spent in app should also be considered. This would act to set a hard limit on players who could get caught in a ludic loop. It may also act to help players take a break from the game itself if this is indeed the mechanism they are drawn to.

Many games now instead implement in-game market places and/or season passes as a form of maintaining income without relying on loot boxes, showing that there is a move away from loot boxes. However, it is our belief that loot boxes are only one part of a larger issue that should be considered. Loot boxes where players are encouraged to purchase more and more, or where the game relies on push notifications to “sell” offers and time-limited deals should look to take a player well-being approach.

Conclusions

Through our engagement with education and partnership with the research of Dr James Ash at Newcastle University, we believe that there is compelling evidence to suggest that loot boxes and other in-game mechanics can and do cause levels of harm with children and young people.

Young people are gaming more, and screen time has increased. We do recognise that gaming offers many benefits to young people as evidenced during the lockdown, including a way for young people to keep in touch with their peers and to enhance their learning. However, there are risks so it is crucial all stakeholders connected to the sector work together to support initiatives that raise awareness of the harms associated with gaming. Keeping future generations safe, especially during these unprecedented times, should be a priority for everyone including the Government and gaming industry.

The unique nature of the gaming industry and the harms they present is one that requires a thoughtful and informed approach to minimise negative effects and help safeguard children and young people. Through our work we understand that continuing education is vital to the success of any measures that may be deemed appropriate. Equally important is the necessity to work closely with the games industry to help deliver a solution and ensure collaboration and ethical considerations are at the heart of the industry. Ultimately, we believe that without comprehensive education programmes and collaboration representing two key pillars of the solution, any impact of regulatory intervention will be lessened.

Evidence-led education is essential to safeguard future generations and prevent harm.

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