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Position paper

Loot boxes in games

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10 facts about loot boxes

1. Buying loot boxes is always optional. They are not necessary to complete the game.
2. Loot boxes usually contain outfits or new equipment – in most cases these do not give the gamer any gaming advantage.
3. The absolute majority of gamers do not spend money on optional additional offers.
4. Loot boxes are not a new phenomenon. They have been used in games for over ten years.
5. Computer and video games continue to be developed after they have been released. New content is either offered free of charge or – in the case of more extensive new material – in exchange for a fee. These additional offers, which include loot boxes, are an important additional source of revenue to help keep the prices of games constant.
6. Loot boxes always contain a known quantity of virtual objects and additional content. The exact details of the content are not known, as with Panini trading cards or Kinder Surprise eggs.
7. It is not possible to lose the money invested, which is a basic feature of gambling. The gamer always receives something in return, in the form of virtual content.
8. For the vast majority of gamers, loot boxes are not a key motivating factor for playing a game. They therefore do not lead to excessive gaming or exorbitant expenditure.
9. Parents can prevent children from buying additional content by disabling purchases at system level or not entering credit card details.
10. Loot boxes in games are governed by clear rules for the protection of young people. In Germany, suspected infringements can be reported to the Entertainment Software Self-Regulation Body (USK).

The implementation and design of loot boxes in computer and video games is the subject of some heated debates. The BIU, the German Games Industry Association, is taking this opportunity to set out the most frequent aspects of the debate.

The BIU is the association of the German computer and video games industry. Our members are developers and providers of digital games and represent over 85 per cent of the German market. We are the sponsor of gamescom and help run the German Computer Games Awards and many other conferences and events in the German games industry. As an expert partner for media and for political and social institutions, we answer all questions on subjects to do with games, including market development, games culture and media literacy. Our mission is to make Germany the leading location for game development. We are a strong service partner for our members. The BIU was established in 2005 and has its headquarters in Berlin.

What are loot boxes?

Many computer and video games continue to be developed after they have been released. In order to keep a game interesting, exciting and up to date over a long period of time, developers can add content, like virtual objects or new missions. This content is either offered free of charge or – in the case of more extensive new material – as an add-on or downloadable content (DLC) for which payment is required.

Where loot boxes are a component of a game, they follow a similar principle: they extend the gamer's possibilities with virtual objects and additional content. Loot boxes have been around for several years in a range of different forms. The vast majority of them contain outfits or new items of equipment that gamers can use to customise their avatars. Gamers know the number of items a loot box contains before they open it but do not know its precise contents. Depending on the game design, as well as receiving loot boxes by achieving certain game objectives, gamers can also purchase them. Buying loot boxes is always optional. They are not necessary to complete the game.

What is the current debate about?

Business model

The current debate – especially among (adult) gamers – centres around the providers' business model. It is a model that involves offering additional content for sale after the game itself has been purchased. In this sense, the games industry commercialisation chain can be compared to the commercialisation chain of the film industry: immediately after a game is released, titles are offered at full price or as a special collector's edition at a higher price. Additional content is sold as add-ons or downloadable content, which can also be bought as a package by paying for a season pass. In the case of loot boxes, additional content can be won in the game or purchased, which means they represent a

comparatively new revenue stream. For developers and publishers of computer and video games, these additional offers have become an important supplementary source of revenue that enables them to keep the prices of games constant despite the sharp increase in production costs. The absolute majority of gamers do not spend money on optional additional offers. Gamers who do spend money on virtual items and additional content spend on average the cost of a cinema ticket each month.

Background: The market for virtual products and additional content bought through microtransactions has grown rapidly in recent years, including in Germany. The continual growth shows that customers are very happy with this additional offer.

Game balance

Some gamers also claim that loot boxes in particular lead to unfair competition in some games. The focus of the criticism is that loot boxes give buyers advantages over non-buyers ('Pay2Win'). However, a key element of online games is that all gamers start from the same position and only the team's ability and tactical skill will decide whether it wins or loses. In the long-term, the success of an online game depends on whether it achieves this balance. For this reason, game balance is also vital for producers if they are to win over customers in the competitive market for computer and video games. The result is a very customer-focused market in which producers listen and respond to customer feedback. In addition, games are real innovation drivers and keep creating new content, technologies and business models. Many of these innovations have been successfully implemented in other industries after they were introduced in games. However, it is normal with such innovations for users to accept offers from some companies and not from others. This self-regulation of the market is effective and healthy.

Gambling

The precise contents of a loot box are not known before the gamer opens it. In the current debate, this element of chance has led to the question of whether loot boxes could count as gambling. However, this question fails to understand the loot box mechanism: when buying a loot box, a gamer always receives a known quantity of virtual objects and additional content. It is only the precise details of the contents that are unknown. In this respect, loot boxes are similar to trading cards – like those issued by Panini – or to Kinder Surprise eggs, but they are very different from gambling mechanisms, in which chance decides whether a gamer receives anything at all, as in the case of fruit machines. Losing the money invested – a basic feature of gambling – is not possible. The gamer always receives something in return, in the form of virtual content.

Addictive potential

Linked to the question of whether loot boxes are a gambling element is the concern that the mechanism could lead to excessive playing or even 'addiction'. The games industry

takes the problem of excessive gaming very seriously. We believe that controlling excessive gaming behaviour is something that concerns society as a whole. Parents, friends, schools and the games industry have an equal duty to act. The games industry has been fulfilling its duty in this area for many years – firstly, through technical systems (playing time restrictions, avatars that get tired, family timers, in-game alerts, etc.), and secondly, through measures in the field of raising awareness and strengthening media literacy. We need to be very careful about using the term ‘addiction’. Scientific studies have shown that it is not possible to ascribe excessive gaming among those affected (around one per cent of the total population) to a single cause.

Many games are designed in such a way that gamers unlock additional content as they progress through the game. In strategy games, for instance, players usually unlock a technology tree step by step and can only use certain objects once they have reached the point where they can unlock them. Loot boxes are an extension of this game principle, which can now also be used in genres like action games. For the vast majority of gamers, however, loot boxes are not a key motivating factor for continuing to play a game. The loot box mechanism cannot therefore be equated to gambling, in which the entire process is largely determined by chance and in which the quick succession of games, and the risk of losing the money invested without receiving anything in return, can lead to a behavioural addiction.

Protecting young people

Digital games are part of everyday life for the absolute majority of children and young people. The important thing is to teach media literacy early on. Parents should supervise their children’s use of digital media and set clear rules, for instance on how long they can play, the times they are allowed to play and also how to deal with virtual products and additional content. Parents can always prevent the purchase of additional content by not entering any bank account or credit card details. It is also possible to disable purchases at system level to prevent the use of prepaid cards.

There are clear rules for protecting young people when it comes to designing in-game shops and in-game advertising. In Germany, suspected infringements can be reported to the Entertainment Software Self-Regulation Body (USK). The USK is the officially recognised self-regulation body both under the German Protection of Young Persons Act (JuSchG) and, for the online domain, under the German Interstate Treaty on the Protection of Minors (JMStV). Under the Protection of Young Persons Act (JuSchG), age ratings are awarded by government representatives at the end of a USK process. In addition, the USK is a founding member of the International Age Rating Coalition (IARC), a global system in which USK age ratings are also awarded to online games and apps.