Video games and their Connection to Gambling in Relation to Microtransactions

Prepared For: Dr. Marta Vos

Prepared By: Jayson Cocks

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# Abstract

Video games contain features known as microtransaction which provides players with the ability to purchase in game goods or virtual currency. The implementation of microtransactions has caused controversy and led a discussion with players, the media and political figures arguing the ethics of microtransactions, and many believing they are a form of predatory business practices. A significant moment involving microtransactions was the release of Star Wars Battlefront 2 that initially allowed players to purchase functional advantages. Because microtransactions provide randomized rewards in exchange for real world currency this has been compared to gambling, and so political figures are attempting to determine if that is a just comparison. Although there is not enough research done in this area to determine if microtransactions should be considered a form of gambling.

# Keywords

Microtransactions, loot boxes, gambling, video games, gaming.

# Introduction

This report will focus on the monetary practice of microtransactions implemented within video games and how this is in relation to gambling. Topics that will be covered include a background history on microtransactions; how microtransactions affect the gaming industry and their impact on the gaming community; the connection between gaming behavior and gambling; and finally, are microtransactions considered gambling.

# Background

Microtransactions are online purchases within a videogame that provide the player with small content unlocks in the form of in-game goods or virtual currency in exchange for real world currency (Osathanunkul, 2015). The cost of microtransactions can be between less than a dollar to over a hundred dollars, the content provided by microtransactions are the same but the amount received varies on the price (Ball & Fordham, 2018).

Microtransactions originated with free-to-play (F2P) or freemium (free and premium) games that players could install without requiring an initial purchase. Developers implemented microtransactions as a way of making a profit through a freely downloadable game (Schwiddessen & Karius, 2018).

# How Microtransactions affect the Gaming Industry and their Impact on the Gaming Community

In recent years, companies in the videogame industry have been implementing microtransactions into their fully priced games and turning them into games as a service, such as the publisher Electronic Arts (EA). This provides them with an even larger profit not just from the initial release of the game but with continual purchases of microtransactions. These fully priced games are referred to as AAA games, which mean that they have a significant budget for their development and marketing (Ball & Fordham, 2018; Schwiddessen & Karius, 2018).

A prominent and more recent form of microtransactions in AAA games are known as loot boxes. Loot boxes present the player with a randomized item from a set, the frequency at which certain items are presented differ based on their significance or rarity in the game. This encourages players to continue purchasing loot boxes in order to acquire the best items available (Schwiddessen & Karius, 2018).

Gaming companies have become more liberal with the implementation of loot boxes, which has caused players to scrutinize them and be ever more skeptical of their actions. During November 2017, significant backlash against EA had arisen because of how their loot boxes worked with upcoming game Star Wars Battlefront 2 during its beta test period. The loot boxes in question provided players with an advantage over those that did not purchase loot boxes, which the gaming community referred to as pay-to-win, this was especially frustrating given that Star Wars Battlefront 2 is a AAA game. The enormous backlash resulted in EA altering the microtransactions before the games initial release (Almaguer, 2019; McCaffrey, 2019; Moshirnia, n.d.).

According to a study by Evers et al. (2015), within the gaming community, players tend to form a negative opinion about those that purchase microtransactions as a means to boost their ability level in game or gain stronger items earlier instead of working towards it through skill. The reasoning behind players disliking game enhancing microtransactions is because the hard work they put into a game is invalidated by another player who places above them without having to work for it. However, cosmetic items bought through microtransactions are considered not as bad compared to game enhancing microtransactions.

# Behavioral Connection Between Gaming and Gambling

A study conducted by Macey and Hamari (2018) compared peoples interest in video gaming and esports (Electronic Sports), which are video games played in a competitive and professional manner, with gambling activity. Their findings stated that no strong connection could be established between video gaming with gambling activity. Although, further research into the field would be needed to gain a better understanding.

A study conducted by Forrest et al. (2016) compared the behavior of gaming alongside gambling, and their findings stated that there was no meaningful correlation between the amount of time spent gaming with the amount of time spent gambling.

A study conducted by McBride and Derevensky (2017) compared the behaviors of gamblers and non-gamblers who did and did not play video games alongside players and non-players who did and did not participate with gambling. Their findings stated that more gamblers played video games than non-gamblers and more players participated with gambling than non-players.

# Are Microtransactions Considered Gambling

During 2017, the idea of loot boxes became prevalent in mainstream media and governing bodies due to the scrutiny and controversies surrounding them, with relevance to the Star Wars Battlefront 2 debacle. This has led to mass debate about whether loot boxes do constitute as a form of gambling and their exploitative nature with regards to impressable younger players. With how recent the trend of loot boxes are and the lack of knowledge about them, politicians are now campaigning for investigations and regulatory action to be taken (McCaffrey, 2019; Nielsen, 2018).

As of 2018 the Netherlands have declared loot boxes as a form of gambling, with regards to the Netherlands Gaming Authority. The Netherlands Gaming Authority cited how the element of chance plays a significant aspect as reasoning to be declared as gambling as well as the idea that in-game items could be traded in real life, thus giving them real value (Koeder, Tanaka, & Mitomo, 2018).

Concerning other western countries including New Zealand, North America, United Kingdom, Germany as well as the European Union, have not declared loot boxes do not constitute as gambling with NZ and the UK specifically mentioning how in-game items cannot be converted into real life currency. In November 2017, it was led to believe that Belgium had declared loot boxes as gambling, but this was proven false with the Justice Minister wanting to declare loot boxes as gambling, however no action has been taken from the Belgium Gaming Commission (King & Delfabbro, 2019; Koeder et al., 2018; Moshirnia, n.d.).

Australia has had contradicting statements about whether loot boxes constitute as gambling, with Jarrod Wolfe from the Victorian regulators’ compliance division stating that loot boxes do fall under the category of gambling as defined in the Victorian Legislation. This statement was rebutted by Robert Grimmond, a regulator of legalized gambling in Queensland, states that video games which is the platform to harbor loot boxes do not fall under the category of gambling as defined by the Gaming Machine Act. Although, Grimmond prefaced this by mentioning that he is not knowledgeable enough to be certain if loot boxes constitute as gambling (Moshirnia, n.d.).

# Research Problem and Question

From the research gathered I have noticed that there is a gap of knowledge about loot boxes present with those in power concerning representatives of the government and gaming commissions. This lack of knowledge makes it difficult to decide on the proper regulatory actions to be taken with regards to loot boxes. There is also a gap of knowledge concerning the behavioral connection between gaming and gambling, and whether there is a strong enough correlation, with all three studies reviewed mentioning further research is needed. While the study conducted by McBride and Derevensky (2017) contradicted the other two studies.

A question to be explored that could provide further understanding is; How are loot boxes affecting those that play video games under the age of 18?

# Conclusion

In conclusion, microtransactional loot boxes, have become a rising trend in gaming, much to the dismay of many players. Determining the ethics of loot box implementation and whether they constitute as gambling is still an area of knowledge that requires further research. This is especially concerning with just how popular video games are with young children, who do not comprehend predatory monetization systems that exchange randomized rewards for real currency.

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