

# What are the odds? Lower compliance with Western loot box probability disclosure industry self-regulation than Chinese legal regulation

**Leon Y. Xiao**

Center for Computer Games Research, IT University of Copenhagen  
School of Law, Queen Mary University of London  
The City Law School, City, University of London  
The Honorable Society of Lincoln's Inn  
[lexi@itu.dk](mailto:lexi@itu.dk)

**Laura L. Henderson**

The Honorable Society of Lincoln's Inn

**Philip W.S. Newall**

Experimental Gambling Research Laboratory, CQUniversity, Australia

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## INTRODUCTION

Paid loot boxes are video game monetisation methods that provide randomised rewards of varying value. Loot boxes are prevalent internationally: approximately 60% of the highest-grossing mobile games in 'Western' countries contain loot boxes (Zendle et al., 2020a), as do approximately 90% in the People's Republic of China (PRC) (Xiao et al., 2021).<sup>1</sup> Loot boxes represent an important revenue stream for the industry: the sale of loot boxes in one single game can generate more than US\$528,000 per day from just one country alone (Zendle et al., 2020b). Global loot box spending was estimated to have been US\$15 billion in 2020, and is estimated to rise and exceed US\$20 billion by 2025 (Juniper Research et al., 2021).

The loot box purchasing process hides and *randomises* what rewards the player will actually receive (and, by implication, the rewards' value) until after both the purchase decision and payment have already been made. Most of the time, the player will receive a reward that is perceived to be worth less than the price of the loot box, but, rarely, the player will receive a valuable reward. Players often purchase multiple loot boxes to attempt to obtain the valuable rare rewards. Therefore, loot boxes have been considered conceptually and structurally akin to gambling (Drummond and Sauer, 2018; Nielsen and Grabarczyk, 2019). Loot box expenditure has been found to be positively correlated with problem gambling severity (e.g., Zendle and Cairns, 2018). Loot boxes may present a gateway to gambling for vulnerable consumers: 22.9% of 11–16-year olds in the UK have reported paying real-world money to buy loot boxes (UK Gambling Commission, 2019).

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Many countries across the world are considering whether to regulate loot boxes. Belgium and the Netherlands have proactively ‘banned’ the sale of certain implementations of loot boxes by actively enforcing existing gambling law. Although such a restrictive approach provides immediate consumer protection, it also limits players’ consumer freedom and harms companies’ commercial interests, and therefore may not be the ideal regulatory solution for all jurisdictions (Xiao, 2021).

A less restrictive approach that balances consumer freedom with consumer protection is requiring companies to disclose the probabilities of obtaining randomised rewards from loot boxes, which is easy to implement and therefore incurs minimal compliance costs. Such a measure seeks to provide consumers with information to help them make more informed purchasing decisions, but does not limit the consumers’ ability to purchase loot boxes.

Presently, this measure has been adopted as law *only* in China, where a 95.6% compliance rate was previously observed (Xiao et al., 2021). In other countries, such as the UK, the industry has instead generally adopted this measure as self-regulation. However, it is not known whether self-regulation acting alone, which does not have the same enforcement powers as the law (*e.g.*, being able to impose financial penalties and injunctions against non-compliant companies), would be as effective at ensuring a high compliance rate.

Finally, there has been reports that some companies, *e.g.*, Epic Games, are now choosing to not implement loot boxes (Valentine, 2019). It is not known whether this is a broader industry trend that can be observed.

## **METHOD**

The 100 highest-grossing iPhone games on the UK Apple App Store on 21 June 2021 were surveyed to determine whether each game contained loot boxes, and if so, whether they disclosed probabilities either in-game or on the game’s official website. Features of observed probability disclosures were recorded.

## **RESULTS**

Of the 100 highest-grossing UK iPhone games, 75.0% contained loot boxes implemented by the game developer. 76.3% of 80 games deemed suitable for children aged 12+ contained loot boxes. A preregistered binomial test revealed that the UK loot box prevalence rate in mid-2021 of 75.0% was *not* significantly lower ( $p > .999$ ) than the 59.0% early 2019 UK prevalence rate (Zendle et al., 2020a); on the contrary, it was significantly higher ( $p < .001$ ).

Of the 75 games containing loot boxes, 64.0% (48 games) disclosed probabilities as required by Apple’s self-regulation, whilst 36.0% (27 games) did not. Locations at which disclosures were observed are displayed in Table 1. A preregistered binomial test revealed that the UK disclosure rate of 64.0% was significantly lower ( $p < .001$ ) than the 95.6% PRC disclosure rate (Xiao et al., 2021).

Four subcategories of website disclosures were identified, as summarised in Table 2. Eight subcategories of in-game disclosures of varying prominence and accessibility were identified, as summarised in Table 3. One egregiously hidden in-game disclosure subcategory is shown in Figure 1. In contrast, the most prominent subcategory is shown in Figure 2. Most disclosures were *not* easily accessible.

## **DISCUSSION & CONCLUSION**

The prevalence of loot boxes in UK iPhone games has increased rather than decreased between 2019 and 2021, thus indicating that certain individual companies deciding to

stop implementing loot boxes does not reflect a broader industry development. Adult and child players alike remain exposed to potential harms.

A subsample of games that were available in both the PRC and the UK had a particularly high disclosure rate of 94.3%. This suggests that PRC law may have had a ‘spillover’ effect and has enhanced consumer protection in other countries beyond its formal jurisdiction because some companies intending to market games in both countries may have simply decide to produce and distribute one PRC-law compliant version of the game to reduce compliance costs.

The results of the present study are conclusive as to legal regulation being more effective than industry self-regulation. Companies were statistically significantly more likely to disclose probabilities in the PRC where legal requirements applied than they were to disclose in the UK where only advisory-level industry self-regulation applied. Indeed, 31.6% more highest-grossing games disclosed probabilities in the PRC than did in the UK. Therefore, policymakers and regulators in countries such as the UK, where practically voluntary and non-enforced industry self-regulation similar to Apple’s is already in force, should nonetheless consider imposing loot box probability disclosure requirements as law to increase the rate of compliance and better protect consumers from potential loot box harms, *e.g.*, overspending.

| Location of Disclosure       | Number of games |
|------------------------------|-----------------|
| In-game only                 | 32 (42.7%)      |
| On the official website only | 0 (0.0%)        |
| Both locations               | 16 (21.3%)      |
| No disclosure found          | 27 (36.0%)      |

**Table 1:** Locations of Observed Disclosures ( $n = 75$ ).

| Number of games | Adoption rate | Summary of disclosure format, including link to example implementation                                                                                                                                                                                                                                                                                                      |
|-----------------|---------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 7 (43.8%)       | 9.3%          | Published as a ‘probabilities’ or ‘drop rates’ post on the customer support website and could be found using the website’s search function, <i>e.g.</i> , Game 15: <i>Brawl Stars</i> (Supercell, n.d.)                                                                                                                                                                     |
| 5 (31.3%)       | 6.7%          | Inaccessible from the homepage ( <i>i.e.</i> , a web address exists for the disclosure, but the link can only be found through a search engine or is only linked to from in-game, such that the disclosure on the official website is not hyperlinked from anywhere else on the website), <i>e.g.</i> , Game 37: <i>Star Wars: Galaxy of Heroes</i> (Electronic Arts, n.d.) |
| 2 (12.5%)       | 2.7%          | Published under the ‘news’ or ‘notice’ tab and which were then chronologically listed alongside other posts, <i>e.g.</i> , Game 6: <i>Clash Royale</i> (Supercell, 2018)                                                                                                                                                                                                    |
| 2 (12.5%)       | 2.7%          | Published on a page that is linked directly from the homepage; however, the link does not reference ‘probabilities’ or ‘drop rates’ and therefore it is unclear that the link leads to the disclosure, <i>e.g.</i> , for Game S20: <i>BanG Dream! Girls Band Party</i> , on the FAQ page of the website (BanG Dream! Project et al., n.d.)                                  |

**Table 2:** Subcategories of observed website disclosures ( $n = 16$ ). *Note.* Adoption rate refers to the percentage of the 75 games implementing first-party loot boxes that adopted each subcategory. Example games used to illustrate each subcategory were not necessarily included in the subsample.

| Number of games | Adoption rate | Summary of disclosure format                                                                                                       | Further details                                                                                                                                                                                                                                                                                                                   |
|-----------------|---------------|------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 26 (54.2%)      | 34.7%         | Immediately after tapping a small generic symbol                                                                                   | <i>e.g.</i> , a question mark sign ‘(?)’ (Game S14: <i>Art of Conquest</i> ), as shown in Figure 1; an ‘i’ or ‘i’ sign, which stands for ‘information’ (Game 31: <i>RAID: Shadow Legends</i> ); an exclamation mark sign [‘!’] (Game S23: <i>Ulala: Idle Adventure</i> ); or a ‘details’ button (Game 27: <i>Genshin Impact</i> ) |
| 13 (27.1%)      | 17.3%         | After tapping a small generic symbol and following additional steps                                                                | Same types of generic symbol as above. Additional steps include, <i>e.g.</i> , tapping on another button (Game 77: <i>The Sims FreePlay</i> ), as shown in Figure 6; or tapping on another button and following a hyperlink to the game’s official website’s disclosures (Game 6: <i>Clash Royale</i> )                           |
| 3 (6.3%)        | 4.0%          | Immediately after tapping a small button explicitly referencing ‘probabilities’ or a conceptually similar term                     | <i>e.g.</i> , a button stating ‘Character Summoning Rates’ (Game 33: <i>DRAGON BALL Z DOKKAN BATTLE</i> ), as shown in Figure 4; ‘Appearance Rates’ (Game 52: <i>Fire Emblem Heroes</i> ); or ‘Drop Rate’ (Game S22: <i>Mr Love: Queen’s Choice</i> )                                                                             |
| 2 (4.2%)        | 2.7%          | Interacting with a graphic symbol that conceptually referenced ‘probabilities’ and ‘chance’                                        | <i>e.g.</i> , a dice symbol (Game 87: <i>Last Day on Earth: Survival</i> ), as shown in Figure 2                                                                                                                                                                                                                                  |
| 1 (2.1%)        | 1.3%          | Automatically displayed on the loot box purchase page without requiring any additional input from the player                       | Specifically, as implemented in Game 98: <i>Dragon City Mobile</i> , as shown in Figure 5                                                                                                                                                                                                                                         |
| 1 (2.1%)        | 1.3%          | After tapping a small button explicitly referencing ‘probabilities’ and following additional steps                                 | Specifically, tapping a ‘Pack Probabilities’ hyperlink button and then tapping a ‘Continue’ button that takes the player to the official website disclosure (Game 37: <i>Star Wars: Galaxy of Heroes</i> )                                                                                                                        |
| 1 (2.1%)        | 1.3%          | By tapping a graphic element on the loot box purchase page that was not seemingly interactable and then following additional steps | Specifically, tapping the picture depicting the loot box above the payment/price button (colloquially known to players as the loot box ‘banner’) and then tapping an [i] button and an ‘OK’ button to confirm being redirected to the official website disclosure (Game 69: <i>Monster Legends</i> )                              |
| 1 (2.1%)        | 1.3%          | By interacting with certain buttons not on the loot box purchase page                                                              | <i>e.g.</i> , a button hidden within the game’s settings menu (Game 14: <i>8 Ball Pool</i> ), as shown in Figure 2                                                                                                                                                                                                                |

**Table 3:** Subcategories of observed in-game disclosures (n = 48). *Note.* Adoption rate refers to the percentage of the 75 games implementing first-party loot boxes that adopted each subcategory. Example games used to illustrate each subcategory were not necessarily included in the subsample.



**Figure 1:** The four screenshots on the left half should be read from top to bottom (respectively numbered left 1–4) before those on the right half should be read from top to bottom (respectively numbered right 1–4). Game 14’s (*8 Ball Pool*) in-game disclosure was accessed by entering the settings menu by tapping the gear icon at the bottom left-hand corner of the game’s home screen (left 1; annotated), scrolling down to the very bottom (the annotation arrows in left 2–4 highlighting the scroll bar demonstrate that a significant amount of scrolling was required to arrive at the end of the setting menu), tapping the ‘View’ button (left 4), and then tapping the ‘Show Me’ button (right 1), which opens an in-game internet browser (right 2) that redirects to the official website disclosure (which itself was inaccessible from the website’s homepage) that requires players to scroll further in order to view the disclosure for specific loot boxes (right 3–4).



**Figure 2:** Game 98's (*Dragon City Mobile*) in-game loot box probability disclosure was automatically shown on the purchase screen without requiring the player to perform any action (annotated).

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## ENDNOTES

<sup>1</sup> In this paper, the PRC refers to Mainland China and excludes the Special Administrative Regions of Hong Kong and Macau, and Taiwan, as the applicable laws in these areas are different.