

September 20, 2018

Committee Secretary
Senate Environment and Communications References Committee
PO Box 6100
Parliament House
Canberra ACT 2600

**Inquiry into gaming micro-transactions for chance-based items -
Supplementary submission by the
Interactive Games & Entertainment Association (IGEA)**

Dear Committee,

I thank you for allowing IGEA to provide a supplementary submission to the Inquiry into gaming micro-transactions for chance-based items (the Inquiry). This supplementary submission supports our submission of 26 July 2018 and the evidence I provided to the Committee in Melbourne on 17 August 2018.

Purpose

IGEA is very appreciative of the public consultation process that has been provided by the Committee which enables us and other individuals and organisations to share their views. We are of course well-aware that various stakeholders will have different perspectives on the issue of gaming micro-transactions for chance-based items (sometimes referred to as loot boxes) and is respectful of those views. Nevertheless, we consider there is a need in this instance for IGEA to provide a response to the submission by Dr David Zendle and the evidence provided by Dr Zendle and his colleague Dr Paul Cairns to the Committee during the hearing on 17 September 2018.

We note that at the 17 September 2018 hearing, Drs Zendle and Cairns were invited by the Chair to respond directly to some of the arguments that have been raised by industry, which we have taken to include the points that have been made by IGEA during this Inquiry. Given that Drs Zendle and Cairns's submission and testimony have occurred at the end of the public consultation process, this supplementary submission provides our 'right of reply'. We were also disappointed that Drs Zendle and Cairns were invited by the Chair to comment on whether, empirically, our arguments were "rubbish". This supplementary submission also provides an opportunity for us to convince the Chair that, with respect, this characterisation is unfair and inaccurate.

Limited research and evidence

As outlined at length at Appendix A of our original submission, research on whether loot boxes are harmful to players and whether the mechanic risks the “normalisation” of gambling is limited. IGEA does not consider that this has changed following the end of the Inquiry’s consultation and hearing process.

Most if not all of the experts who provided submissions and witness testimony to the Committee acknowledged that very little research has been conducted to date on loot boxes and that the little research that has been conducted, including in some cases their own, have significant limitations and caveats. This includes the research conducted by Drs Zendle and Cairns who themselves have cautioned the Inquiry that their research does not provide evidence that loot boxes leads to problem gambling behaviour.

IGEA considers that further and more comprehensive research is needed before an evidence-based link can be established between loot boxes and gambling behaviour and for additional regulations to be imposed on games.

Methodological limitations

We are worried that, in an environment of limited academic research, the Committee will be tempted to place disproportionate reliance on the research conducted by Drs Zendle and Cairns. With respect to the researchers, we question whether an online poll using a self-reported sample of adult gamers recruited from Reddit (an American online discussion website popular with children and adults) provides a sufficiently robust methodology for a study that may be used to inform regulatory decisions in Australia.

We also note the high volume of responses from self-declared children, incomplete responses and obvious prank responses that the researchers received. While these were rightfully excluded, we are concerned that barely half of the 14,182 responses that were collected ended up being useable for the survey. Given the methodology of the online poll, we do not consider it would be unfair to question the reliability of the remaining responses.

Even taking the responses used by the researchers at face value, we do not consider that the sample group of participants included in the survey is close to representative of the general gaming population, at least in Australia, which casts real doubts about the relevance and usefulness of the data. For example, we note that only 9 per cent of the participants included in the survey identified themselves as female, while around 90 per cent of participants identified that they were aged 18-34 years. These demographics contrast starkly with research conducted by IGEA which identified that 46 per cent of gamers in Australia are female and that the average age of Australian gamers is 34 years¹ (Digital Australia Report 2018). Finally, it does not appear that the research conducted by Drs Zendle and Cairns has had the opportunity to be peer-

¹ While Drs Zendle and Cairns’s survey did not disclose the average age of participants, the high proportion of participants aged 34 or less appears to indicate a much younger age profile compared with the average age of Australian gamers (a statistic which also included minors).

reviewed at this time. We also assume that due to the Inquiry's timeframes, the further study discussed during the 17 September 2018 hearing that the researchers aim to provide to the Inquiry will likewise be unable to be peer-reviewed prior to submission.

Loot boxes and similar physical products

Our submission of 26 July 2018 noted that loot boxes utilise the same "surprise and delight" mechanics that trading cards, Kinder Surprises and many other consumer products have been using for years. Like these traditional consumer products, the contents of loot boxes are variable and while players do not know exactly what items are contained within them until they are opened, they will all provide players with one or multiple items.

At the 17 September 2018 hearing, Drs Zendle and Cairns were specifically asked about IGEA's position. Dr Cairns's response, albeit at short notice, was that the physical nature of products like Kinder Surprises create barriers to repeat purchases, such as the need to visit a store. We disagree with this view and note that trading cards and other physical products can be easily purchased over the internet. And unlike trading cards, which often have very established secondary markets and real world currency value, loot boxes generally only have value within a game and have no real world value.

Our submission further observed that all of these products, including loot boxes, are already subject to a vast range of existing consumer protections at federal, state and territory level. Our submission also provided details around the suite of controls that are available to ensure that players and their parents and guardians have a fun, safe and enjoyable experience with games.

For these reasons, IGEA remains strongly of the view that it would not be appropriate to impose a special regulation on the video game industry.

I thank you again for the opportunity to provide this supplementary submission to the Inquiry. Please contact me should you have any questions.

With regards,

Ron Curry
CEO
Interactive Games & Entertainment Association