

Discussion: What Makes Players Pay? An Empirical Investigation of In-Game Lotteries (Amano and Simonov, 2024)

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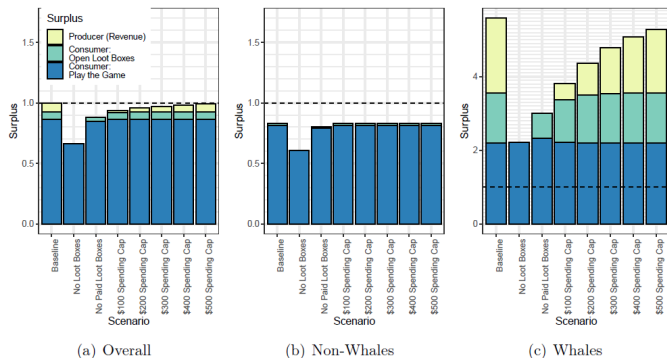
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Very useful paper from a consumer protection perspective

- Regulating loot boxes is a relatively new consumer protection issue at the FTC.
- Key challenge: determining both injury and countervailing benefits from loot boxes. Requires understanding how players view and interact with loot boxes.
- This paper provides a useful framework and convincing empirical evidence for how whales' and non-whales' tastes for loot boxes may be split between functional utility from gameplay complementarity (benefit) and direct utility for loot boxes as standalone lotteries (injury).

How should we think about the “overspending” identified in the policy counterfactuals?

Figure 6: Revenue and Consumer Surplus under Loot Box Bans and Spending Caps



(a) Overall

(b) Non-Whales

(c) Whales

“Simulations show that spending caps recover the vast majority of the functional value of loot boxes while preventing the firm from profiting from the overspenders.”

How should we think about the “overspending” identified in the policy counterfactuals?

- Does the 15% of unrecovered revenue indicate a market failure, where there are costs that whales fail to internalize and subsequently impose on themselves – a kind of negative intrapersonal or addiction externality (Laux, 2000)? If so, is a relevant policy goal to minimize revenue associated with spending that provides whales with surplus from opening loot boxes?
- Or should we think about the surplus from opening loot boxes differently since it may be driven by both normatively “respectable” preferences and self-control problems associated with gambling?

Additional questions/comments

- Reduced form analysis: effect of winning the stage
 - ▶ Authors leverage different realizations of stage complexity driven by how closely different colors of gemstones are allocated throughout the stage.
 - ▶ How much variation in complexity do you observe *within* a stage? How is this quantified?
- Spending cap counterfactual
 - ▶ Simulated in stylized way: players are myopic regarding their budget restriction – they do not anticipate that they will hit a spending limit.
 - ▶ Why doesn't this myopia affect players' ability to fully recover play utility by affecting utility from winning?

Future research particularly useful for policy

- Effect of confusing or unclear loot box odds disclosures on player behavior.
- Effect of disclosing average cost of obtaining a desired loot box prize on player behavior.
- Understand differences in player behavior by age group.

Thank you!