

Marketing Colloquia

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Zoom

12:00 PM to 1:20 PM

GAMING OR GAMBLING? AN EMPIRICAL INVESTIGATION OF THE ROLE OF LOOT BOXES IN VIDEO GAMES

ABSTRACT: We examine the role of “loot boxes” — a common in-game monetization model in which players purchase a “black box” with a randomized reward of virtual items — in mobile games. We first build a stylized model that separates out two alternative sources of loot box preferences — a functional value of loot boxes, stemming from the complementarity of loot boxes and game play, and a persistent taste from gambling, which is opening a loot box with an uncertain reward. These two alternative views are at the heart of an on-going policy debate in multiple jurisdictions. We separate out these alternative explanations by estimating a dynamic discrete choice model using detailed activity records from a popular Japanese mobile game. While we find that consumers are more likely to purchase loot boxes when they are functionally beneficial, our preliminary findings show that direct utility from loot boxes is a more important driver of their consumption.