Ukie response to the Committee of Advertising Practice consultation on guidance on advertising in-game purchases

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Ukie - Response to the Committee of Advertising Practice and the Broadcast Committee of Advertising Practice consultation on 'Guidance on advertising in-game purchases'

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About Ukie

1. Ukie is the trade body for the UK's games and interactive entertainment industry. A not-for-profit, it represents more than 480 games businesses of all sizes from start-ups to multinational developers, publishers and service companies, working across online, mobile, console, PC, esports, virtual reality and augmented reality.

2. We welcome the opportunity to respond to this CAP and BCAP consultation on draft new guidance for advertising in-game purchases.

Executive summary

3. Ukie and its members are broadly supportive of the aims of this new guidance: to ensure transparency and accurate information for players at the point of purchase. Ensuring that in-game advertisements remain legal, decent, honest and truthful are the correct high-level principles to pursue.

4. We believe that the industry, and certainly Ukie's members, are already compliant with these high-level principles. It is common industry practice to prominently display the purchase prices of each in a range of virtual currency bundles, in an easily accessible place both before and during any purchase decision. This appears to be supported by the guidance as an effective way to give customers transparent, clear information when and where they need it, which we welcome.

5. However, we are concerned that there are parts of the guidance, especially those parts that define specific practices that may or not be compliant, which are impractical, unworkable or outside of the scope of marketing and advertising regulation. These are set out explicitly in this response.

6. We would recommend that the guidance focusses on the sensible and proportionate high-level principles, rather than on specific practices. This not only will be more effective, but it will also ensure that the guidance is suitable for the future in a market that is constantly innovating and changing.

7. We would welcome the opportunity to run a series of workshops with the CAP and BCAP, and indeed the ASA, with video games businesses to support this work. We will also be happy to expand on or clarify any of this consultation response as it is helpful to the CAP and BCAP.

Introduction

8. The UK games industry is an economic and cultural powerhouse. It supports high skilled, high productivity jobs across the UK and contributes nearly £3 billion in GVA to the UK economy. Video games are enjoyed by an estimated 37 million players in the UK – they keep them entertained, boost their mental health, and bring people together, demonstrated particularly during the ongoing Covid-19 pandemic[1].

9. Video games in 2020 are deep, multifaceted experiences. Like every other creative industry, the move to an online world has created new opportunities and challenges for the games industry. Many games are now developed to include various live services and special events, enjoyed for years by thriving communities of players. This expectation for evergreen experiences, with regular content updates and ongoing live services has caused production costs to increase consistently. To continue to develop these compelling stories, events and features, some of the largest games now have higher budgets than major film productions.

10. This incredible diversity of content, and of audience needs, requires a similar diversity of business models. The games industry has innovated in response, working to make games accessible to all.

11. Whether to support free-to-play games or to allow for deep, extended live services in premium games, in-game purchases has become a crucial part of the evolution of the games industry. Not all games include in-game purchases, but those that do span across all platforms and genres. The growth of the free to play business model over the last decade, funded in part by optional in-game purchases, has been crucial for the evolution of viable online and mobile business models in particular. Importantly, it has given consumers vast opportunity and choice to try games without any upfront cost or commitment, play entire games without spending any money, and introduced new experiences to millions of players of all ages around the world. While the majority of players of a typical free-to-play game will never make a purchase, the flexibility and the ability to choose is important for the consumer. In-game purchases also help publishers meet that demand for providing ongoing live services and new content in premium games in a way that enables them to recoup the significant costs they incur in producing that additional content and making those live services available.

[1] For instance, see: Video game play is positively correlated with well-being, Przybylski et al 2020. Available at: https://psyarxiv.com/qrjza/

12. In-game purchases can range from season passes to new characters, outfits, extra lives, boosts to new levels and loot boxes. Although in-game purchases have become an important part of the landscape, they are far from universal. Consumers continue to have plenty of choice: annually only 10-20% of video games rated by IARC and PEGI contain in-game purchases.

13. In-game purchases are simply add-ons to an existing product. This is a model of purchasing well understood by consumers in both physical and virtual contexts. For example, buying new charms for a bracelet, or new sets to augment a LEGO collection. It is a way of providing continuing and compounding value to a consumer, and consumers are used to paying for this additional value. It also helps to establish an ongoing relationship with the consumer which is something that most companies want to do. Expansion packs have been a mainstay of PC gaming for decades, since the days when it meant buying physical media that didn't include the base game; that concept eventually became DLC and eventually the "season" battle pass system. In-game virtual purchases are part of the natural evolution of a game content purchase process that users have been familiar with since the late 90s / early 2000s.

14. The industry is strongly committed to consumer and player transparency. There is an existing legislative framework to protect consumers, supported by specific guidelines that apply to the sector such as the CMA's principles for online and app-based games. The video games industry goes beyond these requirements through the PEGI age-ratings system, which provides detailed and clear information to consumers before purchase.

15. This commitment has recently been enhanced through three specific transparency measures on in-game purchases:

    a. a PEGI in-game purchase icon, introduced in 2018, informing the consumer prior to purchase of the presence of optional in-game purchases,
    b. additional information to be included on the in-game purchase icon where paid random items are present in the game, and
    c. platform and publisher members of Ukie have, since 2020, had policies in place requiring that any video game that is published on their platforms disclose information of the possibility to pay for a random item in an easily understandable and clear manner.

16. Transparent, upfront information prior to purchase is available to the consumer, and specific safeguards and tools are in place to ensure players, parents, guardians and carers can remain in control. Such controls allow players, parents, guardians and carers to disable spending, set spending limits and monitor spending for children. The industry is continually improving how players, parents, guardians and carers can access, monitor and control this activity.

17. In addition, Ukie has launched information campaigns targeting players, parents and carers to bring awareness and encourage use of parental control tools and pre-purchase information provided by the industry. This is a practice replicated across the world.

18. The industry goes to great lengths to provide players with simple processes and readily available details to contact customer service teams if players are unhappy.

19. We are proud of the industry's demonstrable and long-standing history of taking its responsibility to keep players safe extremely seriously, and of its efforts to provide a variety of tools as well as accessible advice on how to use them. The industry continues to invest significantly in running national advertising campaigns to promote the availability of such parental tools, including the recent "Get Smart about P.L.A.Y."[2] and "Get Set Go!"[3] campaigns with English footballers Rio Ferdinand and Ian Wright.

20. We welcome the opportunity to help the CAP provide clear, usable guidance for games companies in fulfilling their commitment to transparency and player safety.

Virtual currency and In-game purchases

21. In-game virtual currencies come in many forms. They can be earned, bought, found in-game and gifted by the developer. Sometimes currencies acquired in different ways have different names, and sometimes the same currency can be acquired in numerous different ways.

22. Where a virtual currency is bought, the cost of a virtual currency is always presented in a transparent and clear way to the player pre-purchase.

23. The use of virtual currency within a game is a well-established practice. It has several benefits, including:
    a. Maintaining narrative integrity by using historically or thematically-appropriate terms for in-game currency to match the narrative background to the game e.g. points, coins, gold, gems.
    b. Allowing in-game value earnt through gameplay to be supplemented by optional purchases.
    c. Making it simple to control the level and regularity of purchases without interrupting gameplay (e.g. parents can allow a child to make a single £5 purchase of in-game currency per month, for the child to use over that period of time, rather than buying a series of individual in-game items).

[2] https://www.askaboutgames.com/get-smart-about-play/
[3] https://ukie.org.uk/news/get-set-go-uk-games-industry-calls-on-parents-to-get-ahead-this-christmas-by-engaging-family-controls-on-new-next-gen-consoles

d. This feature minimises transaction costs for the platform or publisher because it is one transaction instead of a number of smaller transactions.
e. Creating a clear distinction between real-money purchases and the in-game purchases and upgrades that may be available, as recommended by CMA guidance.
f. Allowing in-game value to be purchased in multiple locations outside the game, for consumer convenience (e.g. platforms that host the game will often sell a game's virtual currency directly, while physical vouchers for virtual currency are sold by retail stores).

Ukie's comments on the new guidance

The purpose of the guidance

24. The consultation asks whether the new guidance it will "address concerns about advertising for in-game purchases". We do not believe that this should be the purpose of new guidance should be framed this way. We disagree that there is established evidence of any problems in current advertising for in-game purchases, at least among our members. However, we agree with the goal of ensuring advertising for in-game purchases is legal, decent, honest and truthful and believe this should be the purpose of the new guidance.

25. Whilst we commend CAP's desire to issue practical guidance for the industry, we are concerned that some of the proposed solutions in the guidance are not realistic and risk increasing consumer confusion.

26. Further, we believe the guidance would be most effective if it focused on the principles and did not recommend solutions which are not currently adopted by any participants in the market.

Definitions

27. The definitions of "Proprietary Currency" and "Premium Currency" do not accurately reflect reality. Industry typically distinguishes between paid virtual currency (i.e. virtual currency that is acquired by consumers for "real-world" money) and earned virtual currency, (i.e.virtual currency that is earned through gameplay). Depending on the game, both types can potentially be used to acquire a variety of in-game items whether cosmetic or adding extra gameplay experiences. We think it best to clarify that earned virtual currency is not caught by this guidance.

28. Similarly, depending on the game, there may be in-game virtual currency that can be both purchased or earned and, whilst the publisher of that game may be able to identify in its backend systems what portion of such in-game virtual currency is paid virtual currency and what portion is earned virtual currency, that distinction may not be one that is actually identifiable to the consumer. As more fully explained below, we believe this can create significant difficulties in calculating a true

conversion rate in real world currency, may require a monetary value to be given to virtual currency which has only been earned (even if it could also be purchased), and risks misleading consumers as to how much paid virtual currency they are actually spending.

Showing the real-world equivalent price next to items purchased with virtual currency

29. The new guidance says that "where in-game purchases must be paid for with premium currency, rather than 'real' money, it must be clear to consumers what the equivalent real-world price is for the item." Given examples of how this might be achieved include:

- "Stating the real-world equivalent price next to the premium currency price"
- "Including a suitably prominent 'exchange rate' or example list of prices on the storefront and product pages so consumers can easily calculate the price"
- "Presenting the real-world price of an item and allowing customers to exchange for the exact amount of credits as part of the item purchase"

30. This guidance, and the examples of how it will be met, present several issues.

31. First, it will frequently not be possible for the publisher of the game to give an accurate, precise "real-world equivalent" price for a purchase.

32. As set out above, the pricing of premium virtual currency can vary depending on the point of sale, the amount purchased, and the sales strategy of the platform in question, among other factors. The estimation of a real-world equivalent pricing would require detailed real-time calculation in each instance and would often only be possible within a margin.

33. Second, this calculation would not give any additional clarity or information to the consumer.

34. It is already standard, widespread practice for a list of bundle prices of premium currency to be readily available both in-game and on the game's storefront. In-game, when a player is considering a purchase that requires premium currency, that list of prices will be readily available, often in the same shop, at no more than one or two clicks away. Adding further information such as "100 Talents (currently equivalent to £0.67 - £2.50 depending on purchase price of Talents)" is a significant burden on visual and UX design that will only create player confusion.

35. Each game requires its own solution and, rather than propose specific changes that do not reflect industry practice and may not be helpful to the consumer, the guidance should focus on the important principle that customers should be easily able to understand the price and value of the purchase they are being offered.

36. Further, this additional information may serve to confuse the consumer. An "exchange rate" implies that virtual in-game currency has a real world value when

it does not. It may also imply to the consumer that there is a two way trading opportunity when there is not, it is a one way transaction.

37. Third, it misunderstands the nature of virtual currency which is, primarily, a type of in-game item. The only purchase that the player makes is that of premium virtual currency, which, like other virtual items, can only be used in the game.

38. It is not clear from the draft guidance why in-game virtual currency should be treated any differently to other in-game virtual items that can be purchased for "real-world" money. In-game virtual currency has no monetary value, cannot be exchanged for "real-world" money, is not accepted as a form of legal tender, and cannot be cashed out of the game. It is simply another type of in-game virtual item and positioning it as something else not only risks confusing consumers, but also brings with it unwarranted regulatory, legal, and revenue recognition risks for publishers (such as increased refund obligations that might not otherwise apply to free digital content). This risks undermining existing legally permitted monetisation methods that rely on this distinction between in-game virtual currency and "real-world" money being maintained.

39. Further, other than the fact that it can be purchased for real-world money, premium virtual currency, once purchased, is not different than earned virtual currency acquired through game play or other activities. Both are in-game virtual currencies that can only be used in game to acquire content or features. The difference between "paid in-game virtual currency" and "earned in-game virtual currency" is therefore often an artificial one to draw for the consumer, and so providing an exchange rate or equivalent "real-world" price for an in-game virtual item at the point at which a consumer uses their in-game virtual currency to acquire that item therefore risks misleading the consumer as to how much "premium virtual currency" the consumer is actually spending.

40. For example, consider a driving game in which players can acquire new cars either by using in-game virtual currency or by trading items in the game. A player decides to trade the virtual Bugatti Chiron Sport she acquired in-game for a Ferrari Enzo, instead of using the game's "pistons" in-game virtual currency to acquire that new car. The draft guidance doesn't require the player to be served an exchange rate in respect of that exchange of virtual cars, so why should she be presented with that information if she were to instead use an allocation of "pistons" to acquire the Ferrari Enzo? It is an artificial distinction that, for the reasons given above, is not helpful, and leads to the perverse result of some in-game virtual items (the "pistons" in this example) being essentially ascribed real-world monetary value while other in-game items, even if used for the same purpose, are not ascribed such real-world monetary value.

41. Premium virtual currency, once purchased, is not the same as "real-world" money. It is an in-game virtual item that consumers are able to exchange for other in-game virtual items. It is no different to earned virtual currency or any other in-game virtual items, such as cars, weapons, tanks, clothing or furniture. Consumers do not "buy" anything with in-game virtual currency, they instead

exchange an allocation of in-game virtual currency for other in-game virtual items. This point is clearly established in virtually every publisher's End User License Agreement and is the industry norm. By forcing publishers to list an exchange rate or equivalent "real-world" price, or providing functionality to allow consumers to purchase the exact amount of in-game virtual currency they need to acquire an in-game virtual item where they do not have sufficient in-game virtual currency, CAP and BCAP risk ascribing "real-world" monetary value to in-game virtual items that would otherwise have no "real-world" monetary value and to maintain a live exchange rate, which for the reasons given above is often not possible. It is also fundamentally misleading for the consumer, as it suggests that the digital asset can be traded back for real world currency when it cannot.

42. In summary, we feel that the guidance does not sufficiently reflect current industry practice that meets the shared goal of providing transparency and clarity for customers. It should focus on this goal and the principles that underpin it, rather than proposing untried solutions that risk creating more confusion than they solve.

43. Finally, it should be noted by CAP and BCAP that a similar discussion has been taking place in Europe where, in the Netherlands, the Authority for Consumers and Markets (ACM) launched an initiative to clarify the application of Dutch consumer protection laws in the online environment. In a recent dialogue between ISFE (the Interactive Software Federation of Europe), NVPI (the Dutch trade association for the entertainment industry) and the ACM, the ACM clarified that the requirement for publishers to display the price of an in-game virtual item in Euros would only apply where the player is initially invited to make an in-game virtual currency purchase, hence where the "real-world" monetary transaction takes place, but not in any subsequent transaction involving such in-game virtual currency. This clarification is important for Europe's video game sector because it aligns with the approach recommended in the UK by the Office of Fair Trading's (now the Competition and Markets Authority) Principles for Online and App-Based Games from 2014, which the industry has worked to adopt across Europe. This ensures that commercial transactions are always kept clearly separate from gameplay, avoiding confusion for the player.

Odd-pricing and minimum premium currency bundles required

44. "Odd-pricing" typically occurs where there is a wide range of virtual items available for acquisition in-game, some of which cost more, and some of which cost less, than the virtual currency packs offered. By making a range of virtual currency bundles available in-game, the publisher gives players the option of purchasing an amount that can be used to acquire several in-game virtual items. The only way to avoid "odd-pricing" would be to have all in-game items cost the same amount of in-game virtual currency (which itself would be odd and economically unworkable for publishers), or provide some sort of virtual ATM or bank facility that would allow consumers to purchase the exact amount of in-game virtual currency they desired, which would introduce huge logistical and

game balancing problems that are wholly unreasonable for publishers to be expected to incur in order to avoid any “odd-pricing.” We also strongly reject the use of the term “odd-pricing”.

45. The new guidance suggests that in scenarios where odd-pricing occurs, and especially in those where the in-game virtual currency required for an item is less than the cost of acquiring the smallest allocation of such in-game virtual currency, that in “advertisements external to the storefront, advertisers whose products are affected by odd-pricing should either include the costs of their currency bundles or (for instance where a single product is featured) include a footnote or similar containing the price of the smallest currency bundle that would cover the cost of the item”.

46. We believe that such action would cause confusion for the consumer. They could be led to think that they would have to buy the minimum purchasable bundle of a currency multiple times in order to afford several items, when in reality a single purchase would cover all those other items.

47. Contrary to what the new guidance states, selling in-game virtual currency in bundles does not actually make it difficult or consumers to understand how much they are spending on in-game currencies and virtual items. In reality, it actually makes it much easier for consumers to work out what they have to spend, in “real-world” money as the consumer only has to work out which bundle of in-game virtual currency will give them enough in-game virtual currency to acquire the in-game virtual item they want.

48. The concept of virtual currency is no different to other token-based economies like those used for rides at a fairground or food and beverages at an event. The key is that consumers understand the cost of the various token bundles they buy and the amount of tokens required to exchange for the relevant goods or services.

49. The guidance states that “In storefronts and product pages, where customers may be purchasing a number of different items together, it is likely to be enough to display prominently the costs of different currency bundles”. We believe this reflects standard practice across much of the industry and would likely be sufficient to support the principle of transparency for consumers.

Messaging related to ‘random item purchasing’ (and other gambling like activity)

50. The new guidance says that “because random-item purchasing can contain an element of chance and immediate response, for some vulnerable consumers it may fulfill similar functions to gambling activities or be otherwise associated with problem gambling behaviours”. The new guidance suggests that the following is unlikely to be acceptable:

- “Explicit or implicit links to real-world gambling”;

- "Encouragements to 'try one more time' or suggestions that the next purchase could result in a rare item"
- "Where the outcome is based on chance rather than skill, suggestions that the player almost obtained a rare/wanted item"

51. We do not accept that random items are "gambling like activity". Randomisation and chance are a standard part of play and purchase, from rolling dice in Monopoly to opening a pack of Pokémon cards from the corner shop. Our sector is engaged in video game entertainment and expressly and explicitly does not offer gambling activities. The use of gambling terminology for a product that is not gambling should not be used, and indeed the Gambling Commission have been clear as recently as 2019 that they do not consider loot boxes to be gambling under the current Gambling Act[4]. We would therefore advise against the use of the phrase "gambling-like" as it is not supported by either the law or by research.

52. We do not accept that it is CAP and BCAP's position to determine that a product is akin to gambling when the Gambling Commission itself has already rejected that position. It is for CAP and BCAP to respond to proven and established harms by introducing guidance and codes to address those harms, not for it to make its own assessment of whether or not something is or might be harmful, independent of any evidence establishing that actual harm in the first place or the Government reaching that same conclusion and legislating for it.

53. It is worth noting that mobile games are required to disclose the odds of the different rewards in loot boxes by the platforms' terms and conditions[5].

54. Further, all three major console makers have made notable progress implementing their policies to require publishers to disclose probabilities for new games and updates that include paid loot boxes or other random content. Additionally, some publishers began providing probability disclosures before 2019, and others have followed following a voluntary commitment. Publishers have made measurable progress in implementing this voluntary disclosure commitment.

55. The assertion of 'gambling-like' activity by CAP guidance creates a grey area for games which include an element of chance. Card games are played by families the world over. They are also played in casinos. Dice are used for family games the world over. They are also used in casinos. We are concerned that "gambling-like" casts a net that is wider than reasonable and perhaps intended by capturing styles and activity that are common both in activity that is expressly not gambling, and in activity that expressly is gambling.

56. Further, the industry takes action to combat illegal practices, such as skin gambling, by spending large sums of money annually on litigating against sites

[4] https://old.parliament.uk/business/committees/committees-a-z/commons-select/digital-culture-media-and-sport-committee/news/immersive-technology-evidence-17-194/
[5] For example https://support.google.com/googleplay/android-developer/answer/9858738

that provide such functionality in breach of the relevant publishers' and platforms' EULAs, banning or suspending consumers who engage in such activity, and issuing warnings about the danger of such practices to consumers. The industry has also included a PEGI descriptor for simulated gambling. Any games that include simulated real-world gambling now receive an 18 PEGI rating.

57. Academic research on the subject has also not found any direct causal link between loot boxes and gambling, instead indicating at most a correlative relationship. With this in mind, and with no current academic consensus, we do not consider it appropriate for advertising and marketing guidance to step beyond those bounds to determine certain practices as "gambling-like". We must be mindful of the risk of damaging confidence in an activity enjoyed by more than half of the population whilst significantly damaging the UK's world leading video games industry to no obvious consumer benefit.

Presentation of in-game purchases

58. The guidance says that "some in-game purchasing happens within immersive gameplay (e.g. offering the real-money purchase of extra lives)". As previously mentioned, the 2014 Principles for Online and App-Based Games recommended that commercial transactions are always kept clearly separate from gameplay, avoiding confusion for the player. Players may be able to acquire in-game virtual items during gameplay using in-game virtual currency they have purchased outside of game play.

59. We consider that some of the specific requirements of the draft new guidance – specifically setting a real world equivalent price next to in-game items - will require publishers, developers and platforms to be at odds with these CMA principles. We would recommend that guidance is clarified so that it does not create two separate regulatory regimes at odds with one another.

60. We believe that the guidance should clearly distinguish between prompts to acquire in-game items with premium currency the consumer has purchased, and prompts to purchase premium currency. The former is not an exhortation to make a purchase, as the purchase has already happened.

Presence of in-game purchasing

61. Advertising for console and PC games shows their PEGI rating. In September 2018, the pan-European age-rating system (PEGI) included a descriptor icon for games which include 'in-game purchases' to be displayed at the point of purchase/acquisition online, and on packaging of physical media. To be even more transparent, since May 2020, the icon has been supplemented by additional information for those games where any in-game purchase 'Includes random items' such as 'loot boxes'. Current data shows that 2.5% of the total games rated by PEGI in all territories in 2020 were assigned the 'In-game purchases (includes random items)' notice.

62. The video game industry takes transparency and consumer protection very seriously, and takes significant steps to ensure that consumers have all the information they need to make an informed purchasing decision. For instance, Ukie and the wider industry have invested significantly in information campaigns such as 'Get Smart About PLAY' and 'Get. Set. Go.' These campaigns have been recognised by Government for their efficacy.

63. The requirement in this paragraph for industry to set out the type of in-game purchases the game contains is not realistic. It is not always possible to anticipate what type of in-game purchases may be made within such games at the time of release. Games are increasingly treated as a service and consumers enjoy and expect new features, levels and content to be added to the game after initial release. Publishers will observe gameplay and consumer feedback and develop new features and content based on what has been popular in the original game.

Conclusions and recommendations

64. The UK games industry shares the CAP's and the BCAP's objective of making sure that customers have clear pricing information for purchases – while meeting our obligations under consumer law (as clarified in CMA guidance) to keep commercial offerings separate from gameplay. We are proud of the industry's demonstrable and long-standing history of taking its responsibility to keep players safe extremely seriously, and of its efforts to provide a variety of tools as well as accessible advice on how to do so.

65. It is common industry practice to prominently display the purchase price for each of a range of currency bundles, in an easily-accessible place, both before and during any purchase decision. This appears to be supported by the guidance as an effective way to give customers transparent, clear information when and where they need it, which we welcome.

66. We have concerns that the other solutions proposed in the guidance do not reflect player expectations or the practical experience of playing a game online and would only cause more confusion for players. We have set these out throughout our response.

67. We recommend that the guidance be focused more clearly on the principle of ensuring that players can easily understand the relative value of any purchase of in-game virtual items or currency they are offered, and avoiding detailed proposals for changing the in-game experience that do not match standard industry practice.

68. We would welcome the opportunity to run a series of workshops between CAP, BCAP and the industry to further explore this.

ANNEX A – How in game purchases work

How in-game purchases work - for the consumer

69. To provide context for our comments on the new guidance, we set out below the various different processes through which consumers may make an in-game purchase and the typical scenarios in which they will happen.

One-step process:
Step 1: real money used to purchase a virtual item

70. This is the simplest and most direct way for the player to purchase an item. It is particularly common in mobile games.

71. EXAMPLE 1: Guy has downloaded to his mobile phone a medieval themed role-playing game (RPG). After playing through several levels, he decides to purchase an equipment pack for £4.99 from within the game's store to better equip his avatar for the dangers ahead. Guy initiates the transaction from within the game, and the mobile storefront debits his app store account for the corresponding amount.

Two-step process:
Step 1: real money used to purchase in-game virtual currency;
Step 2: paid in-game virtual currency used to acquire various virtual items.
OR
Step 1: real money used to purchase platform stored value;
Step 2: platform stored value used to directly purchase in-game virtual currency.

72. Not all games allow for the direct purchase of virtual items with real money. In some games, in order to buy a virtual item, the player must first exchange real money for a predetermined amount of paid in-game currency (*e.g.*, gold, gems), and then use that in-game currency to acquire the virtual item. There are a number of reasons why games publishers may choose to implement this method of in-game purchase.

73. For example, if a player is playing an adventure game set during Dynasty XIX of Ancient Egypt, it would break the player's immersion if they were required to pay £2.50 to buy a chariot at the market in Thebes. A better fit for the game's narrative would be bartering for the chariot with a deben of copper or another historically-appropriate commodity (it would likewise break the narrative to have "£2.50" displayed alongside the deben of copper). Second, it minimises transaction costs for the game publisher. Instead of processing separate transactions for each virtual item purchased by the player, the publisher sells a set amount of paid virtual currency to the player and incurs transaction costs and taxes once. There is only one transaction (*i.e.,* the initial real money purchase of the paid in-game virtual currency) instead of several. This means the service can be provided to the player at a cost effective level.

74. EXAMPLE 2: Celia plays a racing game on her PC. Within the game is a store where she can buy new cars to race. Celia decides to acquire a Bugatti Chiron Sport, which has a list price within the game of 4,000,000 “pistons”; the in-game virtual currency. Celia pays £40 to buy 5,000,000 pistons of in-game virtual currency. Once that microtransaction is complete, those pistons show up in her avatar’s in-game account, which she then uses to acquire the Bugatti. She can use the balance of 1,000,000 pistons another time, to acquire other virtual items for use within the game. For instance, a custom steering wheel might require 500,000 pistons to acquire.

75. Another variant of this two-step process involves purchases made on an online retail platform, such as those operated by a game console maker. The online stores associated with game consoles sell a variety of digital content, including, among other things, paid in-game virtual currency and expansion packs for some of the game titles that are popular on the console. Players can buy these items at the console store, and then the currency or expansion pack will appear in the player’s account the next time the player uses the game. Similarly, players can buy additional in-game virtual currency from within the game, however, whilst it might appear that the player is buying the game currency within the game’s store, the financial transaction is handled by the console store on the backend and the actual real-world price of the in-game virtual currency is typically determined by the console as the reseller of that in-game virtual currency, not the publisher of the game being played. In other words, when it comes to the console environment, the player is always buying the game currency from the platform.

76. EXAMPLE 3: Shahriar enjoys playing the real-time strategy game Knights of Atlantis: Submerged, where the goal is to build an empire. This game has a paid in-game virtual currency, Solidus, which can be used to acquire some enhancements to the game experience (such as new uniforms for your army). While Shahriar can buy Solidus within the game store, he can also buy those at the game console store, which sells Solidus in various increments. Shahriar buys 10,000 Solidus for £10. The transaction is handled by the platform, not the game publisher. But the next time Shahriar plays the game, he finds that 10,000 Solidus have been credited to his in-game account. He uses those, within the game, to acquire new uniforms.

Three-step process:
Step 1: real money used to purchase platform stored value;
Step 2: platform stored value used to purchase paid in-game virtual currency;
Step 3: paid in-game virtual currency used to acquire virtual in-game items.

77. Players typically establish an account with the platform, which they can fund with real money. They then use this platform-level stored value to buy games or in-game virtual currency across multiple games which the player may own and use on that console. Then, once the player has converted the platform-level stored value to in-game virtual currency, the player can use the in-game currency to acquire virtual in-game items. The advantage of this approach is that the player only needs to convert from real money once, but can use the platform-level

stored value to purchase different games and forms of in-game virtual currency across a variety of games by different publishers.

78. EXAMPLE 4: Jo, a console player, enjoys playing both a sci-fi action game by one publisher and a Western-themed game by another publisher. She has £40 in her game console account. She goes into the platform's storefront and uses £10 of her platform-stored value to buy 100 Thorium, the in-game virtual currency for the sci-fi game, and £5 to buy 2,000 Confederate dollars in the Western-themed game. She then uses the Thorium to upgrade the navigation system on her freighter to enable quicker jumps to light speed in her sci-fi game. Later that weekend, she uses 2,000 Confederate dollars within the Western-themed game to acquire an ironclad horse.

How in-game purchases work - for publishers and platforms

79. For in-game purchases, as for many "real life" purchases, there is frequently a provider of the good and the seller of the good. The consumer typically only deals directly with the seller of the good. The provider sells to the seller, who in turn sells to the consumer. The provider does not set the price the consumer pays, only the price that the seller pays to the provider. The seller sets the price that the consumer pays, and may increase or decrease this as they see fit.

80. Below we provide an example of a typical scenario for how this may play out in a video game played on a console.

81. EXAMPLE 5: Miles, like Shahriar, is a player of Knights of Atlantis: Submerged. He is such a fan that he plays it on two different devices. He wants to buy 10,000 Solidus. He notices that there is a difference in price: 10,000 Solidus are £10 on one device, but are £12 on his other device. He purchases the 10,000 Solidus on his first device and is able to use that in-game virtual currency on both devices. (This would not be possible for all games universally as not all games have cross platform compatability).

82. In the above example, the publisher of Knights of Atlantis: Submerged, provides rights to sell Solidus to both the console platform and the mobile phone platform. They platforms are then free to charge the recommended retail price, or to discount or raise it. By law, this is out of the control of the publisher and the publisher is therefore unable to provide a real-time price list for the in-game virtual currency. In this same way, a food producer may sell a crate of their product each to two different supermarkets. These supermarkets are free to sell this product at a price of their choosing (including at a loss), and consumers are free to choose which supermarket they use.