

# knowledge snapshot



## China's compliance guidelines for blind boxes: Broader relevance for loot boxes and other gambling-like products

### What this article is about

Blind boxes are physical products that contain random rewards. For example, a blind box may contain a toy from a series and consumers do not know which toy they will receive. Some blind box items are rarer and have higher market value, which can potentially be resold for profit. People are motivated to purchase blind boxes to complete a collection or to chase after rarer items. Blind boxes are similar to loot boxes in video games. Both are gambling-like products in which people invest money for a random reward that may cause them to lose or gain money.

Guidelines on the marketing of blind boxes were introduced in January 2022 in Shanghai, China. The Guidelines recommend best practices to help businesses comply with current laws and regulations when selling blind boxes. The Guidelines are the first policy document to address blind boxes and recommend measures to minimise potential harms.

In this article, the author reviews what blind boxes are, the Guidelines' recommendations, and the availability of blind boxes, loot boxes, and other gambling-like products in Western countries. The author then discusses how the Guidelines may be relevant to the regulation of loot boxes and other gambling-like products more widely.

### What was done?

The author discusses China's Guidelines for blind boxes and the broader relevance of the Guidelines.

### What you need to know

*Guidelines for blind boxes in Shanghai, China*

The Guidelines advise against the sale of illegal and dangerous products, such as live animals and those

### Why is this article important?

Blind boxes are gambling-like products that contain random rewards. They are similar to loot boxes in video games. Guidelines on the marketing of blind boxes were recently introduced in Shanghai, China. The Guidelines recommend best practices for businesses when offering blind boxes for sale and measures to minimise harms. In this article, the author reviews the Guidelines and the similarities and differences between blind boxes and loot boxes. The author discusses the broader relevance of the Guidelines to the regulation of loot boxes and other gambling-like products.

that require special handling. Also, the price of a blind box should be "basically equivalent" to the actual value of its content. The costs of producing the common reward items "should not differ too widely" from the rare reward items. Importantly, the price of a blind box should not be greater than ¥200 Renminbi (US\$31.50 or £23.00). The cap on pricing is similar to maximum stake limit in gambling.

The Guidelines ask businesses to have the probabilities of obtaining rarer rewards and other key information be "prominently published". Businesses should not manipulate the probabilities to encourage purchase, such as by intentionally lowering the probabilities for specific rewards. The Guidelines also recommend businesses to implement "pity mechanics" that guarantee consumers will receive the rarer rewards they desire after they have bought a certain number of blind boxes. This measure is similar to maximum spending limit in gambling.

The Guidelines also address the purchase of blind boxes by children. Specifically, blind boxes should not be sold to children under the age of eight. For minors between eight and 18 years old, consent from parents or guardians is needed. The Guidelines permit the randomised nature of blind boxes, but distinguish blind boxes from financial investment and traditional gambling. This means that consumers cannot go back on their purchasing decision if they are unsatisfied with the result. This is similar to gambling where people cannot go back on their bet when they lose.

### *Broader relevance of the Guidelines*

Blind boxes are also sold in store and online in other countries. In some ways, blind boxes are similar to gachapon (capsule toy) vending machines in Japan and physical collectible trading card games. However, these products have generated little policy or public interest in regulating them. Loot boxes are the gambling-like products which have garnered significant interest. In Belgium, loot boxes are considered to be gambling and are banned. Other countries like the UK are considering whether to regulate loot boxes and how.

Past research has found that people who spend more money on loot boxes tend to have gambling problems. The author suggests that more research should be done to identify whether blind boxes and other gambling-like products have harmful effects. The author notes one major difference between blind boxes and loot boxes. The rewards of most loot boxes do not have real monetary value outside the game and cannot be resold for real money. This is the basis by which the UK government decided that most loot boxes are not gambling under current laws. However, all blind box reward items can be resold for money and there is a large market demand for them.

The author suggests that China's Guidelines on blind boxes can inform future regulation of loot boxes and other gambling-like products. For example, the Guidelines' approach to age limits suggests that age rating systems for loot boxes can be broken down further. The author argues that existing gambling laws are not able to address novel gambling-like products. But caution is needed in deciding whether these

products must be regulated as gambling. The author argues for a more nuanced and targeted consumer protection approach. Such an approach can balance the freedom of people to engage with these products and business interests, while ensuring vulnerable people are protected from harms. The author also suggests further research, including research on the potential negative consequences of pity mechanics.

### **Who is it intended for?**

This review is intended for policy makers, regulators, researchers, and other stakeholders interested in the gamblification of products and services.

### **About the researchers**

**Leon Y. Xiao** is a PhD fellow at the Center for Digital Play at the IT University of Copenhagen in Denmark, and a Visiting Scholar at the School of Law of Queen Mary University of London in the UK. For more information about this review, please contact Leon Y. Xiao at [lexi@itu.dk](mailto:lexi@itu.dk).

### **Citation**

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