

Report on Bachelor / Master Thesis

Institute of Economic Studies, Faculty of Social Sciences, Charles University

Student:	Tomáš Karhánek
Advisor:	Barbara Pertold-Gebicka
Title of the thesis:	Lottery premium in video gaming environment Economic Consequences across the EU Countries

+OVERALL ASSESSMENT (provided in English, Czech, or Slovak):

Please provide a short summary of the thesis, your assessment of each of the four key categories, and an overall evaluation and suggested questions for the discussion. The minimum length of the report is 300 words.

Short summary

The bachelor thesis by Tomáš Karhánek analyzes the gambling behavior of video games players. The author writes that the “goal in this thesis is to find out which theory of utility in gambling environment supports the results of the thesis.” But in fact the thesis investigates which player characteristics correlate with the amount spent on so called ‘loot boxes’ and which player characteristics correlate with the individual-specific lottery premium. Unfortunately, there is no link to utility theory in the analytical part of the thesis.

Contribution

The major contribution of the thesis is twofold: description of the gambling component in video games and presentation of player characteristics that correlate with the amount they spend on loot boxes and with the lottery premium. There is no interpretation of the presented results, no discussion of how they relate (or do not relate) to the expected utility theory, or how these results can help us understand the gambling behavior.

Methods

The thesis is methodologically weak. The author does not explain which theory/theories inspire his empirical analysis, even though the introduction to the thesis suggests that the goal is to relate the gambling behavior of video games players to the utility theory. There is even no intuitive presentation of the relationship that the author plans to analyze. It seems that the goal was to find factors which will explain the gambling behavior among video games players. The problem is, that there is no clear theory or intuition that would motivate the choice of such factors. The only link can be found in the last paragraph of the literature review: „This particular paper does not benefit the thesis in many ways but during its reading the author got an idea regarding the choices that he personally witnessed happening in the video game market [...] Therefore, author found parallel about the time preference on the gambling as a consumable good and decided to further investigate this phenomenon.“ It was rather a trial-and-error process. Because of this, the author had to repeat data collection several times, what greatly reduced the final dataset size. Another by-product of the rather chaotic trial-and-error process is that there is no distinction between correlation and causality. The author interprets the results of his regression analysis as if they proved existence of a causal relationship. For example: „The participation in a financial risk involving activity positively influences the amount spent [on gambling in video games]“; or „The odds search negatively influences the amount spent on loot boxes“. There is no discussion about what actually might explain the gambling behavior (measured by the amount spent on loot boxes or measured by the lottery premium). I believe that these could be to a large extent psychological traits of individuals. It is hard to measure them in an on-line questionnaire, so one has to look for proxies. The author tries to elicit players' attitude towards risk, which is a big plus of his work. But there is no discussion about other factors. For example, „The author hypothesizes, that people spending their money in other risk involving activities are more likely to spend money/more money on the loot boxes.“ Why would this be the case? It is that other activities motivate people to gamble? Or is it that there are some personality traits that make people take risky activities both offline and online? In the latter case the variable representing participation in other risky activities would be endogenous in

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the regression model. Similarly, the variable odds search might not directly influence the gambling behavior but it could be a proxy for risk aversion. Those who are risk averse would first check what are the odds.

The estimation method used in the thesis is OLS, which is very basic. This is not bad in itself. But the author of the thesis does not prove familiarity with and understanding of the properties of OLS. Among others, he writes: „By adding as many variables as possible the author is controlling for no correlation of error term with independent variables.“ It is true that adding RELEVANT control variables diminishes the risk that a specific explanatory variable (say, the one of main interest, the one which has to be in the model) remains endogenous. But adding many control variables introduces additional potentially endogenous factors. There is no discussion in the thesis about which explanatory variables and why might be endogenous and which control variables are meant to reduce this issue (see also the previous paragraph).

Random sampling assumption is also questionable. Data collection through a questionnaire is dangerous from this point of view. Here the author writes about posting the link to the questionnaire to SEVERAL streams, each with 700-1500 participants. Yet, the questionnaire was filled by only 166 people. It is hard to believe that they constitute a random sample of all the players. Maybe they are the most naive ones? Or the most helpful ones? Or the most curious? Or the ones expecting gains from filling the questionnaire. While it is really difficult for a bachelor student to collect data from a truly random sample (so I am not questioning the sample itself), there should be at least a discussion about sample representativeness in the thesis. Author could have compared simple summary statistics about his sample (at least the age) with some representative statistics about game players, if there is any such statistics available.

Literature

I am not familiar with this line of literature, so it is hard to judge whether the presented review is complete. What is surely missing is a presentation of empirical studies analyzing gambling behavior, possibly in different environments than video games.

Manuscript form

The thesis is written in a chaotic way, it is difficult to follow and there are numerous grammatical mistakes, mainly concerning the sentence syntax. The author should have started the empirical part of the thesis with explanation of the idea/theory behind the planned empirical analysis. This would help the reader „get into the author's shoes“ and follow the flow of the thesis. Instead, the author starts with explaining the data gathering process. It is not clear at this point why the data is gathered, what data is needed, or how it will be used. Then the author lists dependent and explanatory variables – again, without outlining any equation or model. One of the key variables is the lottery premium and the reader only learns in the following section how the lottery premium is calculated.

Overall evaluation and suggested questions for the discussion during the defense

The bachelor thesis by Tomáš Karhánek had an ambitious goal of analyzing the gambling behavior in videogaming in the light of the utility theory. This goal was, unfortunately, not fully fulfilled. The author presents an exhausting qualitative description of gambling in video games and an empirical analysis of individual players' characteristics that correlate with the amount they invest in gambling. Though the thesis is written in a somehow chaotic way, it fulfills the requirements for a bachelor thesis at IES, Faculty of Social Sciences, Charles University. I recommend it for the defense and suggest a grade D.

The results of the Urkund analysis do not indicate significant text similarity with other available sources.

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SUMMARY OF POINTS AWARDED (for details, see below):

CATEGORY	POINTS
<i>Contribution (max. 30 points)</i>	18
<i>Methods (max. 30 points)</i>	12
<i>Literature (max. 20 points)</i>	17
<i>Manuscript Form (max. 20 points)</i>	14
TOTAL POINTS (max. 100 points)	61
GRADE (A – B – C – D – E – F)	D

NAME OF THE REFEREE: *Barbara Pertold-Gebicka*

DATE OF EVALUATION: **27.5.2021**

Digitálně podepsáno (27.5.2021)
Barbara Pertold-Gebicka

Referee Signature

EXPLANATION OF CATEGORIES AND SCALE:

CONTRIBUTION: *The author presents original ideas on the topic demonstrating critical thinking and ability to draw conclusions based on the knowledge of relevant theory and empirics. There is a distinct value added of the thesis.*

METHODS: *The tools used are relevant to the research question being investigated, and adequate to the author's level of studies. The thesis topic is comprehensively analyzed.*

LITERATURE REVIEW: *The thesis demonstrates author's full understanding and command of recent literature. The author quotes relevant literature in a proper way.*

MANUSCRIPT FORM: *The thesis is well structured. The student uses appropriate language and style, including academic format for graphs and tables. The text effectively refers to graphs and tables and disposes with a complete bibliography.*

Overall grading:

TOTAL	GRADE
91 – 100	A
81 - 90	B
71 - 80	C
61 – 70	D
51 – 60	E
0 – 50	F