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Survey of Apps for Children

A report by the project "Consumers rights in the digital world" of the Federation of German Consumer Organisations - vzbv -

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I. Introduction

Noticeably there is a rapid increase in the use of web-enabled mobile phones. In the year 2013 approximately 28 million smartphones will be sold in Germany. This development also involves the market for mobile applications (apps). These small computer programs enable the smartphone user to download special services, such as news, weather information or entertainment.

In Germany, 83 % of all smartphone owners use apps. More than 1.8 million apps exist worldwide. The number of downloads in 2012 comes to 1.7 billion in Germany alone.¹ 42.6 % of all smartphone owners use their device for gaming.² The purchases of apps lead to a total turnover of more than 430 million Euros in Germany in the year 2012, twice as much as in 2011.³ According to BITKOM, the Federal Association for Information Technology, “apps have become a real economic factor”.¹

This boom does not leave children unaffected. After all, every second child aged 6 to 13 owns a mobile or smart phone.⁴ Using apps is clearly popular: Already 26 % of all 6 to 13 year olds have installed apps on their mobile devices.⁵ Every second app user in the group of 12 to 13 years old children states, that games are among his or her three most important apps.⁶

The downside of this economic boom and the other side of the coin becomes visible, when children get caught in cost traps or get confronted with age-inappropriate advertising or contents not suitable for children by the use of apps.

This counterpart to this is the economic interest of app developers and distributors. Especially free apps are being financed by advertisements, user-related data logging or in-app purchases.

Aware of their purchasing power, more and more apps are being offered to children without taking into account, that children are less critical and do not realise possible snares, cost traps or embedded advertising.

II. Survey

In June 2013 the project “Consumers rights in the digital world” of the Federation of German Consumer Organisations (vzbv) examined several apps, which were obviously aimed at children by means of their presentation and contents.

¹ Numerical data by BITKOM: (Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V.)
http://www.bitkom.org/de/presse/8477_76094.aspx und http://www.bitkom.org/de/themen/54866_74940.aspx

² <http://de.statista.com/statistik/daten/studie/241672/umfrage/nutzung-von-apps-in-deutschland-nach-app-kategorien>

³ BITKOM: http://www.bitkom.org/de/presse/8477_76182.aspx

⁴ “SCHAU HIN!": <http://schau-hin.info/handy-smartphone-tablet/klare-regeln-fuer-die-smartphonennutzung-bei-kindern-1.html>

⁵ KIM-Study 2012: http://www.mpfs.de/fileadmin/KIM-pdf12/KIM_2012.pdf

⁶ JIM-Study 2012: http://www.mpfs.de/fileadmin/JIM-pdf12/JIM2012_Endversion.pdf

The main topics reviewed were the embedded advertising, the purchase offers and in-app purchases contained within the apps. User information and measures taken to secure the protection of minors in the media were also checked. All in all the contents of 32 apps aiming specifically at children and covering the entertainment and gaming sector were surveyed. The focus lay on free apps, as these are generally financed by advertisements and so called in-app purchases and have been especially criticised by the public in the past months.

Because of the constant refinement and development of these apps by means of updates, the survey can only represent a snapshot. Therefore injunction procedures have been exemplarily filed against three providers of illegitimate games apps.

III. Overview of problem areas

1. Advertising with free apps
2. In-app purchases
3. Waiting times in games
4. Invitations to buy and special offers
5. Activation of restricted versions
6. Payment options
7. Advertising
8. Integration of external social media tools
9. General terms and conditions as well as legal details

IV. Problem areas in detail

1. Advertising with free apps

As is well known, almost nothing in this world is to be had for nothing. This also applies to many of the apps promoted as free of charge. For free of charge does not necessarily mean for free. Most grown-up users might realise such apps are refinanced in some way, either by advertisement, by commercial use of customer data or by in-app purchases. Children however do not see through this kind of business model. If the apps state they are “free of charge” or “gratis”, they should be playable for free like the children expect and for longer than just for a few minutes.

This is the crucial point of these kinds of games, which can be used as ordinary online offer on the internet or be downloaded as app. It is common practice that apps are promoted as free of charge but are only playable if in-app purchases are made after a very short while. In the opinion of the vzbv this practice is illegitimate. The mere reference to the possibility of “additional in-app purchases” is not enough. It is essential that the provider guarantees the app can be used for a certain amount of time. Otherwise the app cannot be advertised or merchandised as free. This kind of app would have to be described a mere trial version.

Especially children, who only have a certain amount of pocket money at their disposal, can be lured by free apps quickly. Attracted by the free beginning period of the game, the readiness to invest their money in in-app purchases grows. Sometimes even at any cost and without having in mind the overall costs of all in-app purchases.



2. In-app purchases

Regularly in-app purchases can or must be made by the user during the course of the game in order to continue or to make the game more interesting, for example by a wider range of functions or an extended setting of the app. Also it may be possible to buy virtual goods (swords, animal food, clothing for virtual figures and the like) for a special game currency. Most of the various in-app purchases do not take place in one of the major sales platforms as the Apple Store or the Google Play Store but in separate stores within the apps.

Different payment options are being offered to buy virtual goods. Payments can be made either by credit card, via PayPal or even by invoicing via mobile phone bill or prepaid card of the smartphone. Correspondingly, children's inhibitions to download and pay these kinds of paid apps or in-app purchases differ.

The level of costs for in-app purchases may vary. Starting from sums of a few Cents up to high double figure Euro amounts like in the following example:



Handling virtual money can be difficult for adults. But it is harder or even impossible for children. In real life, children realize they have spent money for sweets, magazines or toys when looking into their wallets. Spending money virtually does not have the same effect, as small amounts being charged often only show up, if the prepaid card needs recharging or the telephone bill at the end of the month has increased.

This is why the vzbv generally criticises the possibility of in-app purchases in apps for kids. Especially, if in fact the apps advertised as free apps cannot be used without in-app purchases during an early or crucial stage in the game.

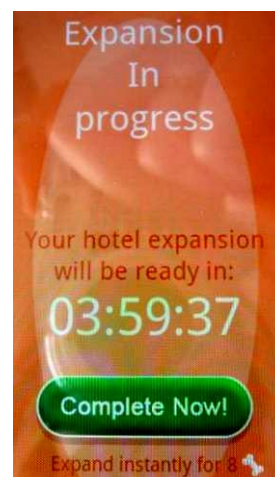
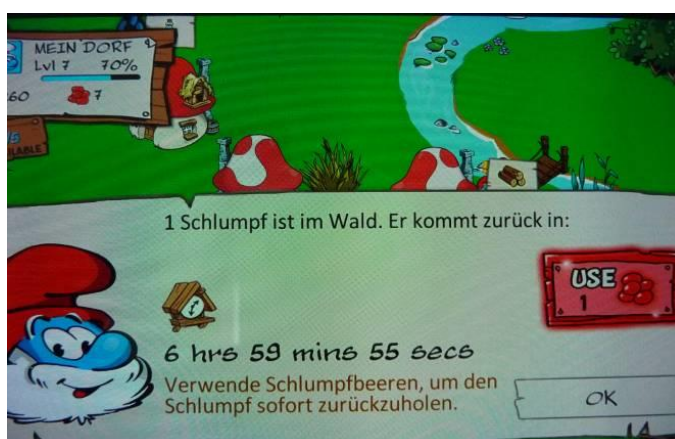
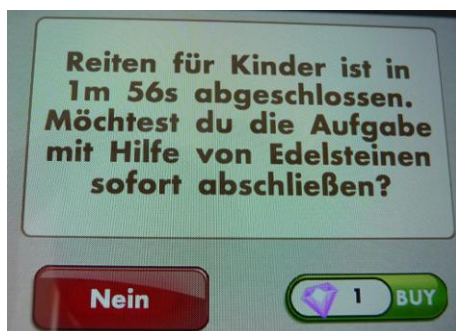
Games apps, which try to put pressure on the children and persuade them to in-app purchases are particularly worrying. Numerous tricks are being applied. Details will be explained in the following

text. These tricks go from sales only valid for a few minutes, to being able to shorten compulsory breaks/waiting times or to the possibility of purchasing the full versions of paid apps.

Often particularly children are in danger to be exploited because of their commercial inexperience or their strong urge to play. Compared to adults, children are much less able to form a rational buying decision in these situations.

3. Waiting times in games

There are different tactics to persuade children to in-app purchases. Waiting times of just a few seconds and minutes up to several hours integrated in the course of the game play a role not to be underestimated. Especially a child's patience can be unbearably tried by the delay. Irrespective of this, children are seldom able to realise and see through the business model behind this tactic. Moreover children cannot be expected to have as much self-discipline and strong nerves as adults.



4. Invitations to buy and special offers

Invitations to buy are likely to appear in connection with exclusive offers or sales during the game. For example the symbol of a running hourglass is meant to put the pressure of not wanting to miss this special offer on the user. By purchasing fruit, pearls or virtual money ("coins") he or she then gains more items or gets a bonus compared to the regular price.

With offers like these, children find themselves in a psychological predicament, which is hard to evade. In the opinion of the vzbv these apps deliberately take advantage of the children's freedom of decision. This is inappropriate, because of their commercial inexperience and their young age.

The pressure to decide in favour of the offer or not intensifies, if children are directly invited to accept an offer by phrases like "Buy!" or "Buy now". Direct invitations to buy are illegitimate. This was recently confirmed by the Federal Court of Justice (BGH)⁷ in a final judgement.

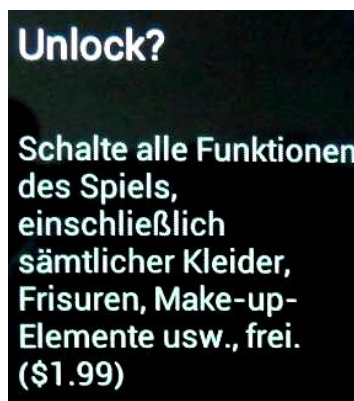
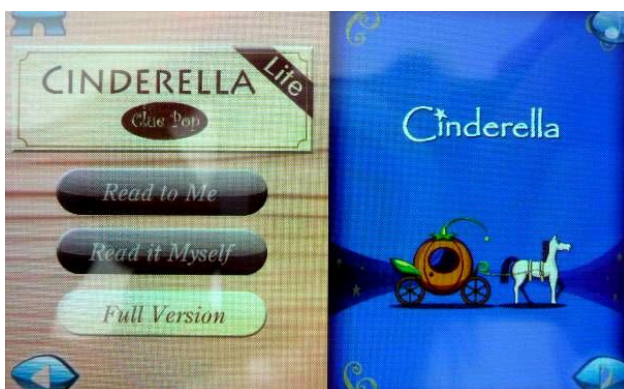


⁷ <http://www.vzbv.de/12027.htm>: Federal Court of Justice enjoins illegitimate invitations to buy towards children

5. Activation of restricted versions for money

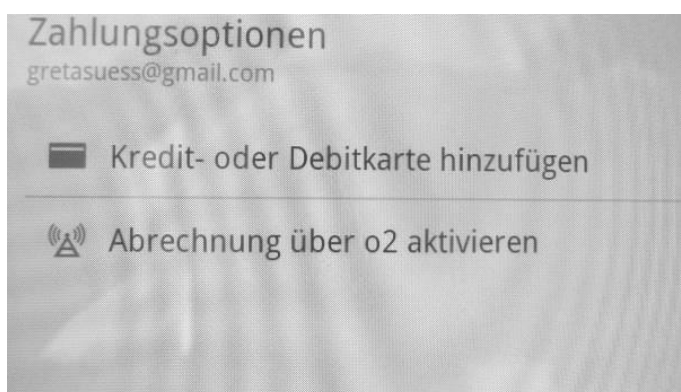
Popular with free apps are the so called “lite-versions”. Mostly they only allow a strongly restricted access to the contents of an app, obviously to arouse the user’s interest. It is only possible to dress “Barbie” for example, if you own a certain number of dresses. Or the amount of pictures that can be coloured is very limited or one can only read the first eight pages of a fairy tale. Therefore in the opinion of the user it is inevitable in some cases to pay for the full version of the app in order to receive a complete game.

From the vzbv’s point of view this proves to become particularly problematic, if children and parents are lead to believe that the downloaded app can still be used for free after downloading it, even though it contains in-app purchases. If the parents agree with the use of the “lite-version” and the child gets asked to activate the full version in the course of the game, the situation becomes downright bizarre.



6. Payment options

It is quite easy for children to achieve an in-app purchase. The parents' credit cards are not always necessary. In some cases the in-app purchases can be paid by invoicing via mobile phone bill or prepaid card. The total amount is either added to the telephone bill at the end of the month and debited from the account or it is subtracted from the value on the prepaid card. This only takes a few clicks. The child immediately receives the ordered virtual goods in the game.



7. Advertising

Especially free apps thrive on advertising revenues. In most cases classical advertising-formats such as banner-, pop-up- and layer-advertisements are being used. Banner advertisements typically appear on the upper or lower screen of the smartphone. Despite the legal obligation to separate advertisements and contents clearly, in practice this regulation is obeyed to a greater or lesser extent.

Pop-up- and layer-advertisements suddenly appear while playing the game and may cover the full screen. For users and for children in particular, it is not always possible to recognise the advertisement as such right away. Apps are regularly operated by tipping and wiping movements. Therefore the overlaying advertisement can easily be tipped on by accident. In most cases the user is then being forwarded to an app-store automatically and asked to download another app. But even if the advertisement is meant to be closed by tipping on the cross, the user cannot be sure that another pop-up window will not appear shortly afterwards.

Apart from game apps, the advertising contents cover a random selection of services or products, such as cars, professional sales offers, streaming services or online libraries.

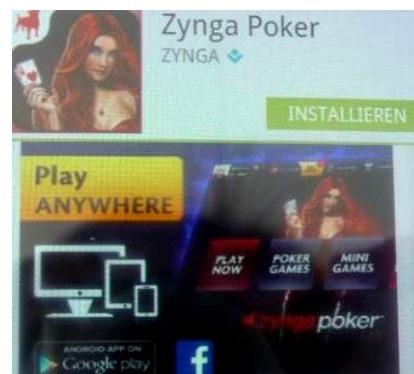
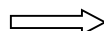
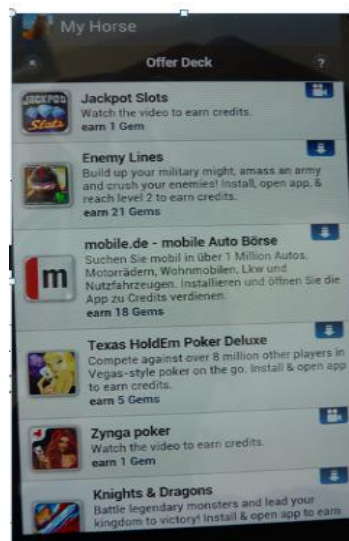
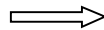


A very popular and perfidious trick is to offer free and paid virtual goods side by side within a games app. After tipping the button wanted, the user is being forwarded to another website containing advertisements for lots of other apps. Sometimes the user receives more virtual goods for his initially played games app, if he or she selects and watches trailers or downloads and tries playing a different app for several levels. Thereby the user is more or less willingly urged to deal with the advertised app or to notice the app and act accordingly.



From a legal point of view most certainly those contents of advertising, which threaten the development of minors, must be objected to. This includes not only advertisements for online casinos, but also online flirt chats or war games.

For this reason it is indispensable to enable children and their parents to contact the provider directly in order to inform him about illegal contents and demand examination and relief.



8. Integration of external social media tools

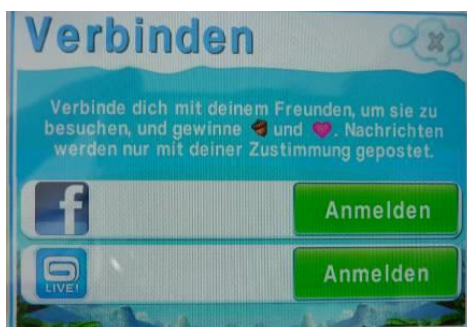
It is popular to integrate social media tools like Facebook, Twitter and the likes in apps for children. While using the app the junior users are invited to share the game on Facebook or to tweet on Twitter. By doing so, the children act as testimonials to their family and friends in favour of the developer of the app. Moreover they shall be persuaded to use one of these functions by the perspective of receiving a reward. This directly puts psychological pressure on the children. Furthermore the integration of children in social media tools and their use by children face problems

in terms of data protection rules. Which data is transferred and for which purposes it is used does not become clear in most cases.

Before the data of a minor are retrieved or used, the app developers must provide a way for parents to express their permission. In practice this is very often not the case.

Apps that call upon children to recommend a certain app to friends and retrieve data in this context also need to be viewed critically.

If the promoted service requires a minimum age of 13, but tries to persuade younger users of game apps to use social media tools, their integration seems questionable.



9. General terms and conditions as well as legal details

Inclusion and application of general terms and conditions should not -as seen in one specific example- sprawl over 555 lines and make it necessary to scroll down the screen of the smartphone about 100 times in order to read the complete text.

General terms and conditions should rather be limited to the contents relevant in a certain case. They also should be expressed in an adequate way for children to understand.

Moreover, the obligation to provide legal details needs to be considered by the app providers.

V. Summary and conclusion

In many ways the use of apps for smartphones enable consumers, no matter if young or young at heart, to participate in digital life, use practical services or to feel well entertained. Because of the diversity of apps on the market, there is something for everyone, even for children. But the random survey of selected apps for children by the vzbv has revealed that there is still a lot of homework to be done by app developers and providers.

Firstly, the vzbv sees a lack of information concerning apps for children. Children and in particular their parents should be able to make a deliberate, sensible and voluntary decision in favour of or against downloading a certain app before doing so. Necessary and complete information for the parents does not only consist of the age recommendation for the app. Information should also be given about possible costs occurring during the use of the app, about advertisements or in-app purchases financing the app or about the integration of social media tools.

The survey of the vzbv also came to the conclusion, that psychological pressure is put upon children while using the app by luring them with sales, by making it impossible for the children to continue a started game without paying or by causing waiting times of several hours within the game, which can only be ended by in-app purchases. Children are generally not able to form a rational buying decision in such situations.

For this reason, the vzbv finds in-app purchases of the described sort particularly critical. Above all this applies to apps for children, which offer in-app purchases of double-digit Euro amounts. This obviously exceeds an adequate pocket money by far. It also applies to apps that do not ensure the parents have agreed with the purchase.

In several apps the games were noticeably interrupted by advertising, of which some contained adverts for online casinos and flirt chats and were therefore threatening to the children's

development. The advertising was not always sufficiently separated from the contents of the app. And after all, in some of the apps suddenly appearing pop-up adverts could not be closed.

With reference to the data protection rules and the danger of exploiting children as testimonials, the vzbv criticises the integration of social media tools such as Facebook and Twitter in apps for children. This is especially the case, if children are persuaded to use social media tools by offering a reward of virtual goods.

In conclusion it can be said, that apps for children need stricter and obligatory rules in order to account for the children's need of protection. For children and parents alike there must be the possibility of an effective cost control within the app regarding in-app purchases and their costs as well as regarding the total amount of purchases. Moreover children and parents need to be enabled to make a well-informed and voluntary decision about using a certain app.

Link to the position paper of the vzbv – Requirements for apps for children:

http://www.surfer-haben-rechte.de/cps/rde/xbcr/digitalrechte/Positionspapier_Kinder-Apps_final.pdf