ISCTE ◈ Business School
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BRAND REPUTATION AND CRISIS MANAGEMENT:
PLAYSTATION NETWORK CASE STUDY

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Case Study

Master in Marketing

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Acknowledgements

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Glossary

Augmented Reality – Live, direct or indirect, view of a physical, real-world environment whose elements are augmented by computer-generated sensory input such as sound, video, graphics or GPS data. In video games, it is generally used to play games that interact with the surrounding environment.

Brick-and-mortar – Physical location for a business or organization, such as a store.

Cloud gaming – Type of online gaming that allows direct and on-demand streaming of games onto a computer, similar to video on demand, through the use of a thin client, in which the actual game is stored on the operator's or game company's server and is streamed directly to computers accessing the server through the client.

Denial-of-service attack – An attack to attempt to make a computer resource unavailable to its intended users. For example, taking down a website.

Digital Distribution – Delivery of media content, such as audio, video, software and video games over online delivery mediums**.**

DLC – Downloadable content. It includes all extra content that users can download in order to enhance their gaming experience. It can be free or paid.

E3 – Electronic Entertainment Expo. It is the most important annual event for the video games industry, organized by the ESA and commonly held at the Los Angeles Convention Center.

EEDAR – Electronic Entertainment Design and Research. It is a private video game industry specific market research company.

ESA – Entertainment Software Association. It is is the trade association of the video game industry in the US.

ESPN – Entertainment and Sports Programming Network. It is and American global cable television network focusing on sports-related programming including live and pre-taped event telecasts, sports talk shows, and other original programming.

ESRB Rating – Video games rating by the Entertainment Software Rating Board for US, Canada, and Mexico. The existing ratings are: Early Childhood (3 and over), Everyone (6 and over), Everyone 10+ (10 and over), Teen (13 and over), Mature (17 and over) and Adults Only (18 and over).

First-party Developer – A developer that is part of a company that manufactures a video game console and develops exclusively for it. Some first-party developers are created within the company, while others are acquired.

First-party Software – Software developed by a first-part developer.

Free-to-play – Free-to-play games are games in which the consumer doesn't have to pay in order to play the game. These games rely on charging for in-game items and premium features as well as in-game advertising for their revenue.

GDC – Game Developers Conference. It is an international event focused on video game developers.

Hardware – General term for an equipment that can be touch or held. In the video game industry, it refers to the different game consoles available on the market.

Independent Development – Development of video games without the financial support of a video game publisher, usually by a small team or an individual.

Jailbreaking – Refers to the act of opening up a certain hardware, so that it can run unauthorized code.

Modding – Slang expression that is derived from the verb "modify". In the video game industry, it refers to the act of users modifying video game content. It is especially popular on video games for PCs.

Motion Gaming – Playing video games using body movements, instead of just holding a controller and pressing buttons.

Netflix – American provider of on-demand Internet streaming media, such as movies or TV shows, in the United States, Canada, Latin America, the Caribbean, United Kingdom and Ireland. It also provides flat rate DVD-by-mail in the United States.

PayPal – Global e-commerce business allowing payments and money transfers to be made through the Internet.

PC – Personal Computer.

PS – Playstation.

PSN – Playstation Network.

PSP – Playstation Portable.

RSP – Retail Selling Price.

Software – Computer programs and applications. In the video games industry, it refers to the video games to be used on the consoles (hardware).

Software Tie-ratio – It expresses how many games were sold for every console purchased. In other words, it shows how many games a console owner buys on average.

Third-party Developer - A third-party developer is a developer that is not part of a company that manufactures a video game console. Some third-parties publish the games they develop, while others only develop games to be published under other companies.

Third-party Software – Software developed by a third-party developer.

Tokyo Games Show – Event held annually in September in Chiba, Japan. It is mainly focused on the Japanese market.

Twitter – Online social networking and mocroblogging service that enables its users to send and read text-based posts of up to 140 characters, known as "tweets".

Vudu – Content delivery and media technology company responsible for Vudu-branded interactive media services and devices. Vudu distributes full-length movies over the Internet to television in the United States of America.

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1. Sumário

Este trabalho irá ser desenvolvido no contexto de uma tese de mestrado e será um estudo de caso acerca da Playstation Network, um serviço de jogos multijogadores online e de entrega de media digital da Sony Computer Entertainment, inc. destinado a ser usado na consola Playstation 3 e também na Playstation Portable.

Este trabalho irá focar-se nos Estados Unidos da América, pois este é o país melhor representado na Playstation Network com mais de 30 milhões de utilizadores (Sony, 2010) e é também o país com mais estudos e informação acerca do mercado dos videojogos.

A Playstation Network foi lançada no dia 10 de Novembro de 2006, ao mesmo tempo que a Playstation 3 no Japão. Desde então tem tido sucesso e hoje a rede tem aproximadamente 130 servidores, 50 programas de software e 77 milhões de utilizadores registados (Sony, 2011).

Este estudo de caso irá centrar-se no encerramento deste serviço por 26 dias, desde o dia 20 de Abril de 2011até ao dia 15 de Maio de 2011, devido a um ataque externo à rede que resultou no comprometimento da informação pessoal dos utilizadores guardada nos servidores.

Este ataque teve impacto não só nas marcas Sony e Playstation, especialmente na sua reputação entre os consumidores, mas também na indústria online, já que este ataque expôs os problemas que podem existir na segurança relativamente à informação pessoal.

Neste trabalho iremos explicar o problema e o que aconteceu à Playstation Network. Iremos também olhar para as marcas envolvidas e fazer uma revisão de literatura sobre relações públicas, gestão de marcas, reputação de marcas, gestão de crises e privacidade online. Iremos também analisar as ações da Sony em reação a este evento e como poderia ter gerido esta situação de crise melhor.

Abstract

This work will be developed in the context of a marketing master thesis and it will be a Case Study concerning the Playstation Network, an online multiplayer gaming and digital media delivery service provided by Sony Computer Entertainment, inc. for use with Sony's home console, the Playstation 3 and its handheld, the Playstation Portable.

The scope of this work will be in the United States as it is the best represented country on the Playstation Network with more than 30 million users (Sony, 2011) and it is also the country with more studies and information regarding the video games market.

Playstation Network was launched in November 10, 2006, along with the Playstation 3 launch in Japan. Since then it has had a great success and today it consists of approximately 130 servers, 50 software programs and 77 million registered accounts (Sony, 2011).

This Case Study regards the shutdown of this service for 26 days, from April 20 to May 15 (2011), due to an external attack to the network that resulted in the compromise of the personal information of the users stored on the servers.

This attack had an impact not only on the Sony and Playstation brands, particularly in their reputation among consumers, but also on the online business industry, since this attack brought to light the problem of personal information security.

In this work, we will explain the problem and what happened to the Playstation Network. We will also look into all the brands involved and do a literature review on public relations, brand management, brand reputation, crisis management and online privacy. We will also analyze what Sony did in reaction to this event and how it could have better managed this crisis situation.

2. Case Study

2.1 Problem Presentation

The Playstation Network, Sony's platform on Playstation 3 for online gaming and communications, has always been the pride of Playstation 3 gamers and enthusiasts alike. The reason was that, unlike its main competitors, this network offered a very complete service for free. Its users can play online games, access a variety of contents and communicate with friends.

However, on April 20, 2011, the network was shutdown by Sony, citing technical issues. Later on it was revealed that the network had been hacked and information of more than 70 million users had been obtained. This meant that unauthorized people had now the name, address (city, state, zip), country, e-mail address, birthdate, Playstation Network login and password and possibly purchase history, billing address and credit card information of more than 77 million users across 59 countries.

This obviously created a great challenge for Sony and Playstation, not only regarding the security of the platform but also in managing the brand reputation of Sony and Playstation in a crisis situation.

Sony's actions before and after the network shutdown were, clearly, not enough for consumers. Sony acted like a very big corporation trying to protect their business and its first error was removing a feature from the videogame console and then suing and attacking hackers that were considered heroes to some, as they were responsible for opening up the platform. Before the crisis, Sony acted only thinking about its business but not about its consumers, possibly damaging their reputation and losing the consumers' trust in the process.

This network attack is estimated to have cost Sony $171.1 million (Sony, 2011). This along with the Japanese earthquake with an estimated cost of $1.83 billion (Sony, 2011) and the decrease in sales of televisions and other products has made 2011 a very difficult year for Sony.

2.2 Context

2.2.1 Video Games Market

Sony Corporation is present on the market of manufacturing and selling of electronics for the consumer and professionals, being one of the top players in this market. This market is a very competitive one, constituted by large corporations but also by small companies that bring innovation to the market. This market requires a very high investment in R&D and products have a short life cycle. New consoles are introduced in about every 5 years to 6 years.

The Playstation brand, specifically, is in the video game hardware and software business. It operates on the videogame industry, which is involved with the development, marketing and sales of video games. The global game market revenue is expected to be $65 billion on 2011, with the retail software revenue being $29,5 billion and the online revenue being $18 billion (DFC Intelligence, 2011).

In the US consumers spent $25,1 billion on the games industry in 2010. Consumers spent 63% of the $25,1 billion on hardware, 25% on content and 11,71% on accessories (NPD Group, 2011).

Digital distribution is becoming more important in this market, as showed by its growth from 2009 to 2010. In 2009, physical sales represented 80% of the total software sales, while digital sales represented 20%. In 2010, digital sales represent 24% and physical sales 76%. This number is expected to grow in the future (NPD Group, 2011).

According to Ben Sawyer (2005), the game industry value chain is constituted by 6 layers:

1. **Capital and publishing layer**: Pays for the development of new titles and seeks return through licensing fees.
2. **Product and talent layer**: Developers, designers and artists who develop the video games independently or part of developing teams.
3. **Production and tools layer**: Production tools, middleware and game engines used in the production of video games.
4. **Distribution layer**: Generates and markets game catalogs for retail and online distribution.

5. **Hardware or software platform layer**: Constituted by the providers of the platforms in which the games are played. These platforms can be console-based, accessed through online media or accessed through mobile phones.

6. **End-users layer**: Gamers who buy and play the games.

Although the videogame industry includes personal computers game development and also online gaming through platforms such as flash or java, the most significant part of this industry is the console market. There are 3 main players on this market: Sony (Playstation), Microsoft (Xbox) and Nintendo (Wii), making it a very competitive market as these players are always fighting for market share, usually, through price reductions (Figure 9, Annex 8 and Figure 13, Annex 9) and mass marketing communications.

In the video game market, one of the most relevant indicators of performance is the installed user base. This means that the hardware will attract more developers and thus, more and better software and the company will be able to push its services to more users, while also benefiting from licensing fees. Keeping the consumer using the same hardware is therefore crucial for the success and profitability of the business.

As we can see by Chart 1 (Annex 1), the Nintendo Wii is the worldwide market leader, with 43% market share, while the Xbox 360 and Playstation 3 are very close with nearly a third of the market. This is understandable as the Xbox 360 and Playstation 3 have very similar target markets, while the Wii has a broader one, since it offers experiences for everyone, even if they never have played on a game console.

In the US market (Chart 2, Annex 1), the Wii maintains the lead over its competitors with a very similar market share. However, the Playstation 3 has now less than a quarter of the market (21,7%), while the Xbox 360 has 36,1%. This means that the Playstation 3 is stronger in Europe and Japan, and weaker in the US. The Xbox 360 is very strong in the US, weaker in Europe and very week in Japan, where it could never establish itself.

Although sales do not, necessarily, represent the user base, these numbers mean that Sony has a weaker user base in the US than its most direct competitor, Microsoft's Xbox 360, even though the US is the most represented country in the Playstation Network.

In the handheld market Nintendo maintains the market leadership, both globally (Chart 3, Annex 1) and in the US (Chart 4, Annex 1), with its Nintendo DS console. As with the home consoles, Sony's handheld is also weaker in the US than it is globally.

As for the sales evolution in the US market (Chart 7, Annex 1), we can see a steady decline in sales for the Nintendo Wii (market leader), from 2008 to 2011. This may be because the user base is reaching its peak or because the software catalog has been getting thinner each year. Also, Nintendo has already announced a new home console for 2012, so some potential consumers may be waiting for its release. The Xbox 360 showed a slight decline from 2008 to 2009, and a big increase to 2010, the year when a smaller version of the console was released along with the motion gaming accessory Kinect. It continued its momentum in 2011, with a slight increase. As for the Playstation 3, its sales have been somewhat stable throughout the years, showing slight increases as the price went down. In 2011 there was a very slight decrease in sales when compared to 2010.

Both handhelds show reductions in sales in the considered time period, with the PSP being the most stable one, but also with a significant decrease in sales. The big drop in sales in 2011 for the Nintendo DS could be due to the launch of the Nintendo 3DS in March of the same year.

Chart 5 (Annex 1) shows that the worldwide evolution of hardware sales was similar to the US sales evolution, with the exception that the Playstation 3 and Xbox 360 show less growth in sales volume during the period of time considered.

As we can see on Chart 6 (Annex 1), the sales volume of the total market worldwide is decreasing, as are the total sales of the US market (Chart 8, Annex 1). This is understandable because when the installed user base reaches a certain point, sales, usually, decrease. In the US, Nintendo is the supplier that shows the biggest drop from 2009 to 2011. Sony had stable sales during this 4-year period, with a very slight decrease. Microsoft shows a slight increase in 2010 and 2011, showing higher sales than Sony in these two years (Chart 8, Annex 1). This does not happen worldwide where Sony shows higher sales from 2008 to 2011 (Chart 6, Annex 1).

As for software sales, Charts 9 and 10 (Annex 1), show that Nintendo Wii is the market leader worldwide and in the US with about 41%. After the Wii, comes the Xbox 360 with 32% of software market share worldwide and 36,9% in the US. Sony's console, Playstation 3 is in third place with 27,2% worldwide and 22,5% in the US.

Nintendo dominates the handheld market with a market share of 73,6% worldwide and 76,9% in the US (Chart 11 and 12, Annex 1).

We can, therefore, conclude that higher hardware sales will lead to higher software sales, as the hardware market share and software market share (in volume) of the players are similar.

Analyzing the software tie-ratio (Chart 13, Annex 1), we can verify that US consumers buy on average more software for their consoles than the worldwide ones.

In the US, the Playstation 3 has the highest tie-ratio with 10,53 units, followed by the Xbox 360 with 10,41 and then by the Nintendo Wii with 9,83. Worldwide, the Xbox 360 has the highest with 9,39, followed by the Playstation 3 with 8,40. Nintendo's home console has the lowest with 8,14.

The handheld consoles show a significantly lower tie-ratio than the home consoles, meaning that consumers buy less software for portable consoles than they do for home consoles. Nintendo's handheld, the Nintendo DS shows the highest software tie-ratio in both the US market and worldwide.

The video game industry has been experiencing some trends such as:

- **Motion gaming** – In an effort to broaden the target market and make gaming a healthier hobby, every player in the market has introduced motion gaming to their consoles. Nintendo was the first with the Wii console, followed by Playstation with the Move controller and then Xbox with Kinect.

- **User creation** – Developers are giving more importance to user's creativity in games. While PCs are the most significant platform when it comes to modding, several games have been introduced in consoles that allow some level of creation from the player, such as LittleBigPlannet or Modnation Racers. Some users even like to develop their own games and application for consoles. This is called homebrew and it is one of the reasons hackers try to open game consoles to be able to execute unauthorized code.

- **Digital distribution** – Digital distribution platforms such as Steam for the PC have opened the way for other digital stores. The number of

gamers buying digital is increasing each year and should become the primary method of buying games in the future.

- **Cloud gaming** – There have recently been launched services like Onlive that allow players to play and purchase video games without the need to download them. This means that there is no delay between the purchase and playing. Also, the games can then be played on a variety of devices. The consumer can choose to play the game on a TV, on its computer, on its tablet or on its phone.

- **Independent development** – There has also been a rise of independent developers. These developers are constituted by small teams without financial support of a video game publisher, who, usually, develop innovative games destined for digital distribution.

- **Free-to-play** – Free-to-play games are games in which the consumer doesn't have to pay in order to play the game. This means that these games rely on charging for in-game items and premium features as well as in-game advertising for their revenue. These types of games have been growing in popularity because of social networks, such as Facebook, distribution platforms like the App Store. Steam also has a wide variety of free-to-play games, while Playstation Network only has one game: DC Universe Online, which has found success in this business model.

2.2.2 Consumers

Consumers tend to choose the hardware based on price, functionality, platform services and the available software library.

According to ESA, in 2011, 72% of American households played videogames and the average game player age was 37 years old. It is estimated that 18% of gamers are under 18 years old, 53% are between 18 and 49 years, while 29% have more than 50 years. As for gender, 58% are male and 42% female in the US.

It is also important to note the average age of the most frequent video game purchaser is 41. Statistics show that of the most frequent game purchasers, 52% are male and 48% female. When the consumer is bellow the age of 18, 93% of the time a

parent is present at the time of purchase of a video game and 86% of children ask for their parents' permission before buying a game. About 64% of fathers believe that games are a positive part of their children's lives. The majority of fathers (59%) also believe that video games provide more physical activity now than 5 years ago. A third (33%) of gamers say that playing video games is their favorite entertainment activity and 55% play their games on phones or other handheld devices (ESA, 2011).

Video game playing is also becoming increasingly a social experience, be it online or offline. The number of gamers that play video games with others in person has increased from 59% in 2008 to 65% in 2011. Also, 62% of gamers play online and 17% pay for it (ESA, 2011).

It is also reported that 51% of console owners bought DLC (Downloadable Content) in 2011. This has represented a big increase from 2009 (34%) and 2010 (40%). The most evoked reasons for not buying DLC are privacy concerns, no return police and expensive price (Chart 16, Annex 1).

Consumers in US buy more games rated Everyone (44%), followed by Mature (24%), then Teen (20%). Games with the Everyone 10+ have the lowest sales (12%) (Chart 14, Annex 1).

As for game genres, action games, sports games and shooters seem to be those favored by consumers (Chart 15, Annex 1).

Regarding the consumers in this market, we can also consider two big distinct groups of consumers, the hardcore gamers and the casual gamers (Annex 2).

- **Hardcore gamers** prefer long and intricate games with great single player content and more replay value, feel the need to complete everything and are always fighting for the best scores. They value the hardware capabilities, the technology behind the software and online play so that they can prove their worth. These type of gamers are more likely to have more than one system and buy more games, as they like to try varied types of games and the more there is to complete the better. They are also more likely to fall for the hype created by the marketing campaigns of the games before they are launched. In fact, "hardcore" games tend to sell much more units on their first month but then drop sharply. Hardcore gamers are willing to spend more money on gaming content, be it higher priced games, paid additional

downloadable content or collector editions. On the other hand they tend to not like as much big innovations in the industry, such as the motion controls. In order to be successful in targeting hardcore gamers, video game companies have to ensure a steady release of first and third party high quality titles, have variety in their game catalog, create additional content for the games to extend their lyfe cycle and create buzz through marketing communications.

- **Casual Gamers**, on the other hand, looks for games that are easy to pick up play and provide instant fun for a few moments. They like simple game controls, storylines and multiplayer experiences in person or online. Most likely they own only one system and do not buy as much games as the hardcore gamer. Casual gamer value much more the functional innovation that makes the games easier to play and understand. Casual gamers are also more likely to be loyal to a certain console's brand if they are having a positive experience with the product. To satisfy these gamers, it is important to have a big variety of games that are easy to play and have shorter single player experiences, along with a strong multiplayer component.

Since game consoles are relatively expensive products the consumers' buying process will be more complex, similar to other costly electronic products, such as TVs or computers. The buying process has, therefore, 5 stages (OpenLearningWorld):

1. **Need Arousal** – In this stage the consumer acknowledges a need. In this case, the consumer will acknowledge that he wants to have a console or experience a new form of entertainment. This can be due to advertising, playing in a friend's house or trying the console at a retailer's kiosk.

2. **Information Search** – The consumer will then gather information about the products that could satisfy its need. This information may include the different products' attributes, qualities of the various brands, price or information about retailers. When considering the purchase of a console the information sources for the consumer will usually be: family and friends who have game consoles,

advertisements, retailers' salesman, video game magazines and sites, message boards, and also through experimentation.

3. **Evaluation Behavior** – The consumer will then evaluate the game console alternatives and choose the one that matches his needs the best, according to the information gathered in the previous stage.

4. **Purchase Decision** – After evaluation, the consumer will form a ranked set of preferences and make a purchase decision that will include the game console and the retailer, online or brick-and-mortar. In the case of game console, the purchaser will not always be consumer. It may be his parents or family, especially if the consumer is minor of age.

5. **Post-purchase feelings** – After buying and using the game console the consumer will either feel satisfied with the purchase or not, depending if the product exceeded the expectations prior the purchase.

Consumers also look forward to certain industry events, where video game companies make announcements regarding new hardware and software releases to both the press and consumers. The most important are:

- **E3 (Electronic Entertainment Expo)**: Annual trade fair for the video games industry organized by the ESA (Entertainment Software Association) and commonly held in June at the Los Angeles Convention Center. It is regarded as the most important event in the industry. Even though consumers can not attend it, the wide coverage by the press makes this event the most awaited by video game enthusiasts. It is where hardware companies and developers make the big announcements, such as new consoles or big software releases.

- **Tokyo Games Show**: This event held annually in September in Chiba, Japan is mainly focused on the Japanese market. However, it used by developers around the world to showcase software and game-related hardware. The general public is allowed to attend the last 2 days. This event is also covered by the press internationally and it is a good event for consumers to view how the announcements made at E3 have developed.

- **GDC (Game Developers Conference)**: This international event is focused on video game developers. It is constituted by an expo, networking events, award shows, tutorials, lectures and roundtables covering programming, design, production, management and visual arts.

2.2.2.1 Consumers Reactions to the Playstation Network Crisis

When enquired about the Playstation Network outage (Annex 4), 14% of consumers said that they no longer trusted Sony or the Playstation Network, while 35% said that their trust was not affected. Almost a quarter (23%) think that they will be able to trust Sony more in the future as the breach will force them to improve the security and 28% state they will change the amount of information they share with Sony. Most consumers (71%) won't stop using online services because of this event and 22% think that the attack will have a positive impact on other online services. Only 7% no longer trust any online service. As for Sony's response to the security breach, 57% think it was handled appropriately. Regarding Playstation Network use, 67% say they are very likely to continue using Playstation Network and 64% say it's very unlikely that they will change to the Xbox Live service. Only 9% have already changed to Xbox Live.

We can conclude that the practical impact of the Playstation Network breach is not as significant as the scale of the crisis would indicate. In fact, almost a quarter of the inquired think that it will have a positive impact in online services in general. It is understandable that users will not stop using the Playstation Network because of the breach since it is a free service and not subscribing it would means that they would not be able to fully enjoy the software they buy, since it would not be possible to access any online functionality, be it additional content or online play. Sony's offers to Playstation Network users after the breach, such as the "Welcome Back" pack would also make the termination of the service more difficult for users. Also, to change to Xbox Live, consumers would need to buy another hardware and more software, which is too expensive for the average consumer.

2.2.3 Sony

Sony is one of the global leaders in the production of electronics. It is also one of the most valuable brands in the world. It is placed on 35th in the Interbrand best global brands, with a value of $9,9 billion (Interbrand, 2011). This value, however, has decreased from the previous year by 5% (was placed in 34th in 2010). Apart from consumer products and services, Sony's business consists of professional, device and solutions; pictures; music; financial services; and others. Sony's video game business is part of consumer products and services, which accounted for about 50% of Sony's total business in 2010. The video game business represents about 21% of the total sales of consumer products and services (Chart 17, Annex 3).

The Playstation brand is one of the few big brands in the video game hardware industry. It was born when Sony introduced the Playstation console on December 3, 1994. Since then, the Playstation brand has launched three consoles (PS1, PS2 and PS3), a portable console (PSP), a media center, an online service (Playstation Network) and several magazines.

It is very strong in the video games market but it has been losing value for its competitors. The current Playstation console, the Playstation 3 is regarded as the most technically advanced of the three hardware consoles and is also viewed as the system with better first-party software development and with the most third-party exclusives.

On the Playstation 3, users can play video games, watch movies on Blu-Ray or DVD and have access to an online service where they can browse the internet, chat with friends, play online or access the Netflix movie library among others.

The Playstation 3 had a rough start in the US because of its high RSP of $599, a set above its competitors' offerings: $399 for Xbox 360 (Microsoft) and $250 for the Nintendo Wii. However, with the increase of game development for the platform and price cuts as well as a relaunch of the system (PS3 Slim), the Playstation 3 is quickly catching up in sales to its closer competitor, the Xbox 360.

Sony also introduced motion gaming to the Playstation 3 with the Move controller. Unlike the Xbox 306 Kinect, which uses innovative camera technology to track movements, the move controller is very similar to the one on the Wii.

Playstation Network is the free online service of the Playstation 3. This service started simply as a way for gamers to play online, download demos and buy

additional content and games (for Playstation 3 and PSP), through the Playstation Store. Nowadays, in some regions, such as the US, the service has expanded to include movie purchases and rentals, as well as original content, such as a reality show ("The Tester") (Figure 6, Annex 7) and an online magazine ("Qore").

According to Sony, the Playstation Network was still not bringing any profit in 2010. Being a free service, the network relies on sales through the Playstation Store and advertising on its original content to get revenue. In order to increase the profitability of this service, Sony launched on June, 2010, the service Playstation Plus (Figure 7, Annex 7). It is a paid service ($49,99/year or $17,99/3 months) that gives subscribers access to full game trials (1 hour), free selected games from the Playstation Store, special content, such as avatars and premium themes, discounts on the Playstation Store, early access to game betas and demos, a subscription to Qore, automatic updates and cloud storage for games save files.

The Playstation Store navigation is very simple and intuitive. When entering the store users can see all the available sections of the store as well as featured items (Figure 5, Annex 7). After clicking the section users will then see all the available content for that section organized in sub-sections, which makes it easier for consumers to find the content they want. The store also offers a search function. Content pages show a description of the content, its price, ESRB rating (only for US) and user rating. From this page users can rate the content, buy it, preview it or recommend it to others (Figure 8, Annex 7).

Users can purchase content through the Playstation Store using credit cards or alternatively, they can use $20 or $50 prepaid cards available on retailers. There is no other method. The Xbox 360 online service, for example, allows adding funds via PayPal. According to FADE (Forecasting & Analyzing Digital Entertainment), in 2010, sales of multiplatform titles were lower on the Playstation Store than they are on Xbox Live (45%/55%). However, during the second half of 2010, the Playstation Store sales showed a 40% growth as opposed to a 18% growth of Xbox Live sales.

In order to have more exclusive titles available at the Playstation Store, Sony announced the Pub Fund initiative in 2009. It is a program in which Sony vomits resources to help independent developers market their games. In the next 3 years, Sony is expecting to commit $20 million to this initiative. Sony believes that this will bring to the Playstation Store innovative, different and unique gameplay.

The first Playstation 3 communication campaigns were very abstract and artistic and were mainly trying to cause a big impact on the viewers (Figure 11, Annex 8). However, the latest communication campaign for the Playstation 3 is based on its features and its multi-functionality. In the end of the advertisements the tagline "It only does everything" appears. The campaign has a humorous tone of voice and the ads mainly detail the features of the console, the video games and they show people having fun with it. In this campaign, Sony has also created a fictional character named Kevin Butler (actor Jarry Lambert) (Figure 12, Annex 8). This character appears has the Director or Vice President of several fictitious departments like the Director of The Cold Hard Truth or the Director of Rumor Confirmation. It has been getting a very positive reception from the consumers. Sony has also been using the tagline "make.believe" when communicating new technological products (Figure 10, Annex 8).

In February 2012, Sony will launch its new portable console, the Playstation Vita in the American and European markets. It promises a graphical quality on the level of the Playstation 3 and it includes a multi-touch touch screen, a touch panel on the back, a gyroscope, a front camera and a rear camera. It will be available in two models: Wi-Fi Only and Wi-Fi and 3G (also includes GPS).

Table 1

Sony Hardware Overview

Console	Target	Positioning	
		Marketing Objectives	**Differentiation**
Playstation 2	Teens or younger. First-time console buyers, who aren't willing to spend a big amount of money.	• Extend life cycle of the Playstation 2 beyond 10 years, even though it is technologically inferior.	• Extensive game catalog. • Lightweight. • Inexpensive.
Playstation 3	Mainly from 15 to 35 years old. People who look for more sophisticated gaming experiences and want to use different types of media.	• Continue the Playstation 2 success. • Make Blu-Ray the default format for HD movies. • Push sales of HD compatible televisions and content. • Effort to widen the target market with the Move controller.	• Blu-ray reader. • High graphical power. • Support for HD and 3D games and movies. • Playstation Network free service.
PSP	Initially from 18 to 35 year old and consumers who wanted a high quality and versatile portable experience. Now it is mainly targeted at teens.	• Get a piece of the handheld market, which was only served by Nintendo.	• Graphical quality as good as home consoles available at the time. • Ability to experience high quality movies and games on the go. • Music player. • Web-browser.

Source: The Author (2012)

2.2.4 Competitors

Table 2

Video Game Console Launches

Year	Nintendo	Sony	Microsoft
1994		Playstation 1	
1996	Nintendo 64		
1998	Gameboy Color		
2000		Playstation 2	
2001	GameCube Gameboy Advance		Xbox
2004	Nintendo DS		
2005		PSP	Xbox 360
2006	Nintendo Wii	Playstation 3	
2011	Nintendo 3DS		
2012		Playstation Vita	

Source: The Author (2012)

2.2.4.1 Microsoft

Microsoft is one of the most valuable brands in the world, being in 3rd place on the Interbrand ranking with a value of almost $60 billion (Interbrand, 2011). Microsoft entered in the video game market with the Xbox brand in 2001, making it the last one, as Sony and Nintendo had already launched their consoles. The first Xbox didn't have much success, selling only about 24 million units worldwide, as opposed to, for example, the 150 million units the Playstation 2 sold worldwide until now (VGChartz, 2011). Because of this the successor to the Xbox, the Xbox 360 was the first current generation console to be launched (in 2005).

When the Xbox 360 was launched, it was very superior to the consoles available on the market, as both the Playstation 2 and Nintendo GameCube had been available for several years and couldn't compete technologically with the Xbox 360.

This, along with a good price assured a good reception of the console from consumers, especially in North America. In Europe, it also had success, although the brand is clearly not as strong as Playstation. In Japan, the console is considered a failure, with only 7,2% of hardware market share (in volume) (VGChartz, 2011), in spite of the effort made by Microsoft to have exclusive software developed by Japanese developers.

The Xbox 360 is the most direct competitor to the Playstation 3, since the two consoles are very close in terms of power and functionality. Also, most of the video games are released simultaneously to these two platforms. Playstation 3 has a competitive advantage because of its higher number of exclusive games and superior technology as it was launched after.

The big aim of Microsoft with its console, it is not only the video game market itself but also to push content through its device. Through several partnerships, namely ESPN, Netflix, Vudu or Twitter, the Xbox 360 offers a wide variety of content. It aims to be the center-stage of the living room.

Regarding the Xbox Live service (Xbox online service), it is viewed by many gamers as the best one available, especially because of the integration it offers (for example, users can chat via audio while playing different games). It is, however, the only one that doesn't allow online gameplay for free. Prices are $9.99/1 month, $24.99/3 months and $59.99/12 months. About 50% of all Xbox Live users pay for the Gold account (Microsoft, 2010), which allows for online gameplay, early access to game demos, among other things. Even though many users regard it as a good service, many feel that the Playstation Network offers a similar service for free and those who do not pay cannot fully enjoy all the features of the video games they buy.

The first Xbox ads, like the "Evolution" ad (Figure 14, Annex 9) were focused on how the console was a large improvement over the existing consoles on the market. Lately Xbox communication has been focused on the content the user can access through Xbox and the Kinect accessory for motion gaming (Figure 15, Annex 9). Ads usually show a family using Xbox to search and watch movies, and also playing games without the use of a controller, through Kinect. Xbox also favors product placement appearing in several movies, such as Transformers and TV Shows, such as Scrubbs in US.

Table 3

Microsoft Hardware Overview

Console	Target	Positioning	
		Marketing Objectives	**Differentiation**
Xbox 360	Mainly from 15 to 35 years old. People who look for more sophisticated gaming experiences and want to consume different types of media.	• Enter the game market successfully. • Push HD content through partnerships. • Effort to widen the target market with Kinect.	• First console to have HD games and content. • Xbox Live service

Source: The Author (2012)

2.2.4.2 Nintendo

Nintendo was founded as a card company in 1889. Since then it has developed to become Japan's third most valuable company with a market value of over $85 billion (Reuters, 2007). The brand itself is valued at $7,7 billion, being the 48th most valuable brand in the world (Interbrand, 2011). Of the three companies, Nintendo is the only one in which its business consists entirely of video game related products. It was also one of the first companies to enter the market in 1974.

It is regarded as the most innovative company in the Industry. Nintendo's current console, the Nintendo Wii, was the first one to use motion as the primary means to play games. Since then, both Sony and Microsoft have tried to implement similar technology in their gaming consoles with limited success. The Nintendo 3DS, launched on March 2011 (Nintendo's portable console) was the first video game device to have a 3D enabled screen that did not require glasses to use.

Nintendo is the current worldwide market leader in both home consoles and handhelds, having sold almost 90 million units of the Nintendo Wii and 150 million units of the Nintendo DS worldwide (VGChartz, 2011). It is also important to note that while Sony and Microsoft rely on royalties and licenses to make profit, Nintendo is able to sell its console above the cost to produce it (Forbes, 2008).

Nintendo's target is different from its competitors. Playstation and Xbox are more directed to hardcore gamers and people who seek more functionality. Nintendo, especially since the Wii, has targeted mainly the casual market and not only casual gamers but also people who had no experience in video games.

Nintendo is able to also attract hardcore gamers to its products because of the nostalgic value that it has to older players who remember playing Nintendo classics like Super Mario or Zelda when they were younger. Even though these games have more childish looks than games on other platforms, its characters remain as the most successful in the video game industry,

Where Nintendo is lacking the most is the online gameplay service (Nintendo Wi-Fi Connection). It is a free system on Nintendo consoles and it is much more basic than its competitors' services. Players can play online and not much else. Nintendo Wi-Fi Connection is also heavily criticized for its system to add friends. Unlike the other online services, each game has its own list of friends. To add a friend, users have to enter a complicated 12-digit code (the friend code) and the code differs from game to game. Nintendo does this to assure that users can only add people they really know but, still, it is a very limiting and user-unfriendly functionality. However, in the future, Nintendo is preparing to launch Nintendo Network along with its new home console, which promises to be closer to its competitors' online offers.

Nintendo's communication is very focused on the social aspects of their consoles. Television ads usually show people interacting with the hardware and also with each other, often playing games together or sharing content. Campaigns like "Everybody's Game" were used to show viewers that anyone could play Nintendo Wii (Figure 17, Annex 10). Nintendo's ads for their latest handheld, the Nintendo 3DS were more about technology because of the need to communicate that consumers could experience 3D without glasses (Figure 16, Annex 10). Apart from all of this, Nintendo also makes campaigns focused on the nostalgia power of their characters and video game franchises (Figure 18, Annex 10).

Table 4

Nintendo Hardware Overview

Console	Target	Positioning	
		Marketing Objectives	**Differentiation**
Wii	Everyone, but with a focus on casual gamers, who look for simpler and easier to pick up gaming experiences.	• Create a broader target market for the video game industry.	• Introduced motion controls. • Easy to use. • Lightweight. • Cheaper than competitors. • Exclusive video game franchises, such as Mario or Zelda. • Social gaming with friends and family
Nintendo DS	When it was launched it was targeted at teens and anyone who wanted an innovative portable experience. Today it's targeted to younger and more casual gamers.	• Maintain Nintendo domination in the handheld market.	• Extensive game catalog. • First handheld to have 2 screens and a touch screen, offering a new way to play games.
Nintendo 3DS	Targeted at more hardcore Nintendo gamers, who look for good single player experiences and like to play Nintendo franchises. Recently Nintendo has been trying to widen the target market.	• Maintain Nintendo domination in the handheld market. • Market 3D content to a broader target.	• Higher graphical power. • 3D without glasses. • 3D software. • 3D photos and recording. • Interactions with nearby people using the console. • Augmented reality.

Source: The Author (2012)

2.2.5 Playstation Network Breach

The shutdown of the network happened in April 20, 2011. However, there was a series of events before, which ultimately lead to the attack on the network.

• On **March 2010**, when Sony removed, through an update, the ability to install other operating systems, such as the open-source Linux, on the Playstation 3, which could make it a computer where users could run all kinds of applications. Sony's explanation was that by removing the feature "will help ensure that PS3 owners will continue to have access to the broad range of gaming and entertainment content from SCE and its content partners on a more secure system" (PCWorld, 2010). This feature was not considered critical for the majority of users and was not even available on newer models of the console. Yet, removing this option made the console a more closed system, making it a target for hackers.

• On **December 2010,** almost one year after the removal of the "OtherOS" function, a group of hackers calling themselves "fail0verflow" claimed that they were able to crack the Playstation 3 security by getting access to the private root keys that secured the system. According to the group this would allow pirated games to be run on the system along with any type of unauthorized code.

• On **January 2, 2011**, George Hotz, known also for Jailbreaking the iPhone, successfully jailbreaks the Playstation 3 and publishes the necessary files and tutorial on his website and YouTube channel. George Hotz said that he did this because the consumers should have the right to what they want with the products they buy, and he was enabling this on the Playstation 3 by jailbreaking it. It wasn't his intension that people would use it to play pirated software, so he didn't provide tools for that. However, after George Hotz published the tools, other hackers worked on them so that illegal copies of game software could be played on the Playstation 3.

• On **January 11, 2011**, Sony sues members of "fail0verflow", George Hotz and other hackers, claiming that they were promoting piracy and were violating the Digital Millennium Copyright Act, the Computer Fraud and Abuse Act, among other copyright infringements. Sony wanted to protect its business by restraining hackers so that they could no longer manufacture and distribute tools to hack the Playstation 3.

• On **April 2, 2011**, another group of hackers, by the name of "Anonymous", threatens Sony with a message. Because of the legal actions taken against the hackers,

which they considered an offence against freedom of speech and internet freedom, they would start attack Sony websites with "denial of service" attacks, witch happened shortly after.

• On **April 11, 2011**, Sony settles with George Hotz. In this settlement Hotz agrees to close its website where he distributed the tools to jailbreak the playstation 3 and agreed to not distribute any more tools through other means.

• On **April 13, 2011**, the group "Anonymous" releases a video protesting against Sony and warning them to get ready for another wave of attacks.

• **April 16, 2011** is reportedly the day when hackers successfully break into Playstation Network and Sony Online Entertainment. With this action they were able to steal personal data form more than 77 million users and possibility credit card and billing information. Old credit card information was confirmed to be stolen form the Europe division of Sony Online Entertainment.

• On **April 19, 2011**, about three days later, Sony detects a breach on the Playstation Network but doesn't release any kind of information to the public.

• On **April 20, 2011**, the Playstation Network was shutdown by Sony due to technical issues. At this time, Sony said that they were investigating the cause of the outages and the service would be back in a couple of days. Many people on the Internet suspected that the outages were related to the attacks of the group "Anonymous". At this point, the public was still not aware that their personal information could be compromised.

• On **April 22, 2011**, the general public realizes that something is wrong, after Sony issued a statement saying that the Playstation Network outage was due to an external intrusion. No further information was provided. Later, Sony released another update were they stated that the outage would continue for more time as they were rebuilding the system and strengthening the network infrastructure. The group "Anonymous" also denied any involvement on the attack. They stated that Sony was taking advantage of the messages form "Anonymous" to cover internal problems.

• On **April 26, 2011**, ten full days after the intrusion on the system, Sony confirms that personal information stored on the Playstation Network servers was compromised. Namely, the Name, Address (City, State, Zip), Country, E-mail Address, Birthdate, Login and Password. At the time there was no evidence that credit card information had been obtained. Many consumers showed discontentment because of the time delay and their trust was compromised because unauthorized

people had now obtained their personal information. Sony responded that there was a difference in timing between the identification of the intrusion and when they learned that personal data was compromised. According to Sony, several days of forensic analysis were necessary to understand the full scope of the breach. This was also, reportedly, the day when Sony requested help from the Federal Bureau of Investigation (FBI).

• On **May 1, 2011**, Sony apologizes for the Playstation Network data breach and outage. Sony considered that the attack had a significant effect not only on their consumers, but also on the entire industry, since it highlighted the widespread problem of cyber-security. The company also announced that it would launch a "Welcome Back" program, which consisted of free content to download, and 30 days of Playstation Plus (paid service of Playstation Network) for free (Annex 5). They also stated that the Playstation Network would be going live until next week with the restoration of online gameplay, movie rentals, Playstation Home, friends list and chat functionality. The rest of the services would be expected to return until the end of May. On the same day Sony and private investigators discover another data breach on the Sony Online Entertainment servers and shut them down.

• On **May 2, 2011**, the public is alerted and informed of the Sony Online Entertainment data breach. Personal information similar to the ones of Personal Network had been obtained. Also 10,700 direct debit records from accounts in Austria, Germany, Netherlands and Spain, with the bank account number, customer name, account name and customer address were obtained. About 12,700 non-American credit card numbers and expiration dates were also obtained by third parties. Sony highlighted that this wasn't a second attack. Even though the Playstation Network and Sony Online Entertainment are distinct, there is some degree of architecture that overlaps.

• On **May 4, 2011**, the Subcommittee on Commerce, Manufacturing and Trade of the U.S. Congress released an inquiry into the breach of Sony's servers to find out how something like it could have happened and what Sony would make to compensate the victimized consumers. Sony responded with an eight page letter stating the process that they used to find out what had happened and that they were dealing with the situation with care and caution, they would provide information to the public after it had been verified, they would take responsibility for their obligations to the customers and would work with law enforcement authorities. Sony

was also in the process of improving the security of their servers. Investigators found a file on the servers with the motto of the group "Anonymous", thus tying the attack to that group. The company claimed that the earlier attacks by Anonymous had weaken the network and could possibly have made the data breach possible. On the same day, Sony announces free 'AllClear ID Plus' Identity Theft Protection in the US (Annex 6). Other similar programs would also be offered for those interested in other countries.

• On **May 5, 2011**, the group "Anonymous" denies again any involvement with the attacks and the credit card theft. The group says it is only after governments and large and corrupt organizations and does not aim to arm consumers. In the same day, Sony says that the Playstation Network is on the final stages of testing and the service would be restored in the coming days. The company also offered a complimentary enrolment in an identity theft protection program for American users, with plans to offer similar programs to other territories affected by the attack.

• On **May 15, 2011**, the Playstation Network goes online again in Europe and America. Kazuo Hirai, CEO of Sony Corporation, states in a video that the network has gone live with security enhancements, such as, advanced security technology, increased levels of encryption, additional firewalls and early warning systems to detect breaches. The Japanese government, however, refused Sony's request to relaunch Playstation Network, saying "Sony was incomplete in exercising measures that they said they would do on the May 1 press conference". Online play, friends functionality, account management and Playstation Home are available. The Playstation Store used by many Sony partners to conduct business is still not online. The Playstation Network came back online with a system update that required users to change their passwords to be able to log on. The password could be changed through the console itself or through the Playstation site. However, the Playstation site went down and rumors started circulating saying that the site had been hacked. Sony replied by saying that the site had not been hacked, but an exploit had been discovered, where third parties could reset other users' password just by knowing the account name and birthdate. This was fixed a few days later.

• On **June 2, 2011**, the Playstation Network is fully restored on in every region but Japan, Hong Kong and South Korean. The store and all services are online.

• Developers offered mixed reactions when inquired about the cost of the outage to them. Some developers stated that, with the Playstation Network online,

their bottom line is affected, while others where worried about the fact the a lot of people wouldn't want to spend money on the Playstation Store and were expecting a 5-10% drop in sales. An anonymous UK developer stated that they were hoping to get something back from Sony, such as a reduction on Sony's royalties to make up for the losses. Other developers were optimistic and not worried about the situation, considering bad news for digital marketplaces that wouldn't have a serious affect on the user base. Industry analyst, Michael Pacther, was also optimistic, stating that, while it was hard to gauge how many users will defect because of the attack, the number would not be too big.

• On **June 7, 2011**, Jack Tretton, President and CEO of Sony Computer Entertainment of America, leads the E3 Sony's press conference with an unscripted apology for the Playstation Network breach directed at the users: "You are the lifeblood of the company. Without you, there is no PlayStation. And I want to apologize both personally and on behalf of the company for any anxiety that we've caused you. I know we took you away from doing what you enjoy most, connecting and gaming with friends all over the world and enjoying the many entertainment options on PlayStation Network. And it is you that causes us to be both humble and amazed at the amount of dedication and support you continue to give to the PlayStation brand. Network activity is currently at over 90% of the original levels before the network outage. And that is something we absolutely do not take lightly. We are committed more than ever to making sure that the PlayStation Network experience is both entertaining and secure for everybody." Most people thought that Sony would not approach the subject. So, starting the press conference of the most important event of the industry by addressing the press, the consumers and the partners regarding the breach without any script was viewed as good move by everyone.

• On **July 4, 2011**, the Playstation Network is now fully online in every region with Japan being the last one.

• On **August 31, 2011**, Sony unveils the Sony Entertainment Network at the IFA in Berlin. It is an effort to unify all of Sony's online services for music, video and games, given the broad portfolio of Sony products. The Sony Entertainment Network will accelerate the integration of hardware, content and network.

• On **September 2, 2011**, Sony CEO, Howard Stringer, said at the IFA press conference that the Playstation Network was more secure and better then ever with 3

million new users since the service was restored and sales exceeding the numbers before the attack.

• On **September 6, 2011**, Sony names former US Homeland Security official Philip Teitinger as Chief Information Security Officer, as a result of the Playstation Network breach. Sony stated that it was aiming too bolster the security of the network even further.

• The Playstation Network outage inevitably led to a class action lawsuit. Because of this, on **September 16, 2011**, Sony decided to change its TOS (Terms of Service) to prevent class action lawsuits: "Any dispute resolution proceedings, whether in arbitration or court, will be conducted only on an individual basis and not in a class or representative action or as a named or unnamed member in a class, consolidated, representative or private attorney general legal action, unless both you and the sony entity with which you have a dispute specifically agree to do so in writing following initiation of the arbitration. This provision does not preclude your participation as a member in a class action filed on or before august 20, 2011". Some users showed their discontentment on message boards for this change, as it makes it harder for groups of consumers with similar disputes to win a case against Sony. Also, most users feel that they have the right to take legal action in whatever form is legally available. Sony does offer a way to opt-out via a written letter, which consumers found inadequate. Sony responded by saying that the TOS language was common and similar to the ones found on similar services. In Sony's words: "It was design to benefit both the consumer and the company by ensuring that there is adequate time and procedures to resolve disputes".
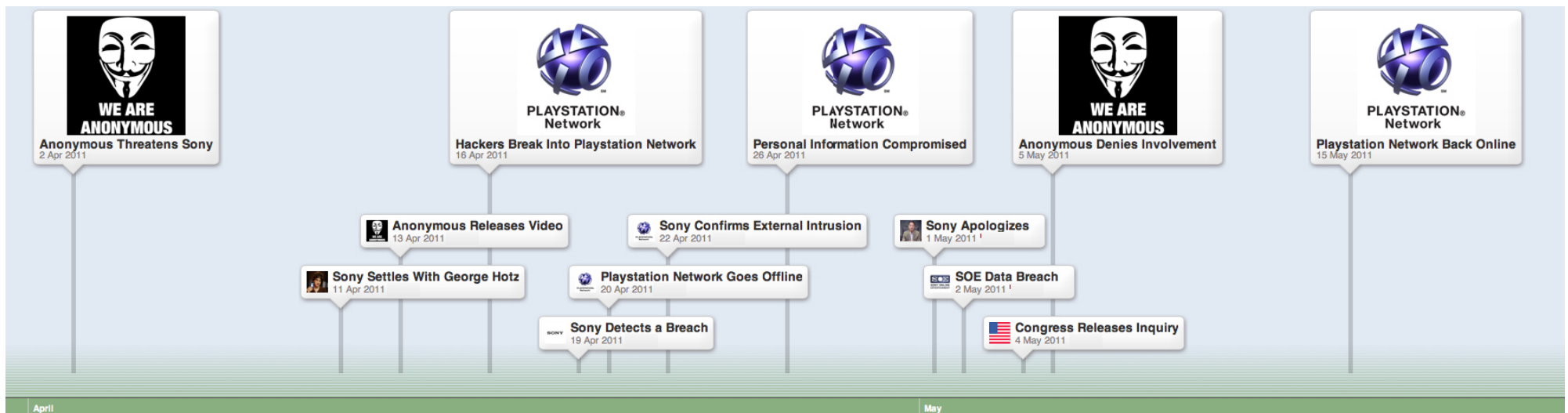
Figure 1

Playstation Network Breach Timeline (Part 1)
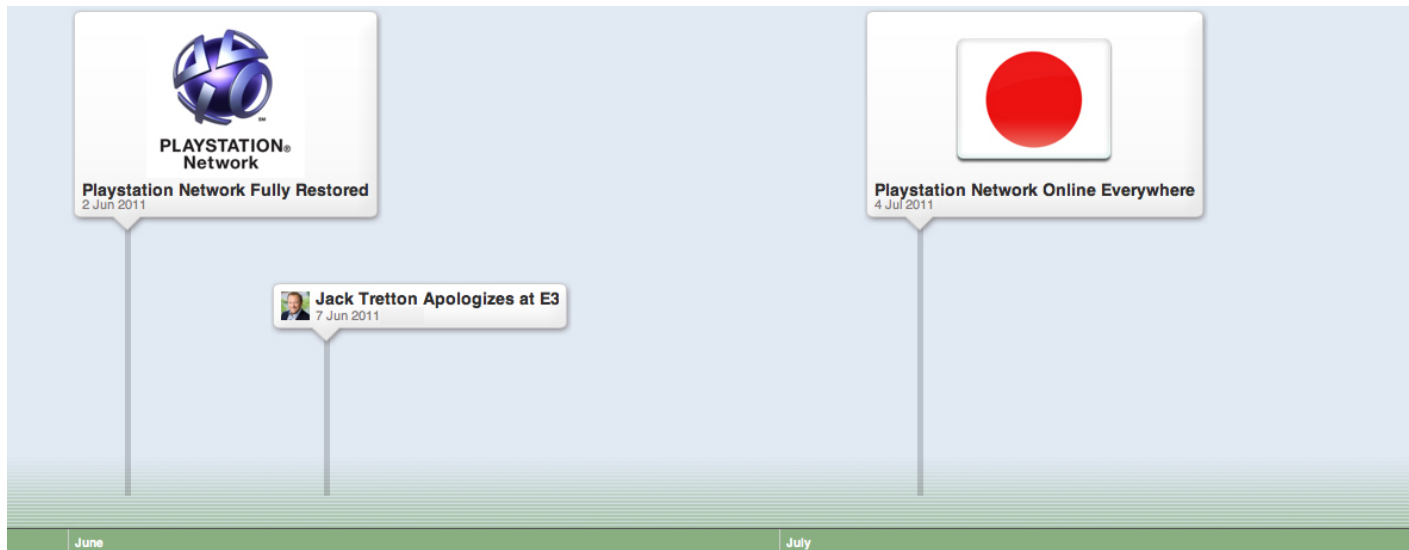

Source: The Author via Dipity (2012)

Figure 2

Playstation Network Breach Timeline (Part 2)

Source: The Author via Dipity (2012)

Figure 3

Playstation Network Breach Timeline (Part 3)

Source: The Author via Dipity (2012)

2.3 Questions

1. Please do a SWOT analysis of the 3 main players in the video games market, identifying the strengths and weaknesses of each player, as well as the opportunities and threats of the market. How does the Playstation brand stand against its competitors, considering the US market?

2. Considering the SCCT (Situational Crisis Communication Theory) (Coombs, 2007), identify the type of crisis cluster the Playstation Network breach belongs to. Please justify.

3. A crisis consists of five phases:
   1. Signal detection
   2. Prevention and preparation
   3. Containment and damages
   4. Business recovery;
   5. Learning and reflection

   Considering the first 4 stages, what happened in each stage on the Playstation Network crisis? What actions did Sony take in each stage? Please make a table with two columns, one with the events and the other with Sony's actions.

4. What alternative actions would you propose in each stage, in order for Sony to have managed the crisis more effectively? In the Learning and Reflection stage, please state what do you think Sony and its managers should take back from the crisis.

5. How would you increase the Playstation Network profitability? Think about actions that will bring more users, more usage and more benefits. Include in your answer the actions you would do and their specific objectives.

6. Since the Playstation Network breach, Sony has been making an effort to make the network more secure. Develop a communication campaign for the Playstation Network to communicate this message to the consumers. State the actions, their objectives and the targets. Use at least one public relations action.

7. Apart from the communication campaign, what actions would you propose to decrease privacy concerns and increase consumers' trust on the Playstation Network? Think about the privacy concerns that consumers might have when shopping on the Playstation Store and how would you change it, so that those concerns decrease.

2.4 Annexes

Annex 1 – Market Data

Table 5

Worldwide Hardware Sales by Year (in Volume)

Console	2008	2009	2010	2011
Xbox 360	6 245 117	6 542 542	8 182 866	8 025 387
Wii	15 819 960	12 015 389	10 270 240	7 326 150
Playstation 3	6 758 412	7 889 724	9 581 198	9 519 074
Nintendo DS	18 967 757	18 635 164	13 357 341	6 829 251
PSP	9 524 962	7 276 155	6 314 083	5 501 636
Microsoft	6 245 117	6 542 542	8 182 866	8 025 387
Sony	16 283 374	15 165 879	15 895 281	15 020 710
Nintendo	34 787 717	30 650 553	23 627 581	14 155 401
Market Total	57 316 208	52 358 974	47 705 728	37 201 498

Source: VGChartz (2011)

Table 6

US Hardware Sales by Year (in Volume)

Console	2008	2009	2010	2011
Xbox 360	4 881 772	4 787 281	7 132 622	7 476 541
Wii	9 826 502	8 989 309	7 378 500	5 048 112
Playstation 3	3 477 812	4 172 494	4 644 545	4 468 855
Nintendo DS	10 156 740	10 369 446	8 394 877	3 624 275
PSP	3 815 680	2 452 361	1 816 105	1 248 511
Microsoft	4 881 772	4 787 281	7 132 622	7 476 541
Sony	7 293 492	6 624 855	6 460 650	5 717 366
Nintendo	19 983 242	19 358 755	15 773 377	8 672 387
Market Total	32 158 506	30 770 891	29 366 649	21 866 294

Source: VGChartz (2011)

Chart 1

Worldwide Hardware Market Share in Volume (Home Consoles)
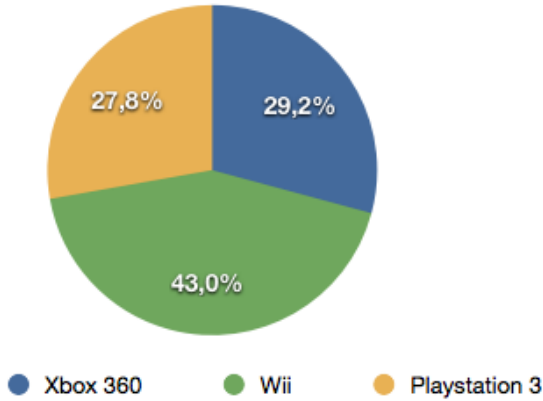
Source: VGChartz (2011)

Chart 2

US Hardware Market Share in Volume (Home Consoles)

Source: VGChartz (2011)

Chart 3

Worldwide Hardware Market Share in Volume (Handhelds)

Source: VGChartz (2011)

Chart 4

US Hardware Market Share in Volume (Handhelds)

Source: VGChartz (2011)

34
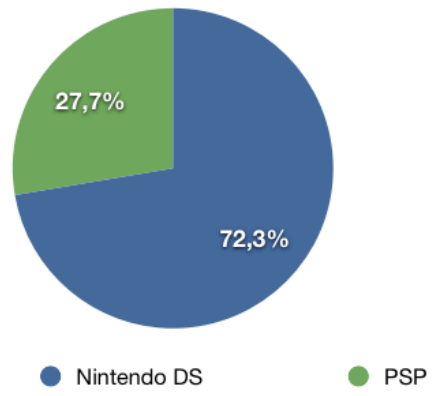
Chart 5

Worldwide Hardware Market Sales Evolution (Volume)
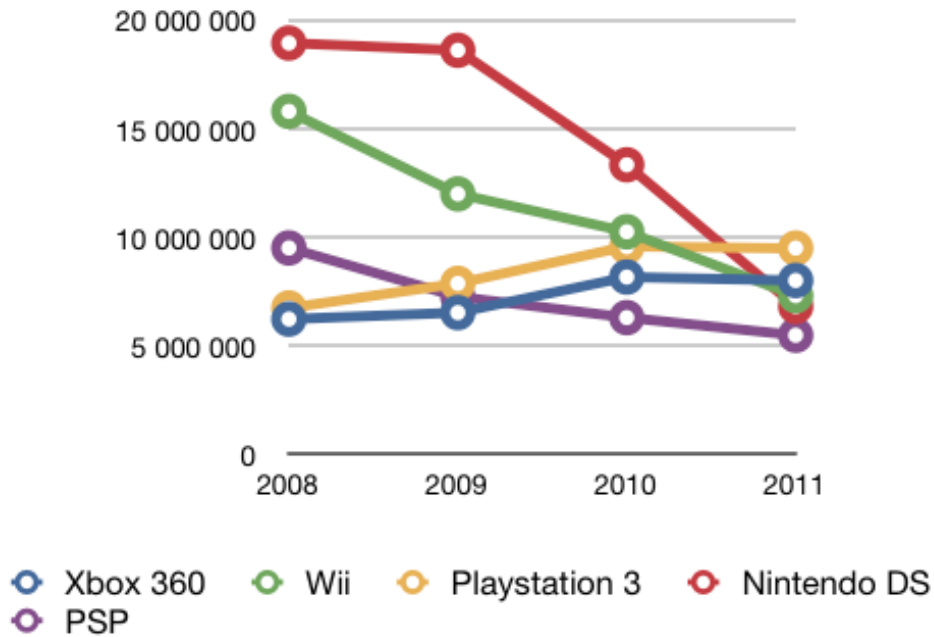
Source: VGChartz (2011)

Chart 6

Worldwide Hardware Market Sales Evolution by Supplier (Volume)
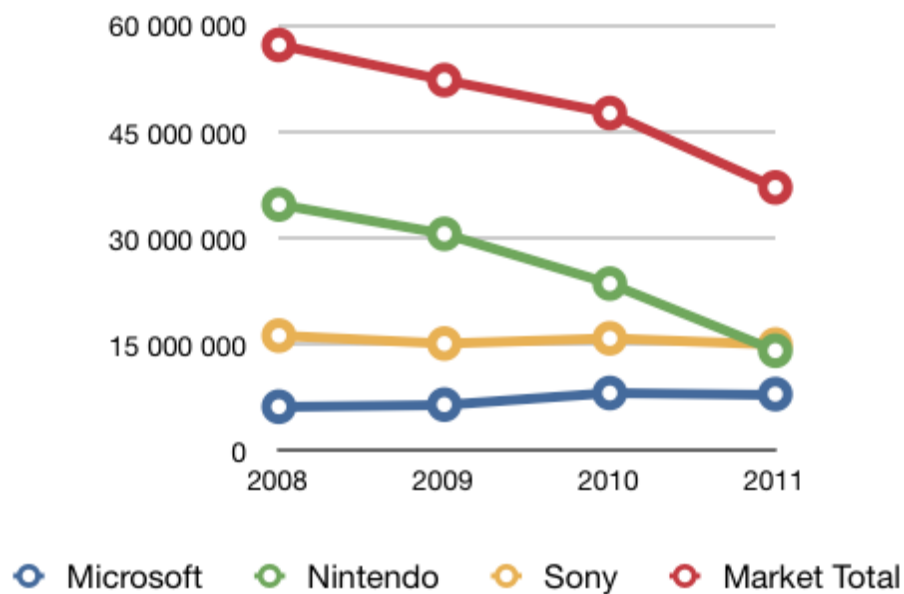
Source: VGChartz (2011)

Chart 7

US Hardware Market Sales Evolution (Volume)
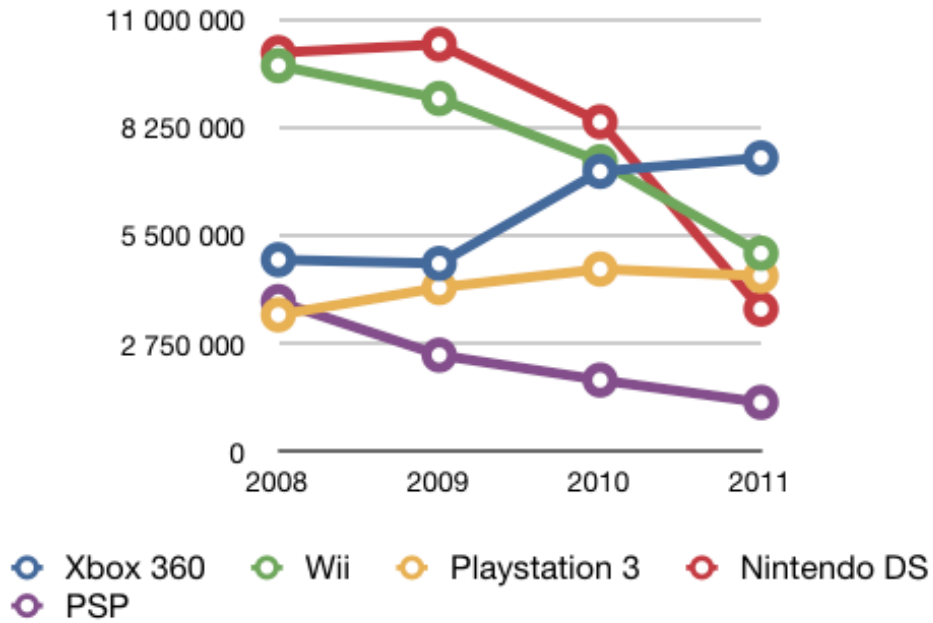
Source: VGChartz (2011)

Chart 8

US Hardware Market Sales Evolution by Supplier (Volume)

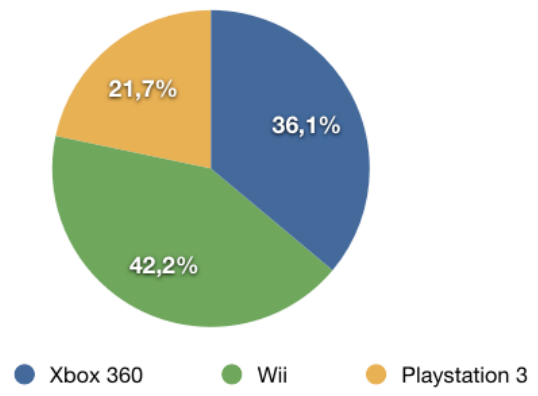Source: VGChartz (2011)

36
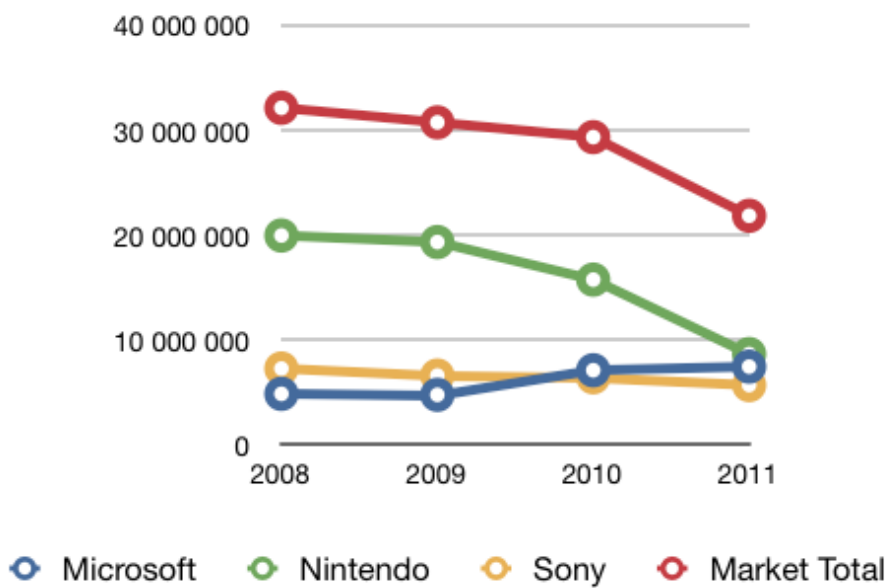
Chart 9

Worldwide Software Market Share in Volume (Home Consoles)

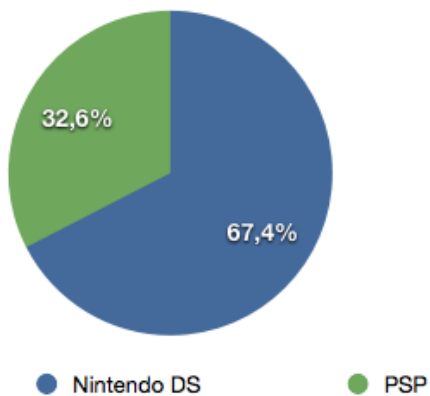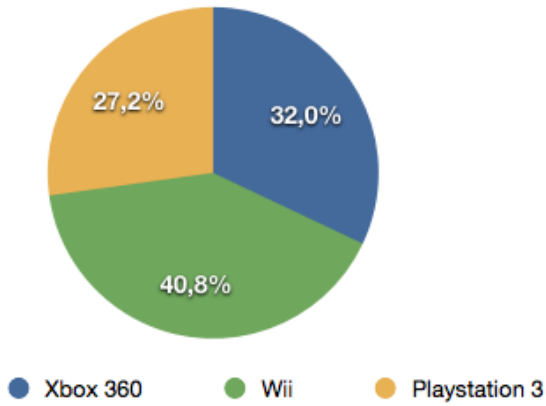Source: VGChartz (2011)

Chart 10

US Software Market Share in Volume (Home Consoles)
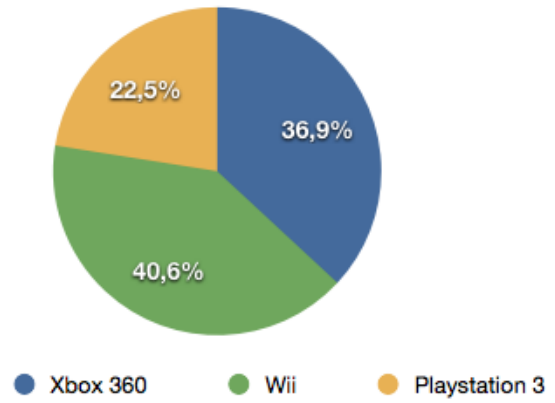
Source: VGChartz (2011)

Chart 11

Worldwide Software Market Share in Volume (Handhelds)
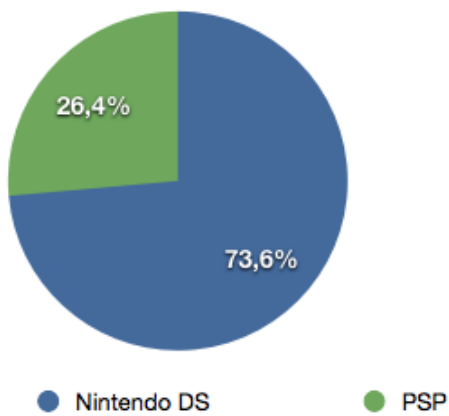
Source: VGChartz (2011)

Chart 12

US Software Market Share in Volume (Handhelds)
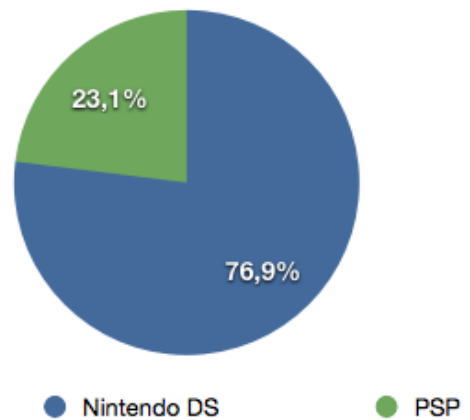
Source: VGChartz (2011)

Chart 13

Worldwide and US Software Tie-Ratio (in Units)
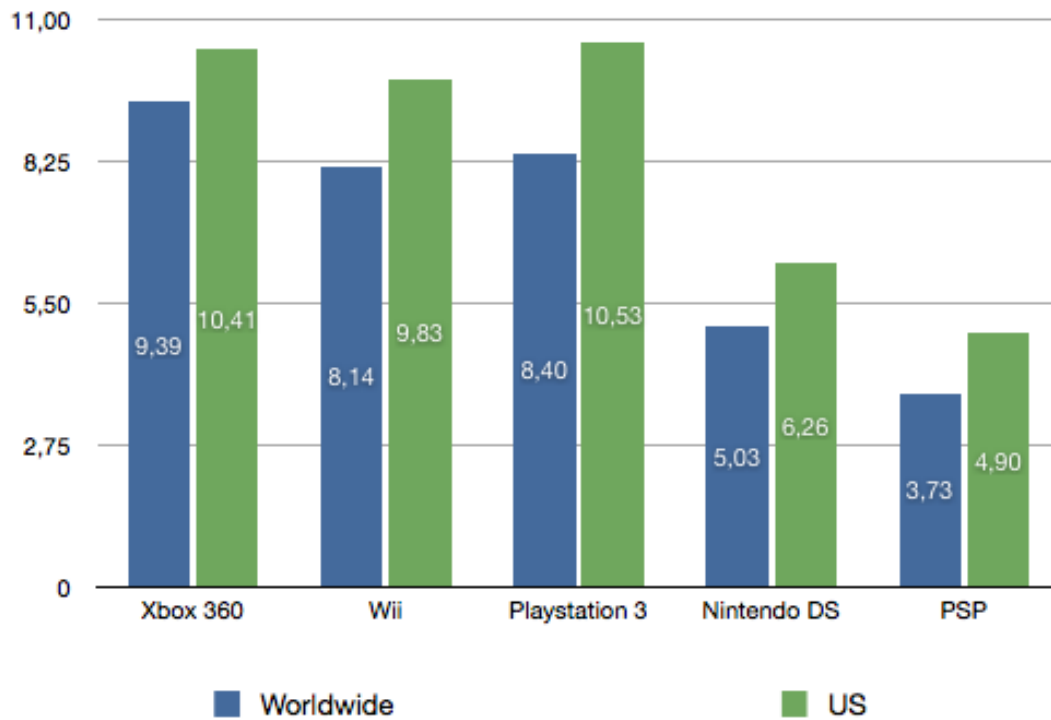
Source: VGChartz (2011)

Chart 14

US Software Sales By Rating (2010)
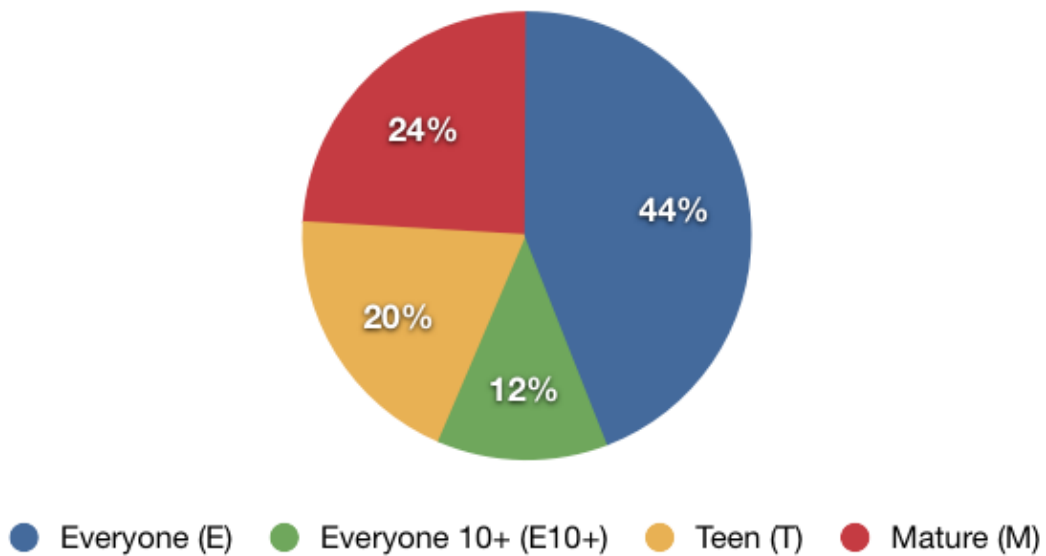
Source: The NPD Group (2011)

Chart 15

US Software Sales By Genre (2010)
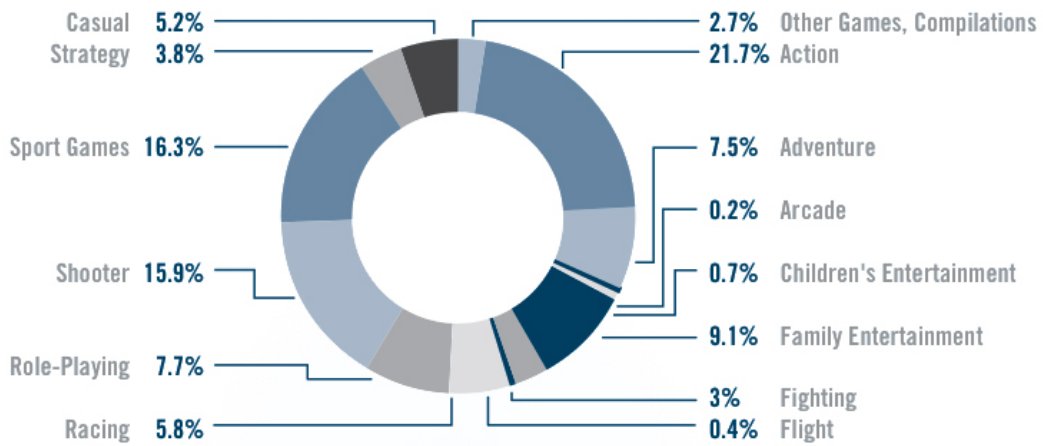
Source: The NPD Group (2011)

Chart 16

DLC Purchasers (2009, 2010, 2011) and Reasons For Not Purchasing
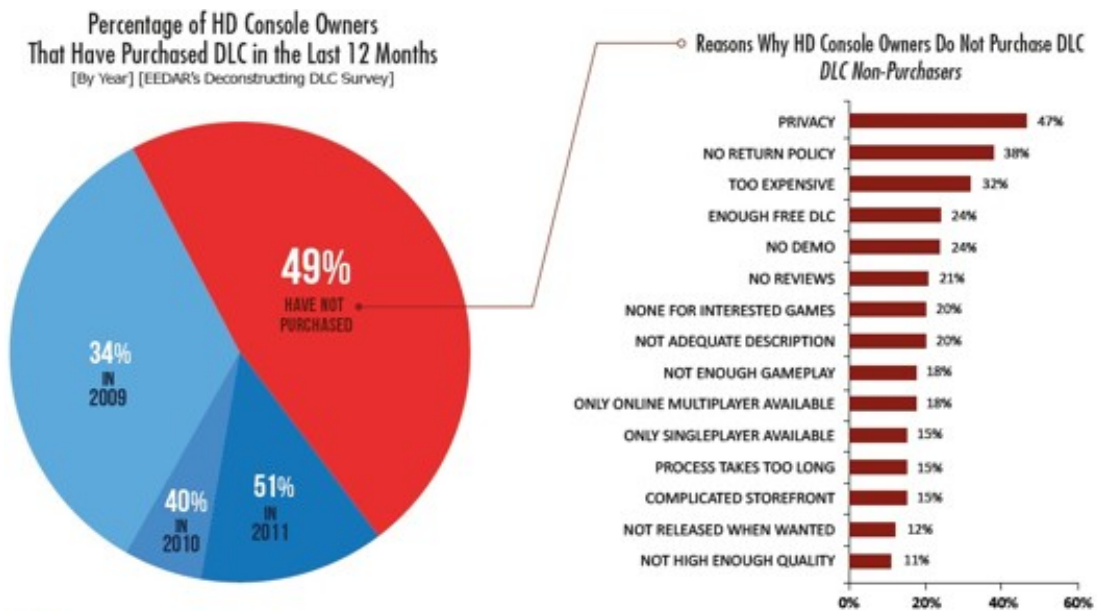
Source: EEDAR (2011)

Annex 2 – Different Types of Gamers

Figure 4

Illustration of Different Types of Gamers

Source: egamer (2011)

Annex 3 – Sony's Business Representation

Chart 17

Sony's Business Representation
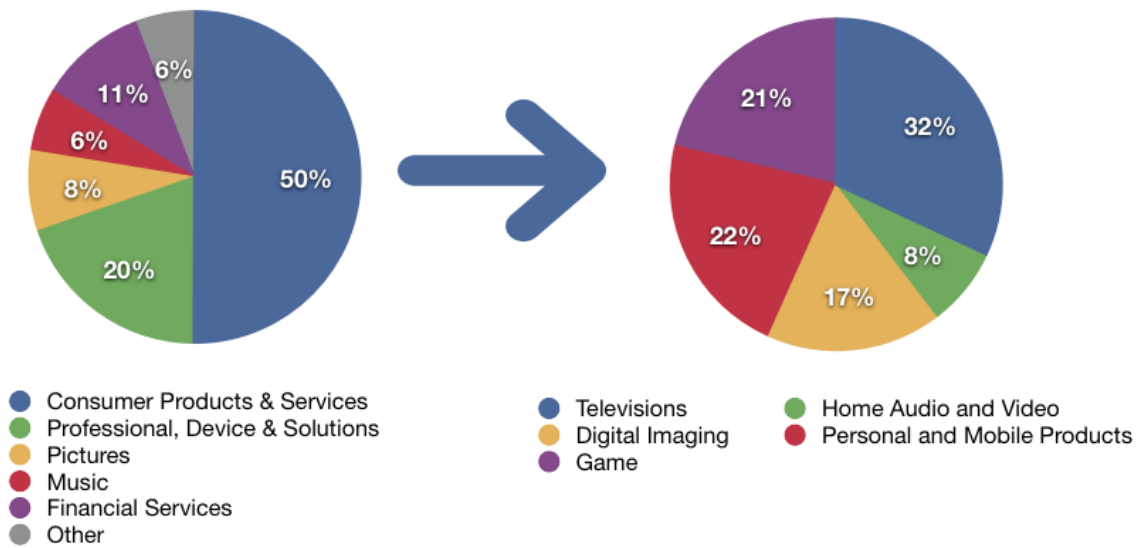
Source: Sony (2011)

Annex 4 - Consumer Survey Regarding Playstation Network Attack

Gamespot ps3 data breach and outage survey results (Sample size: 2,285. Percentages were rounded, resulting in >100% response totals for some questions.)

How does the recent security breach impact how you feel about Sony and the PlayStation Network?

1) I no longer trust Sony or the PlayStation Network - 14%
2) My trust in Sony and the PlayStation Network has not been affected by this - 35%
3) I will be able to trust Sony and the PlayStation Network more in the future because the breach will force them to impose tighter controls - 23%
4) I trust Sony and the PlayStation Network but I'm going to change the amount of information I share with them - 28%

How does the PlayStation Network security breach impact your trust in using online services in general?

1) Negatively, I no longer trust any online services - 7%
2) Not at all, I understand that these events happen and it won't stop me from using online services in the future - 71%
3) Positively, I think all online services will learn from this and become more secure - 22%

Do you feel that Sony's response to the security breach was handled appropriately?

1) Yes - 57%
2) No - 43%

How likely are you to continue using the PlayStation Network after services are restored? -

1) Very Likely - 67%
2) Somewhat likely - 14%
3) Undecided - 10%
4) Somewhat unlikely - 4%
5) Very unlikely - 5%

How likely are you permanently switch from the PlayStation Network to Xbox Live?

1) Very unlikely - 64%
2) Somewhat unlikely - 11%
3) Undecided - 13%
4) Somewhat likely - 3%
5) Very Likely - 2%
6) I have already switched to Xbox Live - 9%

Source: Gamespot (2011)

Annex 5 - Playstation Network "Welcome Back" Offer

North American "Customer Appreciation Program":

All PlayStation Network customers can select two PS3 games from the following list. The games will be available for 30 days shortly after PlayStation Store is restored and can be kept forever.

Dead Nation

inFAMOUS

LittleBigPlanet

Super Stardust HD

Wipeout HD + Fury

For PSP owners, you will be eligible to download two PSP games from the following list. The games will be available for 30 days shortly after PlayStation Store is restored and can be kept forever.

LittleBigPlanet (PSP)

ModNation Racers

Pursuit Force

Killzone Liberation

-A selection of "On Us" rental movie titles will be available to PlayStation Network customers over one weekend, where Video Service is available. Those titles will be announced soon.

-30 days free PlayStation Plus membership for non PlayStation Plus subscribers.

-Existing PlayStation Plus subscribers will receive an additional 60 days of free subscription.

-Existing Music Unlimited Premium Trial subscription members will receive an additional 30 days of free premium subscription.

-Additional 30 days + time lost for existing members of Music Unlimited Premium/Basic subscription free of charge for existing Premium/Basic members.

-To welcome users Home, PlayStation Home will be offering 100 free virtual items. Additional free content will be released soon, including the next addition to the Home Mansion personal space, and Ooblag's Alien Casino, an exclusive game.

Source: Sony (2011)

Annex 6 – Identity Theft Protection Program Offer

Last weekend, Sony Computer Entertainment announced that we will provide complimentary enrollment in an identity theft protection program. Here are the details of this program for PlayStation Network and Qriocity account holders in the United States only. We are working to make similar programs available in other countries/territories where applicable. Information will be posted on local websites/blogs when available.

Sony Computer Entertainment and Sony Network Entertainment International have made arrangements with Debix, Inc., one of the industry's most reputable identity protection firms, to offer AllClear ID Plus at no cost to PlayStation Network and Qriocity account holders for 12 months from the time an account holder registers for the program.

Please note that we will start sending out activation emails for this program over the next few days, and you will have until June 18th to sign-up and redeem your code. You will need to sign up directly through AllClearID, not on Sony's websites, and details, including step-by-step instructions for the program, will be emailed to United States PSN and Qriocity Account holders soon.

The details of the program include, but are not limited to:

Cyber monitoring and surveillance of the Internet to detect exposure of an AllClear ID Plus customer's personal information, including monitoring of criminal web sites and data recovered by law enforcement. If his/her personal information is found, the customer will be alerted by phone and/or email and will be provided advice and support regarding protective steps to take. The customer will also receive monthly identity status reports. Debix works with an alliance of cyber-crime experts from the government, academia and industry to provide these services.

Priority access to licensed private investigators and identity restoration specialists. If an AllClear ID Plus customer receives an alert, or otherwise suspects that he/she may be the victim of identity theft, the customer can speak directly, on a priority basis, with an on-staff licensed private investigator, who will conduct a comprehensive inquiry. In the case of an identity theft, the customer can work with an identity restoration specialist to contact creditors and others, and take necessary steps to restore the customer's identity.

A 0.76€ million identity theft insurance policy per user to provide additional protection in the event that an AllClear ID Plus customer becomes a victim of identity theft. This insurance would provide financial relief of up to 0.76€ million for covered identity restoration costs, legal defense expenses, and lost wages that occur within 12 months after the stolen identity event.

More information will be available on the enrollment page, a link which will be included in the email you will receive.

We continue to work around the clock to have some PlayStation Network services and Qriocity services restored, and will be providing you specific details shortly.

Thank you.

Source: Sony (2011)

Annex 7 - Playstation Store Environment

Figure 5

Playstation Store Home Page
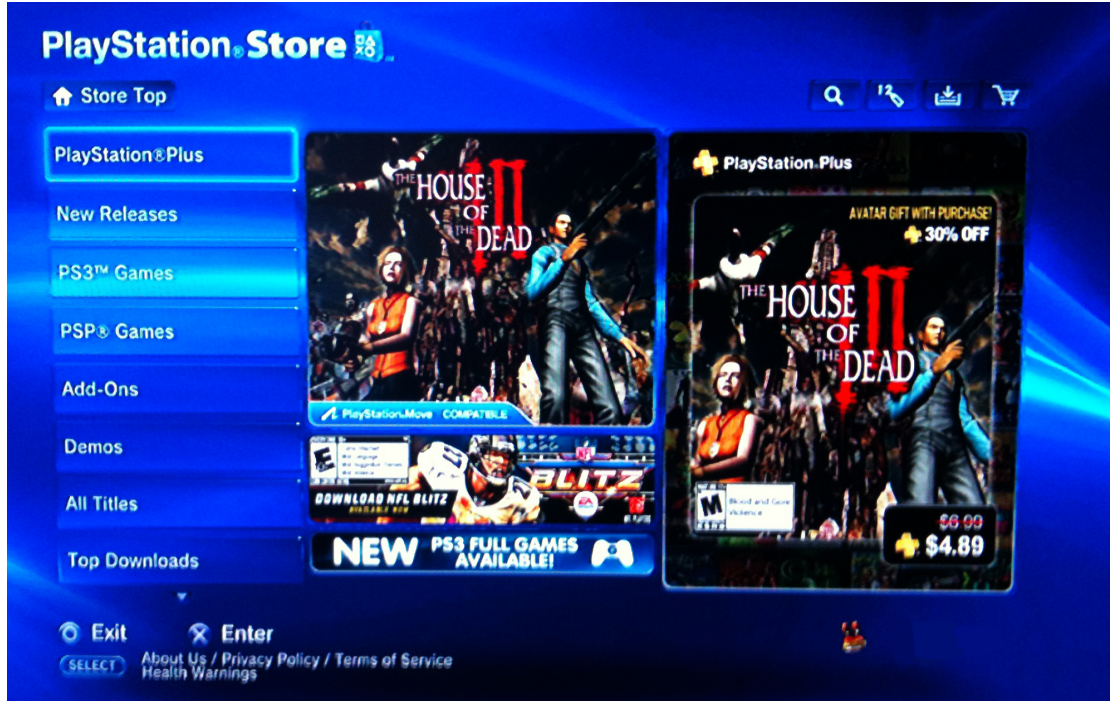
Source: The Author (2012)

Figure 6

Playstation Store Reality Show "The Tester" Page
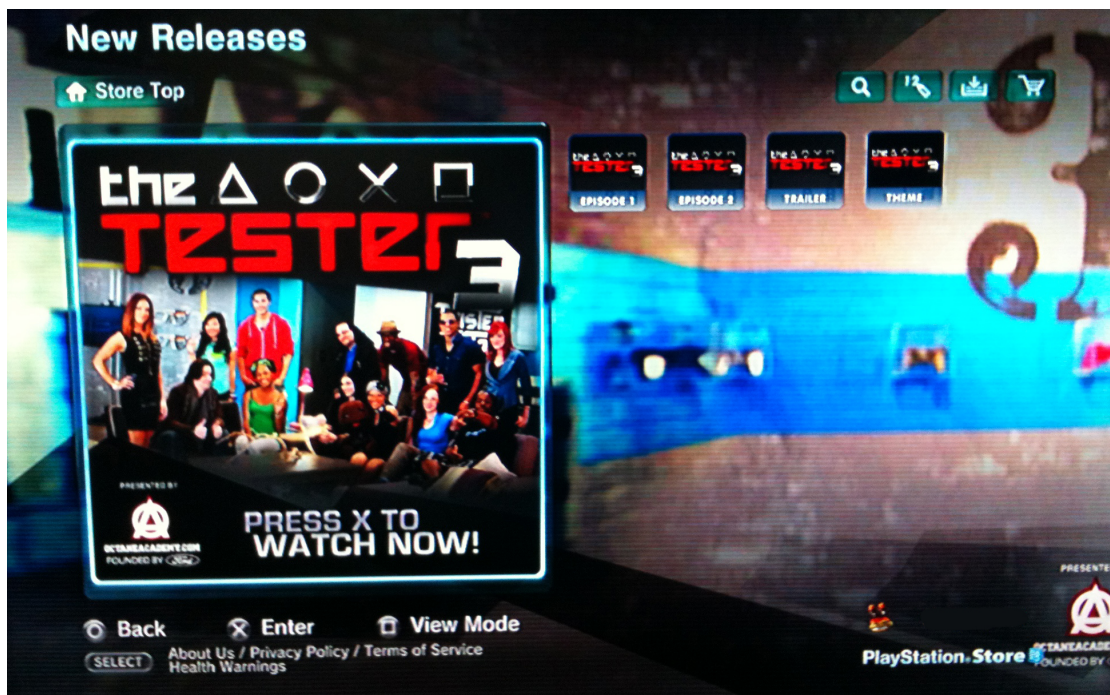
Source: The Author (2012)

Figure 7

Playstation Plus Page
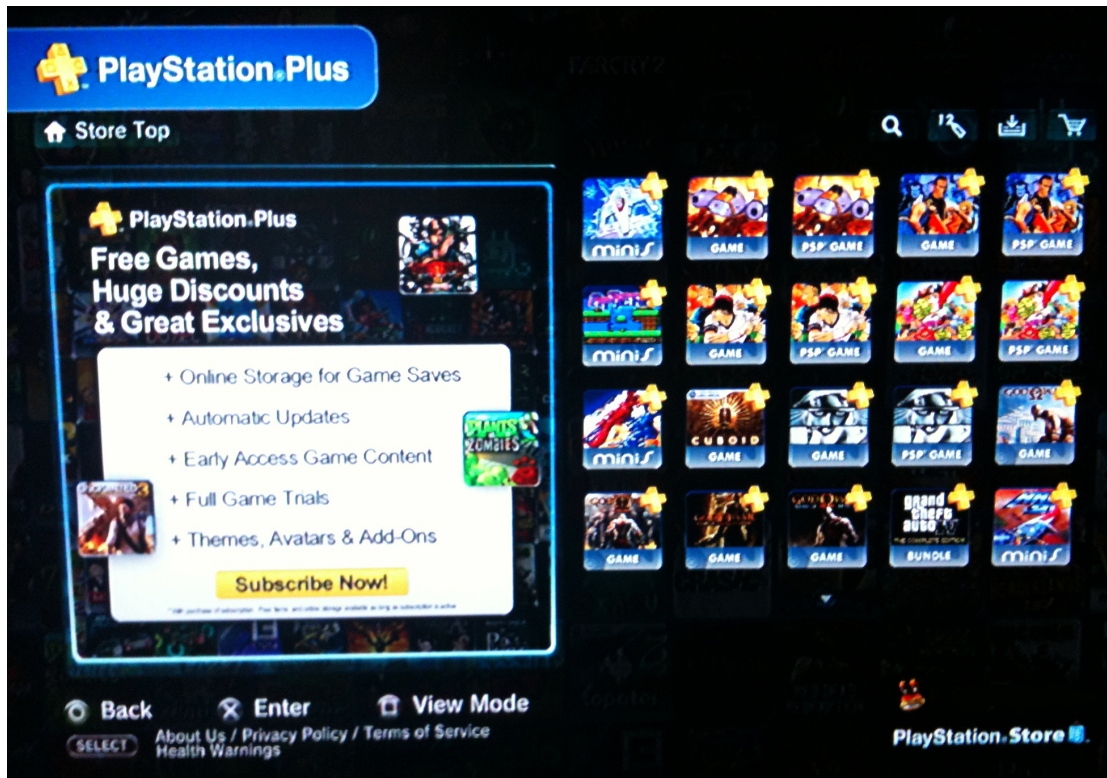
Source: The Author (2012)

Figure 8

Specific Game Page
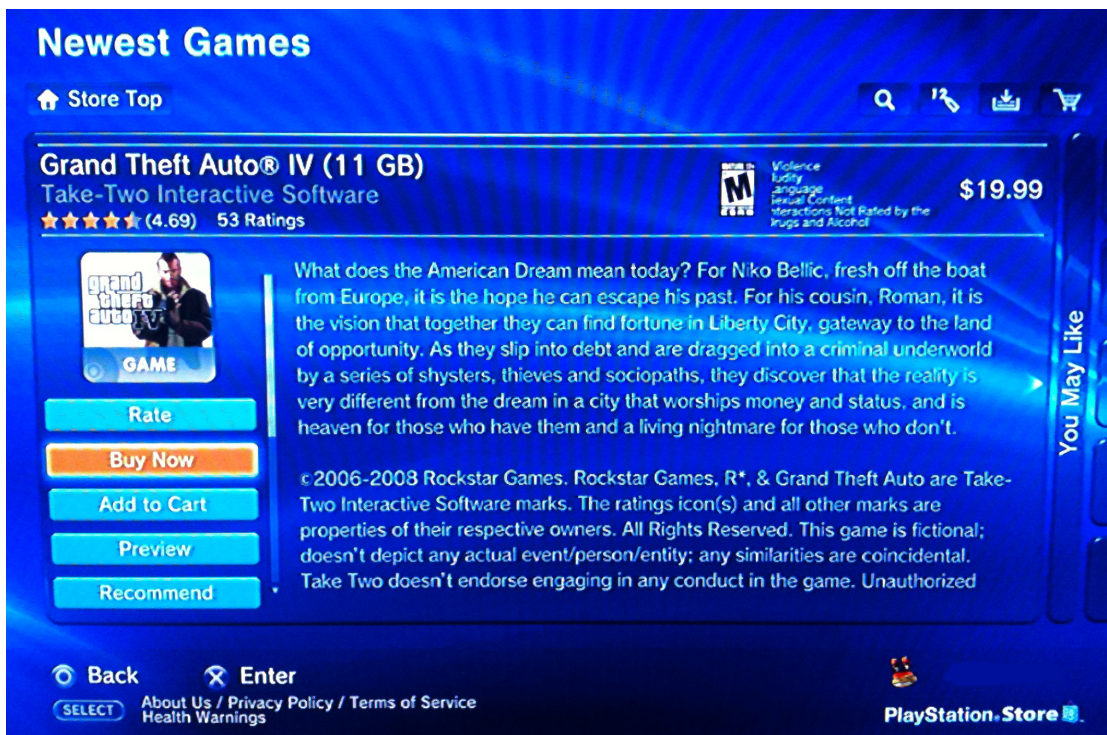
Source: The Author (2012)

Annex 8 - Playstation Communication Examples

Figure 9

Playstation 3 Price Reduction Ad

Source: Damage Control (2009)

Figure 10

Playstation 3 "Make.Believe" Uncharted 2 Ad

Source: Ads of the World

Figure 11

Playstation 3 "Mushroom Cloud" Ad

Source: Ads of the World

Figure 12

Playstation 3 Ad with Kevin Butler
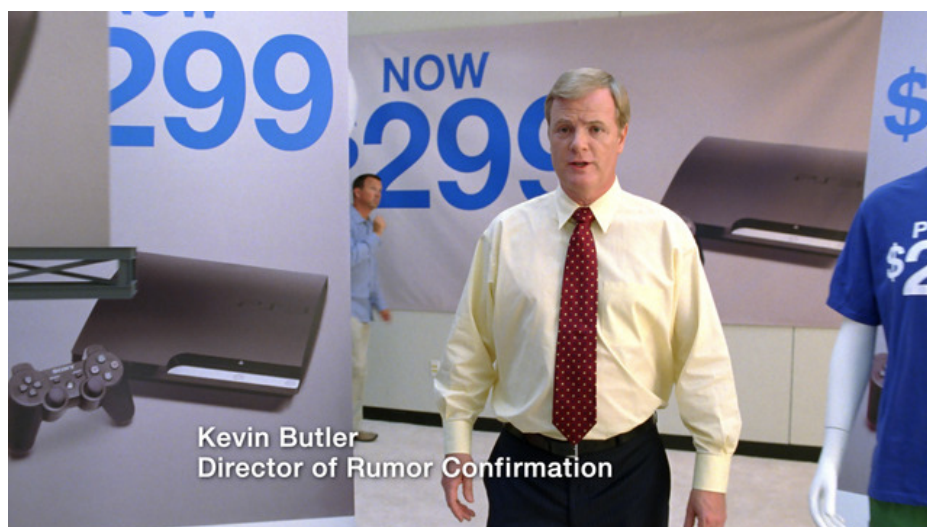
Source: IndustryGamers (2009)

Annex 9 - Xbox Communication Examples

Figure 13

Xbox 360 Price Reduction Ad

Source: SlipperyBrick (2008)

Figure 14

Xbox 360 "Evolution" Ad

Source: Ads of the World

Figure 15

Xbox 360 Kinect "Contortionist" Ad
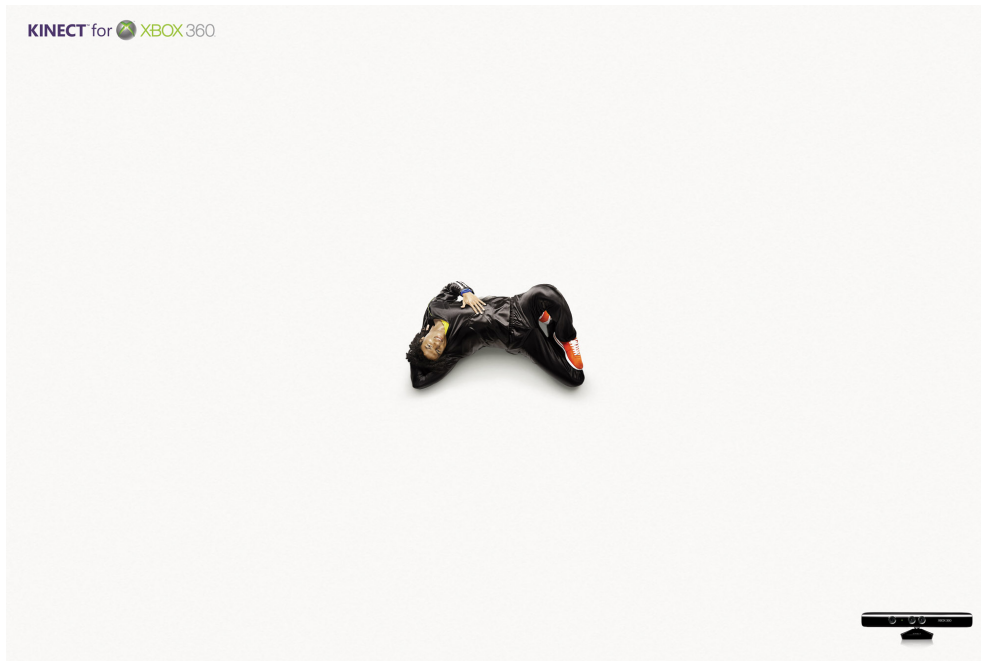
Source: Ads of the World

Annex 10 - Nintendo Communication Examples

Figure 16

Nintendo 3DS "Less Virtual, More Reality" Ad

Source: Nintendo 5-Star Blog

Figure 17

Nintendo Wii "Everybody's Game" Ad

Source: Ads of the World

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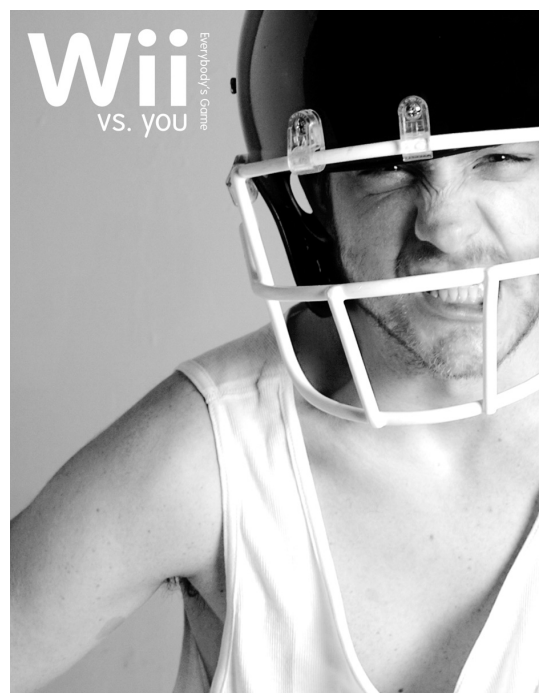
Figure 18

Nintendo Wii "Wii'll Not Forget" Campaign

Source: Ads of the World

3. Pedagogical Note

3.1 Case Study Target Audience

This case study is destined to:

- Undergraduate or graduate marketing students, who are attending courses that approach public relations, corporate reputation or branding.
- Marketing professionals that are involved in the management of crisis situations, or work in the Public Relations department managing the company's reputation and its relations with stakeholders, with the perspective of knowledge about a real case study.

3.2 Pedagogical Objectives

After working on this case study, students should be able to:

- Analyze a specific market, identifying the strengths and weaknesses of each of the players, the opportunities and threats existing in the market, and the consumer profile and behavior.
- Identify, in a crisis situation, the type of crisis the company is dealing with, as well as its several stages.
- Manage a crisis situation in the most effective way, identifying what actions the company should take at each stage so that the damage to its reputation is minimized and the stakeholders' trust is kept.
- Develop a communication campaign in a time of crisis.
- Manage an online store, taking into account the different purchasing experience provided by this type of stores and privacy concerns that the consumer might have.

3.3 Literature Review

3.3.1 Marketing Communications

According to Kotler and Keller (2011), marketing communications are the means by which companies "attempt to inform, persuade, and remind consumers – directly or indirectly – about the products and brands they sell". Communication allows companies to establish a dialogue with consumers and build relationships that will lead to increased customer equity and more success in the markets they operate.

Companies have at their disposal several ways to communicate with consumers. The effectiveness of each tool will depend on the kinds of goods the company is promoting, the goals it wants to achieve, distribution strategy and the budget available (Dionísio et al., 2004). These tools constitute the Marketing Communications Mix (Kotler and Keller, 2011):

- **Advertising** – Paid nonpersonal presentation and promotion of ideas, goods or services. This type of communication can be done by a variety of media (broadcast, network, electronic and display). It is up to each company to select and use the most appropriate media to use according to the contents of the message it wants to communicate and the consumers it pretends to target.

- **Sales Promotion** – Any type of short-term incentives to encourage trial or purchase such as samples or coupons.

- **Events and experiences** – Events to promote interaction between the company and/or its brands and consumers.

- **Public Relations** – Includes publicity and any programs directed to employees, consumers, other companies, government and media that aim to promote a company's image or products. It usually has a higher credibility that advertising.

- **Direct Marketing** – Direct communication between the company and its customers or prospects via mail, telephone, fax or e-mail.

- **Interactive Marketing** – Online activities to engage customers and prospects with the goal to raise awareness improve brand image or encourage sales.

- **Word-of-mouth** – Communications between consumers about the experiences they had while purchasing or using a company's goods or services. It can be oral, written or electronic.

- **Personal Selling** – Personal interaction with customer or prospects to present products, answer questions and procuring orders.

In order to develop an effective communication strategy it is important to first identify the target audience. If it is a large number of homogenous consumers then an above the line strategy using above the line communications is better suited because of the higher reach.

Then, the objectives should be determined. With its marketing communications the company may want to introduce a new category to the market, increase brand awareness, communicate a brand attitude or encourage a purchase.

Next, the communications are designed. At this stage the message strategy, creative strategy and message source are decided according to the objectives. After this, the communication channel is selected. The types of communications channels available are: personal (personal selling and direct marketing) and nonpersonal (advertising, sales promotions, events and experiences and public relations).

After selecting the communications channels, the budget is established. The methods to establish a budget more commonly used by companies are: the affordable method – the budget is defined according to what the company thinks it can afford; the percentage-of-sales method – the budget is defined as a percentage of current or expected sales; the competitive-parity method – the budget is defined in a way that will allow the company to achieve share-of-voice parity with competitors; and the objective-and task method – the budget should be developed taking into account the tasks that will need to be executed in order to achieve the communications objectives and the cost of those tasks (Kotler and Keller, 2011).

After the budget is finalized the media mix is selected according to the characteristics of each tool and media. The final step is to measure the communication results and its impact on the target audience.

Nowadays, companies are moving more and more to an Integrated Marketing Communications (IMC) model especially because of the growing sophistication of consumers and the new types of available media (Madhavaram et al., 2005). This not only means that different consumers have to be target with different types of messages but also that the communications design has to be able to adapt to the different types of media while being consistent across all of them.

IMC has evolved from a tactical orientation to strategic one. An effective IMC strategy is crucial in forming brand awareness and its image, making it one of the most important drivers to build brand equity by harnessing the synergy across the multiple communication vehicles (Madhavaram et al., 2005).

3.3.2 Public Relations

As explained previously, Public Relations and Publicity includes the programs directed to employees, consumers, other companies, government and media that aim to promote a company's image or products. This communication tool is especially effective when used in conjunction with other tools and when the company needs to change consumer's perceptions about their brands or products.

Kotler and Keller (2011) define Public Relations has having a high credibility, the ability to reach hard-find buyers and the power of dramatization. The high credibility comes from the fact that non-paid articles and news stories seem more credible to consumers than paid adds where the company and its products are always portrayed in a manner favorable to the company. Public Relations also has the ability to reach buyers that avoid advertising on mass media and target promotions but like to read news and articles. It is also easier to tell a story behind a company, brand or product through public relations than it is through mass media where there are a lot more of time and space restrictions.

Public Relations can be used to achieve a variety of objectives both to external and internal publics (Dionísio et al., 2004). Examples of external objectives include build awareness of the company, its brands and its products; attract investors and build good relationships with the local community. Internal objectives include keeping employees informed about company activities; creating a sense of belonging

and to generate sharing of values between collaborators. Some of the Public Relations objectives can also affect both external and internal publics. These include improving the credibility of the company and its products; stimulate the sales force and preventing and minimize the effect of potential crisis situations.

This communications-mix tool can be used to influence a variety of publics, ranging from those very close to the company like managers and workers, passing through consumers and suppliers to the general public. It is the function of Public Relations to build goodwill with the company's key publics by providing them with information.

Public Relations preforms four functions (Kotler and Keller, 2011):

1. **Press Relations** – Distribute positive news and information about the company and its products to the press.
2. **Product Publicity** – Publicize specific products though sponsorship
3. **Corporate Communication** – Use internal and external communications to improve the understanding of the company by its several publics.
4. **Lobbying** – Attempt to influence decisions made by legislators and other government officials in order to change legislation and regulation.
5. **Counseling** – Advise management about public issues and company image.

As with any communications plan, a Public Relations plan should start by the definition of objectives. Public Relations is especially useful when launching new products, repositioning a mature product, trying to build interest in a product category, influencing specific target groups, protecting products that have run into public problems and building the corporate image.

After the objectives the messages and vehicles should be selected. There are several vehicles, which the company can use to communicate with its different audiences. The most used ones are publications (internal and external) such as annual reports brochures, magazines or newsletters; public events such as conferences or exhibits; sponsorship of sports and cultural events as well as other causes; favorable news about the company; speeches; public service activities and identity media that is carried by the company logos, stationary, brochures, signs, business forms, business cards, buildings, uniforms and dress codes (Kotler and Keller, 2011).

Then the plan should be implemented and evaluated. The best indicator to measure the success of the plan is the change in product awareness, comprehension, or attitude resulting from the Public Relations plan (Kotler and Keller, 2011). However, getting this information is not always easy. The easiest and most usual measure to get is number of exposures carried by the media.

The big advantage of Public Relations is that it can have a very positive affect in the public awareness and attitude towards the company or its products at a fraction of the cost of advertising with a higher level of credibility.

A disadvantage of Public Relations would be that the marketer doesn't have control of how the press will handle the information handed to them, unlike advertisement, where the message is predetermined. Without control over the final message being transmitted to the audience, its effect can be undesirable for the company. Also, there is no guarantee that the company will be able to get any message across, since it is up to the news media to decide whether or not to run the story or article. This may mean that the Public Relations campaign won't bring any return to the company.

3.3.3 Brand Management

According to the American Marketing Association, a brand is "a name, term, sign, symbol, or design, or a combination of these, intended to identify the goods or services of one seller or group of sellers and to differentiate them from those of competitors." In this definition it is possible to verify that a brand is used to define a company's identity.

With time that identification will become something more that the consumers will associate with certain meanings in their minds. Kotler (2002) considers six levels of brand meaning: attributes, benefits (functional and emotional), values, culture, personality and user.

Aaker (1997) defined the five dimensions of brand personality: Sincerity, Excitement, Competence, Sophistication and Ruggedness. Managers should develop the brand keeping these dimensions in mind, as they will influence consumer preference.

A strong brand can be one of the biggest assets of a company. Brands have a value in the market (Brand Equity). According to Aaker (1991) this value is related to the levels 3, 4 and 5 of the distinguished five levels of consumer attitude toward a brand. These are:

1. Customer will change brands, especially for price reasons. No brand loyalty.
2. Customer is satisfied. No reason to change the brand.
3. Customer is satisfied and would incur costs by changing brand.
4. Customer values the brand and sees it as a friend.
5. Customer is devoted to the brand.

This means that the higher the consumer satisfaction, loyalty and devotion, the stronger a brand will be and the higher its value on the market. A company with a strong brand orientation, where employees prioritize the brand will also be able to have higher profits (Gromark and Melin, 2010). In order to create a sound branding strategies, the managers have to take this into account and try to build a stronger brand through consumer-based brand equity.

To achieve this, Keller (2001) outlined the Customer-Based Brand Equity (CBBE) model. This model details four steps that are necessary to build a strong brand:

1. Establishing the proper brand identity;
2. Creating the appropriate brand meaning, through strong, favorable, and unique brand associations;
3. Eliciting positive, accessible brand responses;
4. Forging brand relationships with customers that are characterized by intense, active loyalty.

This model also considers six brand building blocks: brand salience (how often the brand is evoked on consumption situations), brand performance (how the brand meets the functional needs of consumers), brand imagery (brand expression and how the brand meets the social and psychological needs of consumers), brand judgments (the opinion that consumers have of the brand), brand feelings (emotional responses form the consumer to the brand) and brand resonance (the strength of the

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bond between consumers and the brand. The strongest brands will all excel in all of these areas.

We can conclude that the value of a brand in the market is very dependent on how the customer feels about it and what actions he takes because of the brand. So, it is also important to be able to measure the customer equity and the brand equity to be able to manage a brand.

Rust, Zeithaml and Lemon (2004) developed a model with the aim to measure the customer equity and brand equity by understanding what drives each one and to what degree. Brand equity, which is all that the brand offers that is extrinsic to the core product or service, is influenced by promotions, image and advertising, ethical corporate behavior, brand awareness, attitude of consumers toward the brand and brand ethics. The brand equity along with the value equity (price, quality and convenience of the product or service) and the relationship equity (strength of the relationship of the customer with the brand) will influence the brand choice of the customer and as a result its customer lifetime value for the company because the more times a consumer chooses a brand, the more loyal it becomes. With this we are able to measure the customer equity, that is, the sum of the lifetime values of all the customers from the company.

Sometimes a brand's behavior can disappoint the consumers' expectations, resulting in a negative effect on the consumer-brand relationship. This is called brand misconduct.

Research shows brand misconduct can have a negative effect on the economic situation of the company because of the deterioration it causes in the consumer-brand relationship and repurchase intention. However, the longer and better a consumer-brand relationship is, the smaller is the deterioration caused by brand misconduct on the quality of the relationship and repurchase intentions (Huber et al., 2010).

Brand extensions are an important part of brand management. A brand extension strategy involves carrying the same brand through different product categories. This can enhance the success chances of new products as they are born with a brand that is already established in the market with its own image, reducing the costs of introducing these products. In some cases, however, this strategy can lead to the dilution of the brand.

Brand extensions can produce brand dilution even if the consumers accept them. The consumers' attitude toward the brand can deteriorate if there is a low fit

between the brand and the product category, even if the attitude toward the extension is positive. A high fit does not guarantee a positive attitude toward the brand if the attitude toward the extension is negative (Salinas and Pérez, 2009). To ensure the success of the extension it is important to maintain coherence with the brand image and transmit its essence through the different markets (Kim, J., 2003). Marketing Communications have an important role in the introduction of a brand extension as it initiates the process by which consumers start to associate the parent brand and the extension (Martin and Matta, 2005).

In companies with a large portfolio of brands, research shows that a small number of brands, which are market-leaders or have high annual sales, have a disproportionately favorable impact on the reputation of the company (Varadarajan et al., 2006). When managing brand portfolios, it is important to remove brands that can have a negative effect on the company's reputation, so that more resources are available to strengthen stronger brands.

3.3.4 Corporate and Brand Reputation

Brand reputation is becoming increasingly an important topic. Before it was mainly related to public relations and crisis management. Managers would act and work on the reputation only when it was needed. Nowadays corporate and brand reputation is crucial and should be managed strategically with a long-term mindset.

There are many interpretations in the literature of what corporate reputation really is. Barnett, Jermier and Lafferty (2006), stated that while researching for the various definitions of reputation they found three clusters of meaning: awareness, assessment and asset.

The first is mainly related to the perceptions of stakeholders about the company. The second one is related to judgment, meaning that the stakeholders would evaluate the reputation of the company, instead of just having a certain awareness about it. The third cluster of meaning is the definitions that view reputation as an asset to the company. In fact, Smith and Wang (2010) concluded that companies with higher reputation benefit from an average market value premium of $1.3 billion. A high reputation is also related with a better financial performance, as it will usually lead to a higher return on sales and return on assets. High reputation companies will

also have a lower cost of capital, since they experience less volatility in sales and net income, as well as more stable stock price (Smith and Wang, 2010). Companies that manage reputation strategically have a potential to differentiate themselves from the competitors in the industry and build a more favorable position among internal and external stakeholders.

Considering these clusters of meanings, the definition of corporate reputation can be desegregated into Corporate Identity, Corporate Image Corporate Reputation and Corporate Reputation Capital (Barnett, Jermier and Lafferty, 2006).

Corporate identity is the basic character of the firm (Melewar and Jenkins, 2002), which is influenced by the communication and visual identity of the company, its behavior (corporate, management, employees), the corporate culture and by the market conditions.

The corporate identity can be described as what the company really is, not what others think it is. The Corporate Image is the perception of others about the company. This is what people think when they think about the company or the brand. The brand expression and marketing communication tools can influence the corporate image.

Corporate Reputation is considered as the judgments that internal and external observers make about a company. These judgments and opinions are not only generated by the company expressions and communications but also by its actions and the consequences they have. This is why reputation takes a long time to build (to generate good feelings and beliefs in observers) but it can be destroyed very quickly with a bad decision. This is the Corporate Reputation Capital, which varies over time, and it is related to the value the reputation has to the company. Barnett, Jermier and Lafferty (2006) conclude that corporate reputation is "the observers' collective judgments of a corporation based on assessments of the financial, social, and environmental impacts attributed to the corporation over time".

Table 7

Synthesis Table of Corporate Reputation Related Concepts

Concept	Meaning
Corporate Identity	Basic character of the firm. Influenced by communication, visual identity, behavior, corporate culture and market conditions. What the company really is.
Corporate Image	Perceptions of others about the company. Influenced by brand expression and marketing communications.
Corporate Reputation	Judgments that internal and external observers make about the company. Influenced by company expressions, communications and its actions throughout time.

Source: The author (2012)

In order to manage reputation, we should also measure it. There are several ways to measure reputation from the financial performance of companies, views of external shareholders to the personification metaphor (Vinhas da Silva et al., 2001). There are two sides to the corporate reputation and both should be measured: the internal view (employees) and the external view (consumers). After considering this we must evaluate the feelings that both of these sides have regarding the company and how they affect the satisfaction and retention of employees as well as the satisfaction and loyalty of consumers.

When evaluating Corporate Reputation we must consider how the different stakeholders view our products and services; employee satisfaction; quality of external relationships with partners, suppliers, competitors and investors; company innovation; ability to create value; financial strength; strategy regarding reputation and the company's culture (Cravens et al., 2003).

The reputation of a company is also affected by its employees. For this reason it is important to have employees that are aware of its impact on the reputation. Helm (2011) showed that employees, who are proud of the company they work on, because they perceive it as having a favorable reputation, are more likely to be aware of their impact on its reputation.

Proud employees will have higher satisfaction, commitment and will be able to drive internal reputation building, transmitting to other employees and making them more aware. These prouder employees will be more willing to contribute in the workplace in ways that go beyond the specified job requirements (Helm, 2011).

3.3.5 Crisis Management

Crisis management is a topic that is very related with corporate reputations. When a crisis happens in a company it will, usually, affect its reputation. The way the crisis will affect the company's reputation is dictated by the actions that the company took before, during and after the crisis. Crisis can have a big impact because of the number of press mentions that they tend to generate. According to Coombs (2007), a crisis can be defined as "the perception of an unpredictable event that threatens important expectancies of stakeholders and can seriously impact an organization's performance and generate negative outcomes".

We can consider four types of crisis: accidents, product safety/health accidents, scandals (Marcus and Goodman, 1991) and employee-centered crisis (Wooten and James, 2008). Accidents are one-time events that occur unexpectedly. They usually have identifiable victims, which means that the organization can focus its containment strategies on those victims (Wooten and James, 2008). Product safety/health accidents are crisis related to product malfunction or containment. Scandals are usually the results of faults or misdeeds by the company and have a very negative impact on the company's reputation, since they are difficult to deny (Wooten and James, 2008). Employee-centered crisis usually happen because of faulty or poorly administrated human resources practices that result in perceptions of inequity or unfair treatment. (James and Wooten, 2006).

A crisis consists of five phases (Coombs, 2007):

1. **Signal Detection** - This is the stage when the company detects signals that could lead into a crisis. In this stage is fundamental to be able to get the answers as to how certain events came to be, what does it mean and what actions should the company start to take (Weick et al., 2005).

2. **Prevention and Preparation** - This is often disregarded by companies. In order for a crisis to be successfully managed, it is important to have already a plan prepared with guidelines that would help the managers to act quickly. This is difficult because the probability of a crisis happening is low and companies face a large number of more pressing concerns.

3. **Containment and Damages** - In this stage the crisis is already happening. The managers try to contain the crisis and minimize the damages, mainly through public relations or communication to its publics. The success of their actions will depend on the previous two stages and the work that was done before the crisis.

4. **Business Recovery** - After the crisis, it is time for the recovery. This means getting the company as soon as possible to their normal activities and performance. If the recovery stage is well managed, the company can even return stronger from the crisis.

5. **Learning and Reflection** - The last stage is regarding what the company and its managers should take back from the crisis that happened. This is a specially important stage, as it will influence the signal detection and prevention stages because after a crisis, companies are, generally, more aware of events that could escalate into a crisis and will try to prepare better for them.

The reputation of a company can protect it in the event of a crisis. This is called the halo effect. A strong reputation prior to the crisis may protect the organization from the damages the crisis will generate. According to Coombs and Holladay (2006), the halo effect could work in two situations. The first one is when the cause of the accident that leads to a crisis was human-error. The reputation may act as a shield in this case, because a good reputation will make stakeholders evaluate the situation as technical problem and not a human or organizational one. The second situation is when no cause is given for the accident. In this case, good reputation will work as benefit of the doubt and will protect the organization from some of the damages. Coombs and Holladay (2006) found support for the halo as shield and mixed results for the halo as benefit of the doubt. Companies with a higher prior reputation will affect the way stakeholders assess the accidents and the crisis. They will be more likely to view the situation like it was not the fault of the company or they will give the company the benefit of the doubt, when the cause is not clear (only for organizations with very favorable prior reputation).

According to the SCCT (Situational Crisis Communication Theory) (Coombs, 2007), crisis could be grouped into 3 clusters according to the degree of responsibility attributed to the company: victim cluster, accidental cluster and preventable cluster (Coombs, 2007).

The victim cluster consists of crisis in which the company itself is a victim, such as natural disasters, product tampering or workforce violence. These types of crises have a mild reputational threat since the responsibility is not often attributed to the company.

The accidental cluster refers to crises in which that company's actions leading to the crisis were unintentional. These consist of challenges by the stakeholders that the company is operating in an inappropriate manner, technical-error accidents (industrial accident) and technical-error product harm (product recall). There is a moderate reputational threat, as there is a minimal attribution of responsibility.

The preventable cluster includes crisis in which the company knowingly took inappropriate actions, placed people at risk and violated a law or regulation. Stakeholders will strongly attribute responsibility to the company and, as such, the reputational threat is severe in these cases. Preventable crisis include human-error accidents, human-error product harm, deceiving stakeholders, violation of laws/regulations and injury to stakeholders.

When facing a crisis, companies should be worried in protecting their already built reputation, through public relations and marketing communications.

The SCCT also considers several crisis response strategies that are divided between primary crisis response strategies, where the crisis manager tries to deny, diminish or rebuild the crisis situation, and secondary crisis response strategies, which consist of bolstering the company during the crisis (Coombs, 2007). Primary crisis response strategies consist of attacking the accuser, denying the crisis, blaming others outside of the company for the crisis, denying the ability to control the events that lead to the crisis, minimizing the damage caused by the crisis, compensating victims of the crisis and apologizing by taking full responsibility. Secondary crisis response strategies include telling stakeholders about past good works of the company, praising stakeholders and reminding stakeholders that the company is also a victim of the crisis. Each of these response strategies produces different effects. Depending on the crisis type, a certain response strategy should be implemented (Coombs, 2007). Deny strategies are more effective when the crisis belongs to the victim cluster, whereas

diminish strategies will be more useful on accidental crisis, and rebuild strategies should be used on preventable crisis.

Rebuild strategies are more positive for the reputation than diminish strategies and the more severe a crisis is perceived to be, the more it will affect negatively the reputation of the company (Claeys et al., 2010).

When considering post-crisis communication channels, research shows that there is little difference between choosing video or print media. Print media, however, seems to have a slightly more beneficial effect (Coombs, 2009). The fact that difference is not very significant means that companies should try and deliver post-crisis messages through a variety of media (print and video) in an effort to reach as many people as possible.

In a crisis situation it is important for public relations professionals to monitor how the media portrays the crisis to be able to predict how the different publics perceive the situation (Choi and Lin, 2009). Consumer generated media, such as posts on blogs and social media, should be used as effort to get more information to tailor crisis response strategies. This type of media spreads rapidly and can quickly damage reputation, while influencing consumer decision-making. It is important for the company to respond to these online messages and not only news from the mass media as it will facilitate consumers' positive perception of the company's social responsiveness and employee treatment, improving its reputation (Park and Lee, 2007).

3.3.6 Online Privacy and Security

Online privacy is getting more and more attention in today's world both b consumers and companies. Nowadays, there is a large number of websites in which to access all the contents it is mandatory to register. Sometimes only an e-mail and password is necessary; other times additional personal information like home address, telephone and name is also required. The problem is that users of these sites don't really know if their information is secure or not.

Several big companies like Google, Facebook or Apple have been having trouble because of online privacy. For example, it was found out that Apple stored

information about the location of its users on the iPhone, or the users of Facebook were unsatisfied because they could not hide certain information from others.

Internet users are becoming more concerned about the personal information they give to websites and its security from third-party access (Rapp et al., 2009). In fact, security is one of the most important attributes when considering online corporate brand image, second only to personalization (Vinhas da Silva and Alwi, 2008).

The Federal Trade Commission stated that the use of personal and financial data of someone else to commit fraud or theft is one of the fastest growing crimes in the United States. As a result, governments are also more aware regarding Internet security and are updating their laws to protect Internet users.

"Consumers look to both organizational policies and governmental regulations to safeguard their online privacy" (Lwin, et al., 2007). Companies should look at what internal and external resources they can use to safeguard their consumers' information.

For example, companies internally should work on their systems security, mainly by using standard and updated security software. They should communicate this to the consumer. Also, to improve the consumer's perception of security they can work with third-party authentication services like VeriSign and to abide by governmental rules.

Online companies should also try to have simple but comprehensive privacy notices. Consumers tend to read privacy notices to manage risk and to have more control over personal information (Milne and Culnan, 2004).

However, consumers won't read the notices if they are too exhaustive and hard to understand. Unfortunately, that is the case most of the times, since most companies do it to comply with regulations and not be informative to their consumers.

Research shows (Yang et al., 2009) that if online users have some concern about the privacy of the information they disclose, they are significantly less willing to give information but they are more willing to find ways to protect their personal and financial information. There is not however a significant impact of privacy concerns on the transaction intention. What this means is that when users have the intention to purchase a product online, the fact that the site seems insecure to them will not affect their intention to purchase the product. Most likely they will search for alternative more secure websites that offer the same product or will make the purchase in a physical store. Also, the more sensitive the information is, the less likely

it will be for the consumers to disclose it and to make a purchase in an online environment. Again, they will be more likely to protect their information if it is more sensitive. Compensating the consumer for providing information will have a negative effect if the information is sensitive and it does not have a significant effect on privacy concert and the intention to make the transaction (Yang et al., 2009). It is possible to conclude that it is best to ask for less sensitive information and compensation should only be used when the information is not too sensitive.

Privacy concerns play an important role on online retailers. Eastlick et al. (2006) concluded that lower privacy concerns would lead to greater trust. Misusing personal information will increase privacy concerns and as a result decrease trust and commitment, affecting negatively the consumer's relationship with the online retailer in the long run. Consumers may also decide not to purchase online just because of their concerns about the collection and use of personal information. Consumers often weight the problems of providing personal information against the value of being registered on the website (Rapp et al., 2009). The online purchasing intent will be greater if there are less privacy concerns.

Because of this, managers should try to lower privacy concerns as much as possible, using seals of approvable form unbiased and credible third parties and educating consumers on the benefits of information sharing (Eastlick et al., 2006).

The company's reputation is also important in an online context, as a more favorable reputation will lead to higher trust and less privacy concerns. If in the beginning of its activity, the online retailer doesn't have an established reputation, then building one should be one of its top objectives (Eastlick et al., 2006).

Prior offline image of multi-channel retailers building their online brand will have a halo effect on consumers, biasing their perceptions of the retailer's attributes and attitudes, affecting the perceived risk and loyalty. This doesn't mean, however, that the performance of the website itself won't influence consumer loyalty and perceived risk (Kwon and Lennon, 2009).

Research also determined that security breaches of private consumer information could have a significant impact on the financial performance of the company because of its negative effect on its reputation and the possibility of governmental sanctions (Goel and Shawky, 2009).

Figure 19

Synthesis Figure of Literature Review
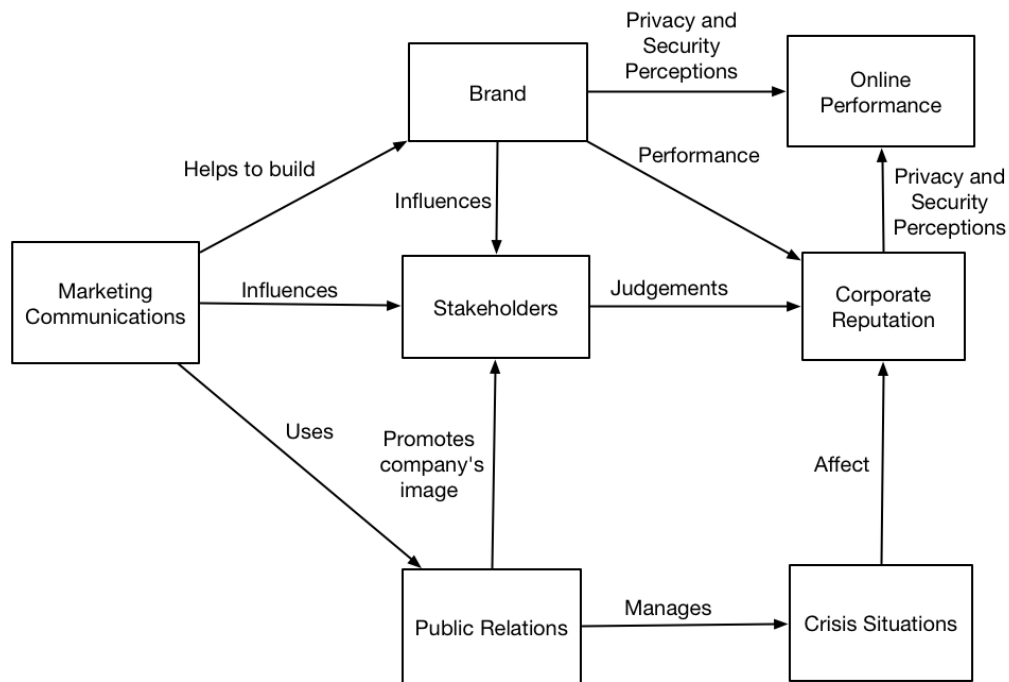
Source: The author (2012)

Companies use marketing communications to build brands and also to influence stakeholder's opinions. One of the marketing communications tools is Public Relations, which is used to promote the company's image to the stakeholders and also manages crisis situations that the company may encounter. The way a brand operates in the market will also influence the stakeholder's opinions of the company.

The reputation of the company will be affected by the brand performance in the market, the judgments that stakeholders make about the company and also the way the company faces crisis situations.

The brand's actions on the market and the reputation of the company will then form perceptions about the security of using the company's online services. The online performance of the company will be related to the privacy and security perceptions of the consumers. If they have less privacy concerns, then they will be more likely to share information and conduct online business with the company.

3.4 Analysis Tools

The analysis of this case study should take into account quantitative and qualitative elements. They complement each other and together should be able to provide the target audience all the tools needed to solve the problems proposed by this case study.

The quantitative analysis of this case study should be based on the following information:

- Hardware market share of each of the consoles in the home console and handheld markets, both worldwide and in the US (2011).
- Hardware sales evolution in volume for the total market, both worldwide and in the US (from 2008 to 2011).
- Hardware sales evolution in volume for each of the available game consoles, both worldwide and in the US (from 2008 to 2011).
- Hardware sales evolution in volume for each of the suppliers, both worldwide and in the US (from 2008 to 2011).
- Software market share of each of the consoles in the home console and handheld markets, both worldwide and in the US (2011).
- Software tie-ratio for each of the available game consoles, both worldwide and in the US (2011).
- Software sales by rating in the US (2010).
- Software sales by genre in the US (2010).
- Percentage of DLC purchasers (2009, 2010, 2011).

As for the qualitative analysis, it should be based on this information:

- Characterization of the videogames market.
- Characterization of each of the market players: Sony, Nintendo and Microsoft. This includes their STP strategy, position on the market, products and services offered, and communication strategies. The target audience is asked to do a SWOT analysis, which will help to better identify the strengths and

weaknesses of each of the players, as well as the opportunities and threats existing on the market.

- Industry trends.

- Video game consumer characterization and demographics, including behaviors and preferences of each type of gamers, and buying process.

- Consumers' opinions regarding the Playstation Network data breach.

- Description of the Playstation Network crisis, including events before, during and after the data breach.

3.5 Animation Plan

Session	Objectives	Means	Time
1st Session	- Case study presentation. - Raise students interest to the case study theme. - Introduction to crisis management. - Introduction to the video games market.	- Hand out the case study to the students. - Summary of the case study by the professor. - Brief explanation of the existing types of crisis and phases of a crisis, as well as the tools public relations has to manage them. - Characterization of the video games market, including the main players.	90 min.
Out of the Session	- Know the case study. - Resolution of the first question.	- Individual reading and diagnosis of the case study. - Analysis of the market and its players. - SWOT analysis.	75 min.
2nd Session	- Case study comprehension. - Divide the students into work groups. - Resolution of the questions related to the crisis (2, 3 and 4).	- Brief discussion about the market and SWOT analysis. - Explanation of the crisis events. - Discussion regarding the answers to the questions.	90 min.
Out of the Session	- Resolution of questions 5, 6 and 7.	- Analysis of the cases study information in groups. - Resolution of questions 5, 6 and 7. - Prepare PowerPoint presentation.	180 min.
3rd Session	- Presentation of the resolution of the case study by each group. - Main conclusions of the case study.	- 15 min. PowerPoint presentations. - Evaluation of the presentations by the professor and the students.	90 min.

3.6 Animation Questions

1. What's the importance of public relations and crisis management for today's companies?

2. What do you think of the trend in the market to move from physical products to digital ones? What consequences can this bring to the video games market?

3. Do you think that today's Internet environment is safe for consumers and users?

4. In your opinion, what are the critical success factors that companies need to have in order to stay competitive in the video games market?

5. What part/question of this case study did you find more challenging?

6. What other questions or information would you add to this case study?

3.7 Case Study Resolution

Question 1: Do a SWOT analysis of the 3 main players in the video games market, identifying the strengths and weaknesses of each player, as well as the opportunities and threats of the market. How does the Playstation brand stand against its competitors, considering the US market?

Sony

Strengths	Weaknesses
• Strong exclusive content for their platforms, with a strong first-party development and a strong third-party support.	• The Playstation 3 has the lowest market share (in volume) of the 3 home consoles.
• Free online service available for their software platforms.	• The PSP is dominated by the Nintendo DS in the handheld market.
• Multi-functionality of their consoles.	• High RSP of their consoles.
• The Playstation 3 has the highest software tie-ratio in the US.	• The Playstation 3 and PSP have the lowest software market share (in volume).
• The superior technology of the Playstation 3 when compared to other competitors' prepositions.	• Their online platform (Playstation Network) is still not profitable.
	• Security flaws of the Playstation Network.

Microsoft

Strengths	Weaknesses
• Very strong presence in the US market (36% of hardware market share in volume). • The Xbox 360 shows the highest growth in sales volume, especially in the US. • Highest software tie-ratio worldwide. • Very good online service (Xbox Live), especially because of the integration it offers. • Variety of the online content available on the Xbox 360.	• Worldwide presence not as strong as in the US (29,2% of hardware market share in volume), with a very poor presence in Japan (7,2% of hardware market share in volume). • No gaming dedicated handheld platform. • Users have to pay to play online. • Weaker first-party development. • Low number of exclusive software.

Nintendo

Strengths	Weaknesses
• Worldwide market leader in the home console and handheld markets (43% of hardware market share in volume for home consoles and 67,4% for handhelds). • Worldwide market leader in the software market (40,8% of software market share in volume for home consoles and 73,6% for handhelds). • Nintendo has the most innovative image in the industry. • Broader target market, as their hardware is promoted for people of all ages. • Strong first-party development. • Nostalgic value of their characters	• Lowest software tie-ratio on the home console market. • Nintendo shows the biggest drop in sales volume from 2008 to 2011. • Complicated and featureless online service. • Weakest graphical quality and functionality of the hardware (Wii).

Market

Opportunities	Threats
• More and more people are playing games, as experiences for all ages are offered. • Consumers dedicate more time to home-living. • Increase of gaming as a social experience. • Growth of digital content sales. • Increase of innovative independent development teams. • Opportunity to upgrade hardware functionality as technology progresses.	• Decreasing sales of the total market, as the limit of the installed user base is close to being reached (worldwide yearly sales drop about 35% from 2008 to 2011). • Development of other gaming platforms, such as smartphones or internet browsers. • Nowadays, consumers have a wide variety of entertainment available at all times (smartphones, tablets) • Gaming consoles are fairly expensive product, which can be a barrier for purchase due to the current economic crisis.

We can make the following conclusions about Playstation's position in the US market.

- The PlayStation 3 has the lowest market share in the Home Consoles market with 21,7% followed by the Xbox 360 with 36,1%. The Nintendo Wii is the leader with 42,2% (in Volume).

- In the US handheld market, the Nintendo DS is the market leader with 72,3%. Sony's Playstation Portable represents 27,7% of the market (in Volume).

- The Playstation 3 sales evolution in the US shows a slight increase in sales, from 2008 to 2011 of about 1 million units. The sales of the Xbox 360 show a bigger increase than those of the Playstation 3, especially from 2009 to 2010, when sales increased by almost 2,4 million units. Nintendo's home console, on the other hand, shows a steady decrease in sales volume from 2008 to 2011, showing a decrease of almost 5 million units in this time period.

- The Playstation 3 is the most expensive in the market. However, it also has more advanced technology than the others, such as Blu-Ray support. The Nintendo Wii is the least expensive of the 3 and has the lowest graphical quality.

- Sony and with Nintendo have the strongest first-party development, while Sony has the stronger third-party support. However, PlayStation 3 and PSP have the lowest software sales.

- The Playstation 3 has a strong online service that allows players to play online or free. However, the Xbox Live service is considered stronger and has a great variety of digital content but does not offer free online play. Nintendo's service is considered complicated and offers little more than online play (free).

- The Playstation 3 has the highest software tie-ratio on the US, while the Nintendo Wii has the lowest.

Question 2: Considering the SCCT (Situational Crisis Communication Theory) (Coombs, 2007), identify the type of crisis cluster the Playstation Network breach belongs to. Please justify.

The SCCT considers that a crisis can be grouped into 3 types of clusters: victim cluster, accidental cluster and preventable cluster. The main difference between these clusters is the degree of responsibility that stakeholders attribute to the company.

The Playstation Network breach crisis belongs to the accidental cluster. This cluster refers to crisis in which the company's actions that led to the crisis were unintentional.

On the Playstation Network breach, Sony was a victim of an external attack. However, it was not the attack itself that caused the crisis, but Sony's actions after it, as a big part of the consumers considered that Sony didn't act in the most appropriate manner. These actions by Sony were not intentional and were a result of Sony not being prepared for an attack on the Playstation Network. Also, Sony's actions before the crisis, such as removing features from the Playstation 3 console and suing hackers may have indirectly caused the attack.

Question 3: A crisis consists of five phases:

1. **Signal detection**
2. **Prevention and preparation**
3. **Containment and damages**
4. **Business recovery;**
5. **Learning and reflection**

Considering the first 4 stages, what happened in each stage on the Playstation Network crisis? What actions did Sony take in each stage? Please make a table with two columns, one with the events and the other with Sony's actions.

Stage	Events	Sony's Actions
Signal Detection	• Sony removes "OtherOS" function, making the console a target for hackers. • "Fail0verflow" claims to have cracked the Playstation 3 security. • George Hotz jailbreaks the Playtstaion 3 and publishes the necessary files. • "Anonymous" threatens Sony with a message and starts "denial of service" attacks on Sony's websites. • "Anonymous" releases a video protesting against Sony and indicating a new wave of attacks.	• Sony sues members of "fail0verflow", George Hotz and other hackers. • Sony settles with George Hotz. He agrees to not distribute the tools for Jailbreaking the Playstation 3.
Prevention and Preparation		• Sony doesn't seem to be prepared for an eventual crisis situation (no plan, no specific crisis team).
Containment and Damages	• Hackers successfully break into Playstation Network and were able to get personal data from 77 million users.	• Sony detects the breach 3 days later but doesn't release any information to the public. • Sony closes Playstation Network one day after detecting the breach, without disclosing the cause to the users.

Stage	Events	Sony's Actions
Containment and Damages	• Users realize that something is wrong after Sony issued a statement that the Playstation Network outage was due to an external intrusion. • The group "Anonymous" denies any involvement on the attack. • Consumers show discontentment because of the time delay and their trust was compromised because third parties had been able to obtain their personal information. • On the day of the apology, Sony and private investigators discover another data breach on the Sony Online Entertainment breach. • The Subcommittee on Commerce, Manufacturing and Trade of the US Congress releases an inquiry into the breach of the Playstation Network to find out how it happened and what Sony would do to compensate the consumers. • The group "Anonymous" denies again any involvement after investigators found a file on the servers with the group's motto.	• Sony releases a statement saying that the outage would continue for more time, as they were rebuilding the system and strengthening the network infrastructure. • Ten days after the attack, Sony confirms that personal information stored on the Playstation Network servers had been compromised. • Sony responded to consumers by saying that there was a difference in timing between the identification of the intrusion and when they learned that personal data had been obtained. • Sony requests help from the FBI. • Sony apologizes for the Playstation Network data breach and announces the "Welcome Back" program. • Sony shuts down the Sony Online Entertainment servers after finding out about the breach and alerts the public the next day, stating what kind of information had been obtained. • Sony responds to the US Congress with a letter stating the process that they used to find out what had happened and that they would take responsibility and provide information to the consumers. Sony was also in the process of improving the security of their servers. • Sony claims that the earlier attacks by "Anonymous" had weakened the network and could have possibly made the attack possible. • Sony states that the Playstation Network is on the final stages of testing and would be restored shortly.

Stage	Events	Sony's Actions
Business Recovery	• The Playstation Network goes online in Europe and America, with some of the features. The Playstation Store would only go online about a month later. • A month later the Playstation Network is fully restored in every region with Japan being the last one. • The Playstation Network Breach leads to a class action lawsuit.	• Sony states that the network had gone online with security enhancements. • Sony apologizes at the E3 press conference. • Sony unveils the Sony Entertainment Network. • Sony announces that the Playstation Network is now more secure than ever, with 3 million new users and better sales numbers. • Sony names Philip Teitinger as Chief Information Security Officer. • Sony changes the TOS of the Playstation Network to prevent class action lawsuits.

Question 4: What alternative actions would you propose in each stage, in order for Sony to have managed the crisis more effectively? In the Learning and Reflection stage, state what do you think Sony and its managers should take back from this crisis.

Signal Detection:

In this stage, Sony should have tried to understand first why the hackers were taking those actions and to be able to plan their course of action. With that in mind, Sony should have taken these actions in the Signal detection Stage:

- **Make the removal of "OtherOS" an option:** Allegedly, Sony removed the "OtherOS" option for security reasons. However, about one year later, hackers were able to crack the Playstation 3 security. As such, removing the "OtherOS option doesn't seem to have had a significant effect on the Playstation 3 security. Instead, with this action, Sony managed to upset consumers and the hacker community. Sony should have taken a different approach by removing the option only in new consoles and issuing an update that instead of just removing the feature, it would prompt users if they wanted to remove or keep

it. By taking this course of action, it is very likely that Sony would not have upset the consumers or the hackers.

- **Try to contact and work with the hackers:** When the group "fail0verflow" and George Hotz were able to crack the Playstation 3 security, Sony should have reached out to them, instead of suing them a few weeks after. It would have been much better for Sony contacting the hackers to find out their intentions and possibly invite them to work for Sony to strengthen the Playstation 3 security. This could have avoided further attacks by the hacking community and opening the Playstation 3 for piracy. Suing them should have been the last resort option and not the first.

- **Comment on "Anonymous" messages and try to contact them:** The group "Anonymous" could have been the one responsible for the Playstation Network breach. As such, Sony ignoring their messages and not trying to contact them may not have been the best options. Sony should have tried to contact the group to find out their intentions and released a public statement saying what they intended to do regarding the group's threats. This would make it easier for the general public to side with Sony.

- **Release tools from homebrew development:** The main reason hackers try to crack a gaming console's security is to be able to run unsigned code and develop games and applications for the console. Sony could have released public tools for developing games and applications for the Playstation 3 and maybe even offer a distribution platform for these applications, such as the AppStore from Apple. The applications and games could be free or paid. Sony would receive a percentage of the sales of the paid ones. This would not only extend greatly the software catalog for the Playstation at a low cost for Sony, but would discourage any hackers and groups like "Anonymous" to protest against Sony.

Prevention and Preparation:

The prevention and preparation stage seems to have been disregarded by Sony, as they were clearly not prepared for what happened.

- **Make a plan with guidelines, in case of crisis:** This plan should have started to be made as soon as Sony decided to remove the "OtherOS" option as

negative reactions by the consumers and the hacker communities were easy to predict. Also, since Sony removed the option for security reasons, it would have been important to have a plan already made, in case hackers are able to crack the Playstation 3 security. This plan becomes even more crucial after the threats by "Anonymous" and their "denial of service" attacks. If Sony had given more importance to the group, it would have been easier for them to prepare for the worst-case scenario, which was what happened. With a plan, Sony would have been able to react quicker to the attack, minimizing the damage to its reputation.

- **After the plan, prepare for an attack:** After making a plan with the actions to take in case of an attack, Sony should start preparing. This preparation should have included a security check on all Sony's servers and hiring security specialist, in case the hackers make an attempt. By being prepared, Sony could have prevented the attack and the negative consequences it brought to the company.

Containment and Damages:

Sony didn't manage the previous two stages in the most effective manner. As such, their actions while the crisis was occurring were less than optimal.

- **Do not hide or delay information to the consumer:** There may have been a time delay between the identification of the intrusion and when Sony found out that personal data had been obtained. However, Sony should have been clearer to consumers about this. As soon as the intrusion had been identified and the Playstation Network closed, Sony should have informed consumers of what it knew at that point, not only by sending press releases to specialized media but also by sending e-mails to registered users. As the situation developed and Sony acquired more information about what was happening, this type of communication should have continued, so that the media and the Playstation Network users were always kept informed of the current situation. This would prove very beneficial for Sony and would have greatly reduced the discontentment showed by the users.

- **Shut down all servers with connections to the Playstation Network:** Doing this would have prevented the additional data breach on Sony Online

Entertainment servers and further reputational damage would have been prevented.

- **Use diminish and rebuild crisis response strategies:** Sony used a rebuild crisis response strategy by offering the "Welcome Back" pack and the Identity Theft Protection Program. Even though diminish strategies are not as beneficial to reputation as rebuild strategies; they are proven to be very effective in crisis belonging to the accidental cluster. This means that Sony should have tried to diminish the importance of the crisis in a credible way. For example, they could make a case by saying that other similar situations have not affected users in a significant way, while working with the media to try and portrait that perception.

Business Recovery:

This stage was the most successfully managed stage of this crisis. This is shown by the positive recovery made by the Playstation Network after crisis events. Still, some actions would have made the recovery even better.

- **Compensate developers affected by the outage:** This is a very important action, as the developers support is crucial for the success of the Playstation Network. The compensation could be in the form of a discount over Sony's royalties, a special highlight on the store for the developer's games or feature the developer's games on Playstation Plus offers. In fact, all of the games that missed their expected launch dates because of the outage should have been put in a special section on the store for at least a month after the Playstation Network had returned.

- **Communication campaign about Playstation Network increased security:** A dedicated communication campaign would have much more impact than a few statements made by Sony's executives and would restore the consumer's trust more easily. It should be mainly based on public relations, as well as direct marketing. Mass marketing campaigns are not advisable, as it would increase the scope of the crisis.

Learning and Reflection:

The last stage of a crisis is the learning and reflection stage. This stage is about what the company and its managers can take back from the crisis situations. It will also greatly influence the signal detection and prevention stages of the following crisis. Sony and its managers should have taken from the Playstation Network crisis, the following:

- **Detecting signals and preparing for and eventual crisis is extremely important:** This is probably the most important thing Sony learned from the Playstation Network crisis and it will certainly be helpful in future crisis the company may face. In the best case scenario the first two stages may prevent the crisis completely. If the crisis is not prevented, then having a plan will ensure a proper management and better outcome for the company and its reputation with the consumers.

- **Think about the consequences of certain actions:** As a big multinational corporation, Sony's actions may have big consequences on millions of people and can also have a negative impact on the whole company. Because of this, each action must be carefully thought and thoroughly analyzed. Sony clearly did not do this when it decided to remove the "Other OS" option or when it decided to go after the hackers.

- **Share information with the consumers:** Sony failed at this part during this crisis as it tried to hide the information for a while, until it was forced to release it. This should never be done and the sooner the victimized consumer is fully aware of the situation, the better. The company should also try to comfort the consumers and show them that it is there to solve the situation.

- **Consumers' private information should be very well protected:** Consumers give information to companies all the time, especially online. It is very important to companies to realize that private information is very valuable for the consumers and should make everything to ensure it is protected by having updated security software on their servers and doing security checks regularly.

- **Public relations are very important in a crisis situation:** In a crisis situation it is especially important to have a competent public relations management

team. Public relations will deal with any communication with the company's stakeholders, being the consumer, shareholders or the press. The way these communications are managed will shape the opinions of the different publics about the crisis and greatly influence its outcome.

Question 5: How would you increase the PlayStation Network profitability? Think about actions that will bring more users, more usage and more benefits. Include in your answer the actions you would do and their specific objectives.

These would be the actions that we would use to improve the profitability of the Playstation Network by bringing more users, more usage or more benefits to its users:

More users:

- **Include a $20 prepaid card on new Playstation 3 consoles:** Including a $20 prepaid Playstation Network card, would certainly increase the number of registered users. Also, it would allow new users to get familiarized with Playstation Store and could create the habit of shopping for games and download online content.
- **Communication campaign:** A communication campaign explaining the benefits of being registered on Playstation Network would be an effective way to bring more users. This campaign would be concentrated on mass media (TV, print and outdoor advertising) to reach everyone with a Playstation console that can connect to the Playstation Network. Besides bringing more users, this communication campaign would also have the objective of increasing the consumer database, so that Sony can communicate with its consumers more effectively.

More usage:

- **More promotions on the Playstation Store:** Even though there are usually promotions available on the Playstation Store, especially for Playstation Plus members, this is an area that can be improved. There could be a promotion of day/week, where a game would be featured and discounted for a day/week.

These discounts would be available for all users, with Playstation Plus users getting an additional discount from 5% to 10%. Another type of promotions would be the seasonal ones, where, several games would be discounted for a period of time in a season, for example on christmas or summer. These promotions would increase the usage of the network and the sales of the store, as users would be more tempted to visit the store more often to check the valuable promotions.

- **More free-to-play games:** Not only these games can be very profitable but this action would increase the usage of the Playstation Network. The Playstation Store only has one free-to-play game available, DC Online Universe, which saw a significant increase in its user base after the change to free-to-play, which means that users are more willing to play these games, as the there is no cost barrier. In order for these games to be profitable for the network, Sony would have to ensure that users can buy additional content very easily or get companies to advertise on the games.

- **Extend the Playstation Store to other devices:** The Playstation Store nowadays is available on Playstation consoles, such as the Playstation 3, Playstation Portable and Playstation Vita. It would be beneficial for Sony to make the Playstation Store available on other devices, such Sony's tablets and cellphones, with Playstation content created specifically for those devices, such as Playstation 1 games. Users could also make purchases and program downloads for their Playstation 3 while on the go.

More benefits:

- **More exclusive content:** Having more exclusive content in the store would add value to the network. This content would consist of exclusive games available only on the Playstation Store but also of shows, like "The Tester", as with this type of shows users keep checking the store looking for new episodes. Sony could also extend the content of the store by releasing the homebrew development tools discussed on question 4.

- **Exclusive Online Limited Editions:** Offer through the Playstation Store exclusive limited editions of Playstation software titles. These editions would include exclusive content not available at retail and could include exclusive

free downloadable content, game soundtrack or making-of videos. When purchasing games through the Playstation Stores, consumers have the disadvantage of not getting a physical product and having to wait for the download to complete. This action would make consumers more willing to buy games from the Playstation Store, as they would offer content not available anywhere else. It would also be beneficial for Sony, as the cost of providing a digital product is less than the cost of a physical product.

- **Cloud gaming:** Offering cloud gaming on the Playstation Network would be a great benefit to its users. It could be used to try out games without having to download anything and without having to wait. It could also be used for users to access their Playstation 3 on other devices, such as the Playstation Vita or cellphones. Users could continue playing their Playstation 3 games and buy content even when outside. This feature would be initially available only to Playstation Plus members.

Question 6: Since Playstation Network breach, Sony has been making an effort to make the network more secure. Develop a communication campaign for the Playstation Network to communicate this message to the consumers. State the actions, their objectives and the targets. Use at least one public relations action.

1. Newsletter

Target	All registered Playstation Network users.
Objectives	• Explain to all registered users the changes made to security. • Reinforce Sony's position about private information. • Inform users about good practices regarding information sharing.
Description	In this action Sony would send to consumers a newsletter, briefly explaining the changes made to security, such as advanced security technology, increased levels of encryption, additional firewalls and early warning systems to detect breaches. Sony would also use this newsletter to assure consumers that their information is well protected and give advice about good practices regarding sharing private information online, to show consumers that Sony cares about them.

2. Playstation Store Ad

Target	Playstation Store users.
Objectives	• Promote Playstation Network security in an online shopping environment.
Description	On the home page of the Playstation Store, there would be an ad saying: "Playstation Network is back and it's better than ever!". Users could click on the ad, which would take them to a page where they watch a short video about the security technology on the Playstation Network and new available features. On this page, users would also be able to download the "Welcome Back" content and download videos and demos about future PlayStation Network releases.

3. Playstation Network E3 Booth

Target	Members of the press and developers attending E3.
Objectives	• Elucidate the press and developers about the enhancements made to the Playstation Network security. • Generate good news about the Playstation Network security on the media.
Description	During E3 2011, Sony would make a booth dedicated to the Playstation Network. Playstation Network managers as well as the person in charge of security would be there. This booth would be mainly used to inform press members and developers about changes made to the network's security, as well as new future features. This would be a good way for press members to find out more about what happened during the attack and get a better sense of Sony's improvements to the network. Press members would also receive a handout, so that they can better transmit specific information to the final consumer. Developers could also visit the booth to get information about Playstation Network security, as well as finding out more about Sony's compensation program for those affected.

4. Press Release

Target	Specialized news media.
Objectives	• Inform press and specialized media that weren't able to attend E3 or the Playstation Network booth about the enhancements made to the Playstation Network security. • Generate good news about the Playstation Network security on the media.
Description	Sony would send by e-mail or fax to all specialized news media a press release with similar information to the handout given at the Playstation Network E3 booth, so that all media has access to information regarding the enhancements made to the Playstation Network security. The press release should also include a contact that press members can use to get further information.

Question 7: Apart from the communication campaign, what actions would you propose to decrease privacy concerns and increase consumers' trust on the Playstation Network? Think about the privacy concerns that consumers might have when shopping on the Playstation Store and how would you change it, so that those concerns decrease.

Decreasing privacy concerns and increasing consumers' trust will increase consumers' usage of Playstation Network and increase the sales of the Playstation Store. We propose the following actions to achieve those objectives:

- **Provide alternative payment methods:** Playstation Network users can only pay when shopping on the Playstation Store by credit card or by using prepaid cards ($20 or $50) available on retailers. Therefore, users that are more concerned about giving credit card information can only pay with the prepaid cards. These prepaid cards can be useful in certain situations (for example, to give as a gift) but are not the most practical method. A good solution would be to offer other alternative payment methods, such as PayPal (also available on Xbox Live) or Moneybookers. These services are very used in the US and

would make the payment experience easier for those with privacy concerns, as they don't have to provide credit card information. It would also be a faster experience, as only the account information for the service is needed (usually e-mail and password).

- **Ask for less information during registration:** Upon registration, users should only be required to enter the desired username, password and e-mail. Further information is not necessary to Sony and users should only provide it if they want to. Optional information would include the name, address and birthdate. This would make the registration process easier and quicker, while decreasing privacy concerns, as the level of private information shared would be lower. However, in case consumers wish to ad credit card information, they would have to provide the name, address and birthdate.

- **Third-party certification:** This would be another action that would decrease consumers' privacy concerns and increase their trust in Sony. Sony should hire an independent company, such as VeriSign, to certify the security protocols of the Playstation Network and its store. After finishing the certification, Sony would put a small logo on the corner of the logging in screen, on the home page of the store and when paying stating: "Certified by:". Consumers would then be less worried about using and making transactions on the network, as it would be certified by a credible identity.

- **Simplify TOS:** Most users accept the terms of service without reading them or having any idea of what they say. Alongside the complete version, Sony should provide a simplified TOS version with the most important points that any user should know. Anytime the TOS is altered, users should be notified with a simple explanation. This action would make Sony seem more transparent when it comes to their policies and, as such, it would decrease privacy concerns.

3.8 Resolution Slides

Slide (title)

PLAYSTATION NETWORK CASE STUDY

Brand Reputation and Crisis Management

Slide 1

Index

- Question 1: SWOT
- Question 1: Market Position
- Question 2: Crisis Type
- Question 3: Crisis Phases
- Question 4: Alternative Actions
- Question 5: Network Profitability
- Question 6: Communication Campaign
- Question 7: Privacy Concerns

Slide 2

SWOT
Sony

Strengths	Weaknesses
• Strong exclusive content for their platforms, with a strong first-party development and a strong third-party support.	• The PS3 has the lowest market share (in volume) of the 3 home consoles.
• Free online service available for their software platforms.	• The PSP is dominated by the Nintendo DS in the handheld market.
• Multi-functionality of their consoles.	• High RSP of their consoles.
• The PS3 has the highest software tie-ratio in the US.	• The PS3 and PSP have the lowest software market share (in volume).
• The superior technology of the PS3 when compared to other competitors' prepositions.	• Their online platform (Playstation Network) is still not profitable.
	• Security flaws of the PSN.

Slide 3

SWOT
Microsoft

Strengths	Weaknesses
• Very strong presence in the US market (36% of hardware market share in volume).	• Worldwide presence not as strong as in the US (29,2% of hardware market share in volume), with a very poor presence in Japan (7,2% of hardware market share in volume).
• The Xbox 360 shows the highest growth in sales volume, especially in the US.	• No gaming dedicated handheld platform.
• Highest software tie-ratio worldwide.	• Users have to pay to play online.
• Very good online service (Xbox Live), especially because of the integration it offers.	• Weaker first-party development.
• Variety of the online content available on the Xbox 360.	• Low number of exclusive software.

Slide 4

SWOT
Nintendo

Strengths	Weaknesses
• Worldwide market leader in the home console and handheld markets (43% of hardware market share in volume for home consoles and 67,4% for handhelds).	• Lowest software tie-ratio on the home console market.
• Worldwide market leader in the software market (40,8% of software market share in volume for home consoles and 73,6% for handhelds).	• Nintendo shows the biggest drop in sales volume from 2008 to 2011.
• Nintendo has the most innovative image in the industry.	• Complicated and featureless online service.
• Broader target market, as their hardware is promoted for people of all ages.	• Weakest graphical quality and functionality of the hardware (Wii).
• Strong first-party development.	
• Nostalgic value of their characters.	

Slide 5

SWOT
Market

Opportunities	Threats
• More and more people are playing games, as experiences for all ages are offered.	• Decreasing sales of the total market, as the limit of the installed user base is close to being reached (worldwide yearly sales drop about 35% from 2008 to 2011).
• Consumers dedicate more time to home-living.	• Development of other gaming platforms, such as smartphones or internet browsers.
• Increase of gaming as a social experience.	• Nowadays, consumers have a wide variety of entertainment available at all times (smartphones, tablets).
• Growth of digital content sales.	• Gaming consoles are fairly expensive product, which can be a barrier for purchase due to the current economic crisis.
• Increase of innovative independent development teams.	
• Opportunity to upgrade hardware functionality as technology progresses.	

Market Position

(Slide 6)

- The PlayStation 3 has the lowest market share in the Home Consoles market with 21,7% followed by the Xbox 360 with 36,1%. The Nintendo Wii is the leader with 42,2% (in Volume) .

- In the US handheld market, the Nintendo DS is the market leader with 72,3%. Sony's Playstation Portable represents 27,7% of the market (in Volume).

- The Playstation 3 sales evolution in the US shows a slight increase in sales, from 2008 to 2011 of about 1 million units. The sales of the Xbox 360 show a bigger increase than those of the Playstation 3, especially from 2009 to 2010, when sales increased by almost 2,4 million units. Nintendo's home console, on the other hand, shows a steady decrease in sales volume from 2008 to 2011, showing a decrease of almost 5 million units in this time period.

Market Position

(Slide 7)

- The Playstation 3 is the most expensive in the market. However, it also has more advanced technology than the others, such as Blu-Ray support. The Nintendo Wii is the least expensive of the 3 and has the lowest graphical quality.

- Sony and with Nintendo have the strongest first-party development, while Sony has the stronger third-party support. However, PlayStation 3 and PSP have the lowest software sales.

- The Playstation 3 has a strong online service that allows players to play online or free. However, the Xbox Live service is considered stronger and has a great variety of digital content but does not offer free online play. Nintendo's service is considered complicated and offers little more than online play (free).

- The Playstation 3 has the highest software tie-ratio on the US, while the Nintendo Wii has the lowest.

Crisis Type

(Slide 8)

Victim Cluster	Preventable Cluster
Accidental Cluster	

Sony's actions leading to the crisis were unintentional.

Crisis Phases

(Slide 9)

Signal Detection

1.Signal Detection	2.Prevention and Preparation
3.Containment and Damages	4.Business Recovery

Events	Sony's Actions
• Sony removes "OtherOS" function, making the console a target for hackers.	• Sony sues members of "fail0verflow", George Hotz and other hackers.
• "Fail0verflow" claims to have cracked the PS3 security.	• Sony settles with George Hotz. He agrees to not distribute the tools for jailbreaking the Playstation 3.
• George Hotz jailbreaks the PS3 and publishes the necessary files.	
• "Anonymous" threatens Sony with a message and starts "denial of service" attacks on Sony's websites.	
• "Anonymous" releases a video protesting against Sony and indicating a new wave of attacks.	

Crisis Phases

(Slide 10)

Prevention and Preparation

1.Signal Detection	2.Prevention and Preparation
3.Containment and Damages	4.Business Recovery

Sony doesn't seem to be prepared for an eventual crisis situation.

No crisis plan. No crisis managers.

Crisis Phases

(Slide 11)

Containment and Damages

1.Signal Detection	2.Prevention and Preparation
3.Containment and Damages	4.Business Recovery

Events	Sony's Actions
• Hackers successfully break into the PSN and were able to get personal data from 77 million users.	• Sony detects the breach 3 days later but doesn't release any information to the public.
• The users realize that something is wrong after Sony issued a statement that the PSN outage was due to an external intrusion.	• Sony closes the PSN one day after detecting the breach, without disclosing the cause to the users.
• The group "Anonymous" denies any involvement on the attack.	• Sony releases a statement saying that the outage would continue for more time.
• Consumers show discontentment because of the time delay and their trust was compromised because third parties had been able to obtain their personal information.	• Ten days after the attack, Sony confirms that personal information had been compromised.

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Crisis Phases
Containment and Damages

1.Signal Detection	2.Prevention and Preparation
3.Containment and Damages	4.Business Recovery

Events	Sony's Actions
• On the day of the apology, Sony and private investigators discover another data breach on the Sony Online Entertainment breach. • The Subcommittee on Commerce, Manufacturing and Trade of the US Congress releases an inquiry into the breach of the PSN • The group "Anonymous" denies again any involvement after investigators found a file on the servers with the group's motto.	• Sony says that there was a difference in timing between the identification of the intrusion and when they learned that personal data had been obtained. • Sony requests help from the FBI. • Sony apologizes for the PSN data breach and announces the "Welcome Back" program. • Sony shuts down the Sony Online Entertainment servers after finding out about the breach and alerts the public the nest day.

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Crisis Phases
Containment and Damages

1.Signal Detection	2.Prevention and Preparation
3.Containment and Damages	4.Business Recovery

Events	Sony's Actions
	• Sony responds to the US Congress stating the process that they used to find out what had happened and that they would take responsibility. • Sony claims that the earlier attacks by "Anonymous" had weakened the network and could have possibly made the attack possible. • Sony states that the PSN is on the final stages of testing and would be restored in the following days.

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Crisis Phases
Business Recovery

1.Signal Detection	2.Prevention and Preparation
3.Containment and Damages	**4.Business Recovery**

Events	Sony's Actions
• The PSN goes online in Europe and America, with some of the features. The Playstation Store would only go online about a month later. • A month later the PSN is fully restored in every region with Japan being the last one. • The PSN Breach leads to a class action lawsuit.	• Sony states that the network had gone online with security enhancements. • Sony apologizes at the E3 press conference. • Sony unveils the Sony Entertainment Network. • Sony announces that the PSN is now more secure than ever, with 3 million new users and better sales numbers. • Sony names Philip Teitinger as Chief Information Security Officer. • Sony changes the TOS of the PSN to prevent class action lawsuits.

Slide 15

Alternative Actions

1.Signal Detection

• Make the removal of "OtherOS" an option.

• Try to contact and work with the hackers.

• Comment on "Anonymous" messages and try to contact them.

• Release tools for homebrew development.

2.Prevention and Preparation

• Make a plan with guidelines, in case of crisis.

• After the plan, prepare for an attack on Sony's servers.

Slide 16

Alternative Actions

3.Containment and Damages

• Do not hide or delay information to the consumer.

• Shut down all servers with connections to the Playstation Network.

• Use diminish and rebuild crisis response strategies.

4.Business Recovery

• Compensate developers affected by the outage.

• Communication campaign about Playstation Network increased security (newsletter, Playstation Store ad, Playstation Network E3 booth, press release).

Slide 17

Alternative Actions

5.Learning and Reflection

• Detecting signals and preparing for an eventual crisis is extremely important.

• Think about the consequences of certain actions.

• Share information with the consumers.

• Consumers' private information should be very well protected.

• Public relations are very important in a crisis situation

Network Profitability

More Users	• Include a $20 prepaid card on new Playstation 3 consoles. • Communication campaign (TV, print, outdoor).
More Usage	• More promotions on the Playstation Store. • More free-to-play games. • Extend the Playstation Store to other devices.
More Benefits	• More exclusive content. • Exclusive online limited editions. • Cloud gaming.

Communication Campaign

Newsletter

Target	All registered Playstation Network users.
Objectives	• Explain to all registered users the changes made to security. • Reinforce Sony's position about private information. • Inform users about good practices regarding information sharing.
Description	• Newsletter sent to consumers, explaining briefly the changes made to security, such as advanced security technology, increased levels of encryption, additional firewalls and early warning systems to detect breaches. • Assure consumers that their information is well protected and give advice about good practices regarding sharing private information online.

Communication Campaign

Playstation Store Ad

Target	Playstation Store users.
Objectives	• Promote Playstation Network security in an online shopping environment.
Description	• Ad on the home page of the Playstation Store, saying: "Playstation Network is back and it's better than ever!". • Link would take users to a page where they watch a short video about the security technology on the Playstation Network and new available features. • Users could also download, through the link, the "Welcome Back" content, videos and demos related to future Playstation Network releases.

Communication Campaign

Playstation Network E3 Booth

Target	Members of the press and developers attending E3.
Objectives	• Elucidate the press and developers about the enhancements made to the Playstation Network security. • Generate good news about the Playstation Network security on the media.
Description	• Booth dedicated to the Playstation Network on E3 2011 with Playstation Network managers as well as the person in charge of security. • Inform press members and developers about changes made to the network's security, as well as new future features.

Communication Campaign

Press Release

Target	Specialized news media.
Objectives	• Inform press and specialized media that weren't able to attend E3 or the Playstation Network booth about the enhancements made to the Playstation Network security. • Generate good news about the Playstation Network security on the media.
Description	• Press release sent by e-mail or fax to all specialized news media a with similar information to the handout given at the Playstation Network E3 booth. • The press release should also include a contact that press members can use to get further information.

Privacy Concerns

• Provide alternative payment methods.

• Ask for less information during registration.

• Third-party certification.

• Simplify TOS.

4. Case Study Take-Away for Management

Nowadays, we live in a connected world. People establish online relationships with each other and with companies. These relationships are able to develop because of the ability to share information online. For a company, having information about consumers is a big advantage. With that information the company can build a database that can be used to prolong and improve the relationships it has with is customers, which it will lead to more business and more profit.

It is the obligation of the company to protect the personal information of its customers and to inform them of how that information will be used. However, many Internet users do not pay special attention to this and share information with a wide variety of companies, without knowing how their information will be handled.

This case study looks into a specific case, where personal information of registered users on a network (Playstation Network), belonging to a big multinational company (Sony), was compromised. This resulted in a crisis situation for the company involved, as users of the network were not pleased with what happened and how the company handled the situation. This is not the first time personal information is compromised and it will not be the last. It is important that companies, which keep personal information of their customers, are prepared for similar occurrences.

The study of this case allows to:

- Understand the video games market, including the strengths and weakness of each player, consumers' profile and behavior, as well as opportunities and threats present in the market.

- Understand how a crisis developed in a big multinational company and its impact on the organization and its consumers.

- Identify a crisis type and its different stages, as well as the best crisis response strategy and best action actions to take in each stage.

- Learn strategies to manage an online business, while taking into account the privacy concerns of consumers.

In crisis situations, public relations are especially important, as they are responsible for managing communications to stakeholders. These communications are crucial to manage a crisis situation effectively and to be able to keep the trust of stakeholders and the loyalty of consumers.

The best course of action to take on a crisis situation will depend on the type of crisis and the degree of responsibility attributed to the company. The preparation of the company before the crisis, its ability to contain the crisis and how it recovers dictate how well the crisis was managed. Even though Sony has recovered well from the crisis, its actions on previous stages were not the most effective.

As information spreads much faster nowadays, crisis managers should be prepared to act immediately after signs that could lead to a crisis are detected. If they take the correct actions quickly, the crisis may still be avoided. It is, therefore, important for companies to dedicate resources to detect signals that could lead to a crisis, so that they are able to be better prepared and as a result, be able to better contain damages during a crisis, as well as recovering positively.

After doing this case study we can conclude that in order for companies to keep a good reputation and the trust of stakeholders, it is important that a crisis situation is managed in the most effective manner. For this, it is important that the company establishes a crisis team to detect signals and to start preparing for an eventual crisis situation with a plan and general guidelines on what to do. If a crisis situation does happen, it is important for companies to be truthful to consumers and not withdraw any information from them, while at the same time shape the opinion of the media, so that the crisis is portrayed in a more favorable manner to lessen the impact on long-term reputation.

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