

MISQ Archivist

User Compensation as a Data Breach Recovery Action: An Investigation of the Sony Playstation Network Breach

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Abstract

Drawing on expectation confirmation research, we develop hypotheses regarding the effect of compensation on key customer outcomes following a major data breach and consequent service recovery effort. Data were collected in a longitudinal field study of Sony customers during their data breach in 2011. A total of 144 customers participated in the two-phase data collection that began when the breach was announced and concluded after reparations were made. Using polynomial modeling and response surface analysis, we demonstrate that a modified assimilation–contrast model explained perceptions of service quality and continuance intention and a generalized negativity model explained repurchase intention. The results of our work contribute to research on data breaches and service failure by demonstrating the impacts of compensation on customer outcomes. We discuss theoretical and practical implications.

Keywords: Data breach, security, service recovery, compensation, Sony