Brand equity in the video game industry

Investigating the relationship between perceived brand differentiation and brand loyalty among Generation Y in the Netherlands

Student name: Gosse de Reus
Student Number: 459767
Supervisor: Ms. Vasiliki Tsagkroni

Master Media and Business
Erasmus School of History, Culture and Communication Erasmus University Rotterdam

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ABSTRACT

This research investigated the role of branding in the video game industry and how perceived brand differentiation influenced brand loyalty among members of Generation Y in the Netherlands. It aims to fill a gap in branding literature investigating the importance of brands in the video game industry. The video game industry is characterized by an oligopolistic structure with Nintendo, Sony and Microsoft remaining as the three main video game console manufacturers in the contemporary market. The present study investigated to what extent the target demographic perceives the three brands as differentiated and to what extent this influences their loyalty towards these brands. A quantitative method was used employing a questionnaire in order to assess participants’ opinions about the brands. Statistical analysis allowed for investigating the linear relationship between perceived brand differentiation and brand loyalty. Results show that there is a relationship between the two concepts, meaning that when a participant scores higher on the differentiation scale indicating more differentiation of the brand, it is likely that participants score higher on the loyalty scale. Multiple regression analyses indicated that the strength of the perceived brand differentiation score could account for nearly 50 percent of the score of brand loyalty for all three brands, indicating a high degree of relatedness between the two concepts. The results also stress that there is a certain causality among brand sources that compose brand equity, implying that marketers can focus their attention on multiple steps in gradually building brand equity.

For firms operating in the video game industry, it turns out to be viable to focus on differentiating a brand from the competition in terms of software offered on the console and offering advantages that competing brands do not offer. This is likely to increase brand loyalty among Generation Y consumers in the Netherlands.

KEYWORDS: Brand, branding, perceived brand differentiation, brand loyalty, brand equity, video game industry
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1. Introduction

The video gaming industry in 2017 is bigger than the movie industry and music industry, with revenues of over 23 billion US dollar in 2015 (ESA, 2016). An evolution recognized by many scholars throughout the last two decades (Williams, 2002) and ascribed to technological progress and innovation throughout every new generation of hardware (Nieborg, 2014). The industry is deemed to be the “fastest growing and most exciting category of mass media for the coming decade” (Marchand & Hennig-Thurau, 2013, p. 141). A negative reputation has stuck to the industry for a long time, being regarded as a pastime for geeks and nerds (Alvisi et al., 2003; Egenfeldt-Nielsen, Smith & Tosca, 2013). However, this reputation has altered and the industry now has a large impact on contemporary popular culture (Aoyama & Izushi, 2003; Egenfeldt-Nielsen et al., 2013), also visible in the myriad ways that fans of videogames make use of them besides just playing, establishing an entire culture around videogames (Newman, 2008). The videogame industry is argued to have close links to other popular culture industries such as the film industry, but also cartoons (Aoyama & Izushi, 2003). A popular example of which is Pokémon, a video game franchise also exploited through a tv-series and films (Aoyama & Izushi, 2003). In academia, this practice is called transmedia storytelling, defined by Henry Jenkins as the flow of content across multiple media channels and argued to be almost inevitable in an era of media convergence (Jenkins, 2003). In essence, playing video games has become a more widely accepted hobby and an important part of popular culture, also due to the enlargement of its consumer base (Chung, 2005; Juul, 2010). So what are the consequences of the growth of the video game business and its impact on contemporary popular culture?

The videogame industry has gained much scholarly attention, mostly focusing on the videogames themselves or the interaction between the games and its players (Crawford, 2011; Johns, 2006; Wesley & Barczak, 2010), while also receiving a lot of attention as a potential new way of educating (Egenfeldt-Nielsen et al., 2013). Aarseth (2001) stated that video games became a viable academic field in 2001, but the focus has since then largely remained on the analysis of the games and the players, a player-centric approach. Egenfeldt-Nielsen et al. (2013) define five major types of analysis concerning video games, namely game, player, culture, ontology and metrics. These also focus more on the player and video game itself than the economic impact of the industry and how it functions. The economic aspect of video games could be ascribed to the culture section, but this section mainly focuses on the impact of video games on popular culture. David Nieborg emphasizes the lack of attention for the role of marketing in his review of Digital Play (Kline, Dyer-Witheford & De Peuter, 2003),
academic literature that problematizes the role of marketing in the videogame industry (Nieborg, 2014). The significance of marketing in the video game industry has not received a lot of attention within the academic field of video game studies (Burgess & Spinks, 2014). The lack of attention for marketing practices in the video game industry is striking due to the popularity of the industry and the revenues that are available in the industry (Nieborg, 2014). What can be the significance of marketing in the video game industry and why?

Given the highly competitive nature of the video game business, marketing can be of vital importance to firms operating in the industry. Brands are regarded as one of the most valuable intangible assets to any firm, granting firms competitive advantages (Keller, 2013; Kapferer, 2008). The video game industry is also known as a market characterized by an oligopolistic structure, which means that a small group of companies is in control of the market (Marchand & Hennig-Thurau, 2013; Kerr, 2006). Given the cyclical nature of the video game business, which provides a new ‘generation’ of home consoles, defined as “non-portable video game play devices that rely on a television screen” (Palomba, 2016, p. 64), every four to five years (Glas, 2016), it can be a competitive advantage for any major console manufacturer to establish a loyal consumer base. A loyal consumer base is a desirable asset to firms because the industry is also characterized by a network effect, meaning that consumers will be drawn to a platform that provides a lot of great content, but this content will only be present if the platform has a large installed base (Alvisi, Narduzzo & Zamarian, 2003; Alvisi, 2006; Steiner et al., 2016). Therefore, if consumers purchase a new platform based on pleasurable previous experiences with a brand and/or out of loyalty, this can create competitive advantages for firms aiming to become market leader in the industry. What are the power relations in the video game business and how have brands developed over time?

Since the present study aims to investigate the role of branding strategies in the video game industry, it is not the intention of this paper to extensively discuss the history of the industry, but some insights are necessary in order to signify the importance of brands and branding in the video game market. In the contemporary market, three main competitors in the console industry remain: Nintendo, Sony and Microsoft, often termed as the industry’s incumbents. Their commercial success in the industry changes through the years and with every console generation. Nintendo was the market leader in the 1990’s, until Sony launched its first PlayStation (Glas, 2016). Sony then became leader until the release of the Nintendo Wii, which outperformed both Sony and Microsoft in terms of console sales. (Juul, 2010; O’Gorman, 2009) At the start of 2017, Microsoft and Sony seem to outperform Nintendo in terms of the number of consoles they sell to consumers, as was also the case with the sixth
generation of consoles, the PlayStation 2, Xbox and Gamecube (Schilling, 2003). The Japanese Nintendo, however, used to be market leader in the industry for a long period of time and are often mentioned as the saviour of the video game industry in 1984, increasing customer demand for video game products after sales had decreased dramatically, causing several companies to abandon the industry (Buse, 1996; Williams, 2002; Aoyama & Izushi, 2003; Chung, 2005). The company allegedly spent over 30 million US dollars to convince retailers and consumers that their games were different and worth purchasing (Kline et al., 2003). Kline et al. (2003) claim Nintendo were the first to apply the process of branding to the video game industry, gaining enormous sales due to great marketing strategies and colonizing youth culture in the United States. Their biggest success was achieved in 2006 when their console Nintendo Wii launched, selling over 100 million units during its lifetime. Nintendo ceased production of the successful console in 2013 (Webster, 2013). (https://www.nintendo.co.jp/ir/en/sales/hard_soft/index.html)

Nintendo had been a dominant party in the video game industry until the launch of Sony’s first PlayStation console in 1995, having outcompeted competitors like Sega and Atari from the market from the 1980’s until early 2000’s, arguably also due to the success of Sony’s PlayStation consoles (Schilling, 2003). Newman (2002) argues that the success of Sony’s first PlayStation has firmly established video games and gaming, using their marketing strategy to alter the visibility and status of video gaming from geeky to chic. Microsoft entered the console market with the Xbox in 2001, with it being described as the most advanced machine and “the real threat to Sony’s PlayStation 2” (Schilling, 2003, p.14; Kline et al., 2003).

However, commercial success in the video game business is not necessarily achieved through technological superiority. Kline et al. (2003) argue that success does depend on the cultural content of games, and also on “shrewd marketing strategy” (p. 175). Moreover, Sony and Nintendo were thought to have competitive advantage over Microsoft’s Xbox due to a large library of established, successful video game franchises such as Sony’s Final Fantasy series and Nintendo’s The Legend of Zelda and Mario series (Kline et al., 2003). Nintendo’s successes in the industry have also been ascribed to their innovative strategies. Juul (2010) argues that the Nintendo Wii, launched in 2006, had become an enormous hit because the company had managed to attract an audience that did not think of themselves as gamers, essentially enlarging the potential consumer base for consoles. A development similar to the marketing strategy applied by Sony to alter the perception of the video game business. Kline et al. (2003) also make an attempt at explaining why exactly Nintendo has managed to outperform its competitors and how they became “synonymous with video gaming” (Kline et al., 2003, p.
in the 1990’s. They state that Nintendo had achieved this status due to its superiority on a technological as well as an organizational level. This argument however, does not necessarily hold in case of the Nintendo Wii because, compared to its competitors, this was the most inferior console in its generation in terms of computing power (Juul, 2010). What made the difference in this case was their unique ways of playing and controlling the game. Juul (2010) therefore claimed that ‘technical selling points clearly do not drive sales of game consoles today’ (p. 14.), an argument also used when Microsoft attempted to outperform its competitors with its technologically superior Xbox (Schilling, 2003). So what does seem to be a cause for success in the video game industry?

It can be concluded from the constant shifts in dominance in the volatile and unpredictable video game industry that there is no clear formula for success (Williams, 2002; Aoyama & Izushi, 2003). It has, for example, been explained in terms of being technologically superior (Kline et al., 2003), creating innovative ways of controlling the game (Juul, 2010; Situmeang et al., 2016) but also unexpected consequences like choosing the right storage format for video games (Alvisi et al., 2003; Aoyama & Izushi, 2002). Kline et al. (2003) offer a different explanation for potential success in the video game industry that is focussed on the experience that video game consoles offer. They argue that consumers have to be able to recognize what a console maker stands for and what kind of video game experiences they offer. A loyal consumer base is achieved through establishing and fixing a set of meaning around a console and its users (Kline et al., 2003). A strategy adopted for example by Sony during the launch of their first console, the PlayStation. The machine was marketed as a games machine only, as opposed to its competitor the 3DO, which was marketed as a multi-media player. Alvisi et al. (2003) argue that this had confused consumers because it lacked a clear identity, a problem also suffered by Philip’s CD-i, which required a 30-minute demonstration because of its complexity (Schilling, 2003).

A second potential source of success comes in the form of mega-hit video games (Aoyama & Izushi, 2003). The market resembles the film industry which is known for a blockbuster strategy in which a small share of the products – the big hits – provides the majority of the revenues (Elberse, 2013; Aoyama & Izushi, 2003; Gil & Warzynski, 2015). Aoyama and Izushi (2003) argue that these mega-hits can then be exploited by turning them into a series, a phenomenon known in the branding literature as brand-extensions (Keller, 2013). Rundle-Thiele and Mackay (2001) consider brand-extensions to exploit loyalty and reduce the risk of introducing new products, a positive advantage for console manufacturers that introduce a new technologically improved machine every 4 to 6 years. Commercially
successful video games can contribute to building a specific brand image for console manufacturers because consumers will relate pleasurable experiences to the brand that provided them with it (Velasquez et al., 2012). Based on findings from the previous two paragraphs, it can be concluded that it can be profitable for incumbents in the video game industry to clearly teach consumers what their console does and what kind of experiences it offers, in terms of hit video games, or previously successful franchises. Thus, differentiation of their consoles might evoke loyalty amongst consumers when their experiences keep meeting or exceeding expectations, while maintaining a brand image they are able to relate to.

As mentioned before, in today’s video game industry, three main competitors remain. Nintendo, Sony and Microsoft all aim to win the minds and hearts of consumers and sell as many consoles and video games as possible. The strategy of establishing and fixing a set of meaning around a console and its users is still being applied. For example, Palomba (2016) sought to investigate how consumers perceive the three incumbent’s console’s personalities in the seventh generation. Nintendo’s Wii was seen as futuristic, sleek, cool and up-to-date. Microsoft’s Xbox 360 was assessed as confident, successful and a leader, whereas Sony’s PlayStation 3 was also perceived as a leader and up-to-date, but also as upper-class. Palomba (2016) argues that marketers can utilize insights from consumers’ perceptions of video game consoles to strategically position their successors in the market place and relate their personalities to the parent brands, which are Nintendo, Microsoft and Sony.

The latest generation of consoles, the Nintendo Switch, PlayStation 4 and Xbox One all bear a slogan that aims to create meaning around the console in the minds of consumers. The Nintendo Switch is accompanied by the slogan ‘Play anytime, anywhere with anyone’ (Forde, 2017). This slogan emphasizes the dual nature of the Switch. It can be used at home on a big screen, but can also be played while travelling because it has a screen on the console. In video game literature, consoles are often defined as machines that require a television to play (Glas, 2016), thus the Nintendo Switch is not necessarily a console but more of a hybrid between handheld and console. The PlayStation 4 bears two slogans. The first is ‘Greatness Awaits’ (Gaston, 2013) and the second one is ‘This is for the players’ (Oster, 2013). These slogans seem to emphasize that the PlayStation 4 is supposed to be a console with great video games, focussing on the gaming aspect of the platform. This strategy bears great resemblance to the one used for the first PlayStation (Alvisi et al., 2003). The Xbox One has been released with the slogan ‘All in one. Input one.’, referring to the multi-media nature of the Xbox One (Cook, 2013). These slogans can be regarded as examples of trying to establish a set of meaning around a console and its users. Consumer expectations have to be managed in order
for them to know which system to purchase. This has to be in line with the functionality of the console and the experiences it will supply the consumer with. Formulating a slogan is an example of a branding strategy that firms can apply. Keller (2013) defines the process of branding as teaching consumers “who” (emphasis in original) the product is as well as what the product does and why they should care.

As has become clear in previous paragraphs, the video game business is highly competitive and volatile (Aoyama & Izushi, 2003) and the market dominance appears to shift every console generation. To establish a loyal consumer base is one of the marketing objectives of the three main competitors in the industry. One of the strategies that is applied to sell video game consoles and evoke loyalty amongst consumers is to establish a set of meaning around a console and its users (Alvisi et al., 2003), basically teaching consumers who the product is as well as what the product does and why they should care (Keller, 2013). The goal is to differentiate products from the competition and manage consumers’ expectations. Ultimately, this is done to establish a relationship with consumers through creating an identity that consumers are able to relate to. Then, if consumers get attached to the brand, they are likely to become loyal to it (Keller, 2013; Kapferer, 2008). Balland et al. (2016) argue that consumers might rely more on reputation and status of experienced video game producers because of the ever increasing number of video games released into the market every year. Schilling (2003) states that incumbents can benefit from its reputation and an installed base, raising a barrier for possible new entrants into the market. There are no empirical insights into the relationship between perceived brand differentiation and brand loyalty in the video game business. Therefore, this thesis aims to examine the relationship between perceived brand differentiation and brand loyalty among consumers in the videogame industry. This relationship will be assessed in light of theories regarding brands and branding. There is a lack of branding theory within the videogame industry. However, there is literature on the role of branding in the videogame industry, mostly attempting to define the influence of branding in retrospect, declaring successes and failures from a historical perspective (e.g. Kline et al. 2003, Alvisi et al., 2003). This literature mostly focusses on the role of marketing and branding in the industry in retrospect, which does not offer empirical insights into the role of branding in the mission to establish a loyal consumer base. This thesis aims to fill this gap in academic literature.

The target demographic in this case is defined as Generation Y consumers in the Netherlands. Generation Y is defined as people born between 1977 and 1994 (Loroz & Helgeson, 2013). This target demographic is chosen for two reasons. First, Generation Y
consumers appear to be the prime target audience for video game console manufacturers, regardless of shifting perceptions of who plays games (Chess, Evans & Baines, 2017). Second, they are regarded as the future dominant segment of the market, making it potentially the most profitable target demographic (Lazarevic, 2012). This research aims to shine a light upon the role of branding in the videogame industry, without going to deep into specifics of the industry. Therefore, its history and contemporary status will be touched upon in order to allow for analysis of what role brands and branding fulfil in the industry. In light of the significant importance of brand differentiation and brand loyalty in the video game industry, the following research question is proposed: **RQ: Does perceived brand differentiation predict brand loyalty among Dutch members from Generation Y?**

In the following second chapter, brands, branding and the significance of branding in the video game industry will be defined in the theoretical framework. In the third chapter, the methods will be outlined and the target demographic will be defined thoroughly. The fourth chapter will provide the empirical results, after which chapter five will draw conclusions from the research in light of the theoretical insights and outline the limitations of this research.
2. Theoretical framework

2.1 Brands, branding in a commercial industry

Every commercial company aims to make profits and gain leadership in the market in which it is active. Accomplishing commercial success in an industry is dependent on multiple factors. First of all, a product or service needs to be of a certain standard quality in order for consumers to be satisfied with it and for them to continue purchasing it. However, when products or services in an industry become of a certain standard level of quality, other factors might influence a company’s success in the market. An important determinant of success in any market can be a brand and the process of branding. Keller (2013) states that branding means to create mental structures which help consumers organize their knowledge about products and services in a way that clarifies their decision making and, in the process, provides value to the firm. He argues that the key to branding is that consumers perceive differences among brands in a product category. These differences can be related to attributes or benefits of the product or service itself, or they may be related to more intangible image considerations. The role of branding in the videogame industry remains relatively untouched (Wesley & Barczak, 2010).

Considering the fact that the video game industry now is the biggest entertainment industry, it deserves more attention in academic research concerning the role of brands and the act of branding in the video game industry. Most literature concerning the act of branding in the videogame industry has been done in retrospect and has not investigated the relationship between brand image and loyalty within consumer’s minds (e.g. Kline et al., 2003). In the following sections, a definition for the concept brand will be detailed and the components that construct a brand will be defined. After that, three different functions of brands will be discussed. Lastly, the significance of brands and branding in the videogame industry will be elaborated on.

2.2 Definition of a brand and its components

The concept of a brand can be discussed in terms of multiple aspects. There is no unanimous definition of the concept of a brand, but several experts have formulated a definition, such as Keller (2013) and Aaker (2013), but also the American Marketing Association (AMA). The AMA definition is as follows: “A brand is a name, term, design, symbol, or any other feature that identifies one seller’s good or service as distinct from those of other sellers.” (http://www.ama.org). Keller (2013) takes this definition as a basis, but adds a note about it and suggests a distinction between ‘brand with a small b’ and ‘Brand with a capital B’. Keller
argues that within the definition of the word brand by the AMA, any name or logo for a product can be a brand. However, a brand only becomes a brand with a capital B as soon as it has created a certain amount of awareness, reputation or prominence in the marketplace. Kapferer (2008) in his turn emphasizes the disagreement between experts on the precise definition of a brand. He deems Keller’s (1998) definition a classic one: “a brand is a set of mental associations, held by the consumer, which add to the perceived value of a product or service”. According to Kapferer, this definition focuses on the gain in perceived value brought by a brand. He deems a brand an intangible asset, a set of added perceptions. The purpose of brands is elaborated on in the next paragraph.

The intention of branding is to influence consumer’s perceptions of certain brands within a specific industry. The concept of brand equity is used to explain perceived differences between brands. A brand has positive brand equity when consumers react favourably to marketing activity of that brand (Keller, 2013; Kapferer, 2008). This means that the presence of a certain brand enhances the perceived value of that product in the minds of the consumer. Lassar, Mittal and Sharma (1995) define brand equity as “the enhancement in the perceived utility and desirability a brand name confers on a product” (p. 13). A brand therefore has negative brand equity when consumers are unable to perceive added value of a certain product. For example, if consumers prefer Coca-Cola over a store brand coke, Coca-Cola bears positive brand equity, but if they prefer the store brand, then Coca-Cola bears negative brand equity.

Marketers want to assess the strength of their brand and the impact of their marketing activities. Essentially, they benefit from knowing whether their marketing activities have impacted their brand’s equity, because this type of knowledge can guide marketers in shaping their future marketing strategies. How do consumers perceive their brand? Does their brand elicit positive emotions and are consumers able to differentiate products within certain categories? More importantly, do they prefer to buy a specific brand over competing brands and are they willing to pay a price premium? In order to measure marketing impact, questions like these have to be answered. Brand equity exists when the consumer has a high level of awareness of a brand and holds strong, favourable and unique associations for the brand (Keller, 2013; Kapferer, 2008). Brand equity can be created in several ways and multiple brand components or sources can influence it. The following paragraph will elaborate on the components or sources that constitute brand equity.

As stated in the previous paragraphs, brand equity is a desirable result of effective marketing strategies. However, there is no concise model of which sources or variables
Influence brand equity. Aaker (1991) considers brand loyalty, name awareness, perceived quality and other brand associations to be the four bases of brand equity, where ‘other brand associations’ can be regarded as the brand image that consumers have of a brand. The model designed by Aaker is shown in figure 1 below.

Figure 1.
Aaker’s (1991) model of brand equity.

In his model, Aaker considers brand loyalty to be a source of brand equity, but it can also be seen as a result of strong brand equity. Sasmita and Mohd Suki (2015) argue that strong brand equity drives increased consumer confidence in a brand as opposed to the brands of the competition, resulting in increased consumer loyalty. Farquhar (1989) identifies positive brand evaluations, accessible brand attitudes and a consistent brand image to be the main sources of a strong brand. Accessible brand attitudes refer to how fast a consumer is able to retrieve brand evaluations stored in mind, which is similar to what Aaker calls name awareness. With the need for a consistent brand image, Farquhar (1989) refers to the process of shaping the brands personality and developing a relationship with the consumer. He argues for brands to create easily memorized characteristics for a brand, a strategy that can result in more name awareness.

Keller (2013) defines two sources of brand equity, namely brand awareness and brand image. He argues that the first step in building brand equity is to create brand awareness. In order for consumers to consider a product, they have to be aware of its existence in the market. Brand awareness consists of brand recognition and brand recall. Brand recall of a brand is positive when consumers think of that brand when they are thinking of a certain
product category. Keller states that a sufficient level of brand awareness is needed in order for a company to establish a brand image in the minds of consumers. This is where Keller differs from Aaker, because he proposes brand awareness to be a step before establishing an image, whereas Aaker’s model stimulates the notion that the four sources of brand equity can be shaped simultaneously. This is recognized by Yoo and Donthu (2001), who empirically assessed the effectiveness of the brand equity dimensions proposed by Aaker (1991) and Keller (1993), with the intention to develop a psychologically sound and cross-culturally generalizable measure of brand equity. Their results propose that there may be a potential causal order among the dimensions of brand equity, meaning that brand awareness might precede perceived quality, and perceived quality precedes brand loyalty (Yoo & Donthu, 2001). Establishing a brand image in the minds of the consumer is the part where brands make an effort to differentiate their brand from the competition. The goal of establishing a brand image is to link strong, unique and favourable associations to the brand in the minds of consumers (Keller, 2013). Kapferer (2008) states that branding is meant to invoke beliefs of exclusivity and superiority of a brand and emotional bonding with consumers.

Keller (2009) deems the ultimate goal of branding to ensure consumers to be ‘in-sync’ with the brand, which he calls brand resonance. It reflects the extent to which consumers form a psychological bond with a brand or the level of activity performed with a brand as a result of loyalty. Keller proposes a brand resonance pyramid, consisting of six brand building blocks that belong to four stages of brand development. The first is salience, which means consumers should bear deep brand awareness. This stage is meant to build the identity of the brand, who is the brand to the consumer? The second stage is meant to apply meaning to the brand, what is it? The brand building blocks that belong to this stage are performance and imagery. At this point, points of parity and points of difference are established, meant to signify to the target consumer group how the brand is the same as other competing brands as well as how it is different from those. The third stage is to evoke judgments among consumers, or create associations towards the brand. The building blocks are judgments and feelings, which aim to create positive, accessible reactions towards the brand. The final building block is resonance, the stage at which the consumer establishes a relationship with the brand. This stage is aimed at evoking intense active loyalty among consumers. This model recognizes the causal order among the multiple sources of brand equity. The brand resonance model is displayed in figure 2 below.

Figure 2.
Keller’s (2009) brand resonance pyramid.

Baalbaki and Gúzman (2016) developed a new measurement model for brand equity in their research assessing brand equity in the smartphone industry. They identified four dimensions of brand equity: perceived quality, brand preference, sustainability and social influence. The first two dimensions are present in most brand equity measurement models, although brand preference is often termed brand loyalty in other literature. The dimensions of sustainability and social influence are not often included in research assessing brand equity. However, these dimensions were derived from a qualitative analysis asking consumers which aspects of a brand provide value to them. Sustainability is becoming increasingly important, they argue, because consumers nowadays are more aware of firms that take responsibility concerning the environment. The dimension of social influence concerns the shaping of the consumer’s personality and the way this process is influenced through brands. In this case, brands contain positive equity when the brand is perceived to improve the way the consumer is perceived by others and “helps them feel accepted” (p. 246). A brands image should therefore be in-sync with the consumers’ values, which is why brands should pay critical attention to how the brand is perceived by consumers in the target group. The image that consumers have of brands is influenced by several aspects of a product or service. These will be elaborated on in the next paragraph.

The concept of brand image can be explained in terms of associations that consumers have in regards of a certain brand, their mental image of a brand. It is also referred to as being the brand’s personality, a set of human characteristics associated with a brand (Farquhar,
In order for the brand image to add towards positive brand equity, marketers need to ensure that these associations are strong, unique and positive (Keller, 2013; Kapferer, 2008). The brand image is influenced by advertising and consumer’s own experience, but also word of mouth (Keller, 2013). The concept of brand equity and how to measure it has been explained in different ways. Keller (2013) states that brand positioning is a defining component of marketing strategy, designing an image of the brand in the mind of consumers that takes a distinct and valued place. Brand positioning is able to tell consumers how the brand is unique, but also how it is similar to competing brands and why consumers should purchase the brand’s products. In addition, Farquhar (1989) argues that the brand’s image should be consistent throughout the course of its marketing campaigns, meaning that consumers should be able to recognize the brand and its values, based on previous experiences with the brand. The associations should be in line with previous associations and experiences with the brand in order for the image to reside in the minds of the consumers. In other words, a brand image should be logical in the minds of the consumer, meaning that it should rhyme with whatever associations consumers hold with a brand.

Keller identifies four dimensions that marketers need to know in order to position their brand effectively, namely who the target consumer is, who its main competitors are, how the brand is similar to the competitors and how the brand is different from them. This research focuses on the consumer perception of brand differentiation, signifying how a brand is different from its competitors. Keller (2013) argues that points-of-difference (POD’s) are defined as attributes or benefits that consumers strongly associate with a brand, positively evaluate, and believe they cannot find with a competing brand. Keller defines POD’s in terms of uniqueness, performance or imagery associations, which can be, for example, either superior quality or being a low-cost provider of a product or service. Thus, for consumers to perceive a brand as differentiated, they need to hold associations towards the brand that signify the brand as unique, a good or excellent performer and a positive image. Thus, quality and reliability of a brand are important traits for any firm looking to develop competitive advantages. Delgado-Ballaster and Luis Munuera-Aléman (2001) found that trust can be regarded as a predicting factor for brand loyalty, meaning that when consumers trust a brand they feel the brand will meet the consumption expectations.

The research in this thesis focuses on the relationship between perceived brand differentiation and brand loyalty. As can be derived from previous paragraphs, consumer’s perceptions of brands are influenced by multiple factors such as advertising, word of mouth and their own experiences with a brand (Keller, 2013; Kapferer, 2008). Whether or not
consumers are able to differentiate products within a specific product category is therefore dependent on the effectiveness of marketing strategies. Marketers have to assure that consumers bear positive, strong and unique associations towards a brand in order for it to have a strong brand equity. This in turn is supposed to establish a loyal consumer base that is willing to pay a price premium and stick to a brand that meets or exceeds their expectations (Keller, 2013; Kapferer, 2008; Brakus et al., 2009; Marchand et al., 2013; Thomson, MacInnis & Park, 2005). Brand loyalty is an outcome of an established relationship with a brand (Kapferer, 2008). This relationship can be maintained through respecting any associations consumers have towards a brand and keeping the right balance between staying true to that identity and innovating (Keller, 2000; Kapferer, 2008). Loyalty can also be established when consumers feel that a brand experience is a good fit with their lifestyle and social identity (Nam, Ekinci & Whyatt, 2011). For a company, a loyal consumer base has several advantages. The most important one is that it provides stability of future sales (Kapferer, 2008), also because it creates a barrier of entrance for possible new competitors (Keller, 2013). Rundle-Thiele and Maio Mackay (2001) argue that loyalty amongst consumers reduces the marketing costs of doing business. Amine (1998) argues that consumer brand loyalty should not be reduced to the single dimension of repeated purchases. He argues that the loyalty process is influenced by more factors, such as brand pricing, store loyalty and an absence of competitor’s promotions. However, loyalty can be argued to be feeble in case consumers are tempted towards other brands when the product is not available in a store or when competing products are cheaper, possibly because of price promotions.

Generation Y consumers are known as a notoriously disloyal consumer group, making it difficult to secure repeat purchase amongst this group of consumers (Lazarevic, 2012). Fernandez (2009) does, however, argue that Generation Y consumers have belonging needs, meaning that they pick brands to influence their social identity and this way attempt to add to belonging to a certain social group. Thus, if brands are able to be perceived as socially acceptable, this might add to brand loyalty among Generation Y consumers. This, however, might be hard to achieve because this consumer demographic is argued to be media-wise and able to filter out marketing messages they do not want to receive (Fernandez, 2009).

Previous paragraphs suggest brand loyalty to be the ultimate goal of branding strategies to create strong brand equity. Multiple sources are argued to build brand equity and it can be argued that there is a causal order in the process of building brand equity. After securing brand awareness, marketer should focus on instilling positive and strong associations towards their brand in the minds of consumers, while aiming to be in-sync with consumers in
terms of personalities. Generation Y consumers are argued to be prone to selecting brands that fit their social status, meaning brands should investigate to what extent their brand is a good fit in the lives of Generation Y consumers.

2.3 Brand functions

Brands can serve several purposes for multiple parties. In the following sections, functions for managers and firms, shareholders and consumers will be discussed. This will clarify what roles brands play in a consumer’s life and how brands represent value to firms in terms of their managers and shareholders. This section will aid in explaining how consumers relate to brands and why managers would focus their marketing strategies on enhancing the brand in terms of consumer perceptions.

Firstly, brands bear importance to firms because they serve an identification purpose, offering consumers a shorthand device to distinguish products from different manufacturers (Keller, 2013). They also offer legal protection for unique aspects of a product or service, Keller states. A brand can own the intellectual property rights to products or services and protect this legally. For instance, Nintendo holds the legal rights to their videogame franchises. They are very strict in handling their intellectual property rights and often shut down projects that involve characters from their franchises (Gach, 2017). This strategy is employed by Nintendo to maintain their legal rights to their intellectual property, but it can also be seen as an act of extreme consumer loyalty. Newman (2008) discusses the way video game consumers utilize characters and stories from their favourite video games and create new fan content with it. According to theory concerning loyalty, consumers who feel attached to a brand are likely to engage in activities that are related to their favourite brands such as (online) communities. Basically, a brand is a way of owning an idea and be able to market a product or service in an industry while maintaining legal rights. This is important to firms because their intellectual property’s embody value because of the buzz these names are able to generate in a market for experience goods (Keller, 2013).

Second, brands can be valuable to shareholders because they are an intangible asset. A strong brand will resonate in the minds of consumers, which could mean bigger profits for a company because it is associated with larger revenues. This in turn creates value for shareholders (Keller, 2013). This is a notion backed up by a study by Aaker and Jacobson (1994) who found a positive relationship between stock value and brand image improvement. A stronger, better known brand can result in satisfied stockholders because of the higher
probability that the company is able to gain a large market share (Rundle-Thiele & Maio Mackay, 2001)

Finally, brands serve multiple purposes for consumers. In this section, two main purposes of brands will be identified for consumers. The first purpose of brands for consumers is to carry special meaning, often based on past experiences. The second purpose is to serve as an identifier to the source or maker of the brand and to be able to assign responsibility to it.

As stated before, one of the purposes of branding is for brands to invoke special meaning in the minds of consumers. This can cause economic advantages for brands in multiple ways. If a company is able to provide consumers with pleasurable experiences, they are likely to assign these experiences to the brand that provided it. This way, consumers might develop a relationship with brands and stick to these brands for future purchases (Brakus et al, 2009; Kapferer, 2008; Keller, 2013). According to this knowledge, brand loyalty has to be established over time and over the course of multiple pleasurable experiences. Consumers will have to associate the brand with a good experience and the company has to keep meeting expectations in order for the consumer to remain loyal.

Keller (2013) states that experience goods, such as films but also video games, benefit greatly from a strong brand because consumers are not able to judge the quality of a product based on superficial aspects like packaging. Instead, consumers in the videogame industry might rely on recommendations by friends and family (Mathews & Wearn, 2016; Alvisi et al., 2003). Therefore, previous pleasurable experiences might be of significant impact in future purchasing decisions. Purchasing an unknown brand can prove to be an economic risk for consumers, thus choosing a familiar brand can be a risk-reducing decision. In the case of video games and video game consoles, which are relatively expensive entertainment products compared to, for example, films and music, choosing a familiar brand can prove to be a risk-reducing decision (Marchand, 2016).

Brands play an important role in the lives of consumers because they are omnipresent. They signify quality for consumers, allowing them to assign responsibility to the manufacturers. Besides functioning as a shorthand device, literature shows that brands also influence the construction of an individual’s identity (Tuškej, Golob & Podnar, 2013). Influencing a consumer-brand identification is argued to result in positive consequences for a brand, in the form of consumer commitment and willingness to provide positive WOM (Tuškej et al., 2013). They argue that this identification process is mostly influenced by brand values, these have to overlap with values of the desired and targeted consumer demographic.
Summarizing the previous paragraphs, consumers use brands as shorthand devices to predict experiences and distinguish similar products within a certain industry. If a certain brand offers pleasurable experiences, consumers might start relying on this reputation a brand has and express this through repeat purchases. Consumers utilize brands in their construction of the individual identity, emphasizing the importance of constructing a brand-consumer relationship. In the following section, the significance of these theories will be reflected on within the videogame industry.

2.4 Branding importance in the video game industry

As stated in the introduction, there is a lack of scientific research in the videogame industry concerning the relevance of brands and branding. In the next section, a brief overview of branding in the videogame industry will be reported. After that, several purposes and functions of branding in the videogame industry will be detailed and connected to the purpose of this research.

Kline and his colleagues (2003) are argued to be the first to extensively discuss the role of branding in the videogame industry (Nieborg, 2014). They state that Nintendo was the first company to brand the videogame industry, noting they got their main inspiration from the Disney company, known for its films focused on families. One of their prime strategies was to market their videogame characters as mascots. This strategy made Mario, Nintendo’s mascot, more recognized by children from America than Mickey Mouse, Disney’s mascot (Kline et al., 2003). Sheff (1993) states that Nintendo colonized the youth’s culture, which was showered with the culture of Nintendo in the form of cartoons, films and magazines. Nintendo had entered the collective consciousness according to Sheff, which in branding jargon means Nintendo had successfully applied a branding strategy to achieve brand awareness among consumers. Sony attempted to imitate this strategy by developing mascot games, but these failed to become associated with the console name (Alvisi et al., 2003). Nevertheless, the presence of strong franchises is regarded as a valuable asset for video game console manufacturers (e.g. Kline et al., 2003).

Sony’s success with their first PlayStation console has firmly established video games and gaming in the social and cultural lives of a generation Newman (2002) calls Generation PSX. He argues that Sony’s marketing with the PlayStation has altered the visibility and status of video gaming, shifting it from geeky to even a chic way of spending one’s free time. Juul (2010) pleads that the video game industry’s connection to “awkward young males” (p. 152) has kept many players away from the industry for a long time. Glas (2016) argues that Sony
had shifted the perception of video game players by focusing on more mature players, arguably shaping the competition’s image as childish or kiddy. As said before, the video game industry is now widely present and is no longer necessarily connected to negative images of typical video game players. Nintendo is argued to have contributed to the enlarging of the consumer audience for video games by innovating the ways of controlling the video game, using body motion and movement (Juul, 2010; Terry & Babb, 2013). This is an important branding application of the image of the entire industry, which can be of significant impact on revenues gained by firms operating in it. Nintendo is argued to have essentially created a Blue Ocean in the video game market with the Wii, meaning they entered untapped market space and created demand by shifting away from “the arms’ race to better technology”, a race among Sony and Microsoft, and focusing on creating new demand by addressing new audiences O’Gorman calls unexplored noncustomers sitting in distant markets. (O’Gorman, 2009, p.103)

Branding literature emphasizes the importance of establishing a brand image that is in-sync with consumers in order for them to establish a relationship with the brand (Keller, 2009). Since the video game industry had a reputation of being geeky and mainly a hobby for young male consumers, it can be considered an important branding objective to alter these stigmas in order to enlarge the video game consumer demographic and thus enlarge the possible revenue pools that video game firms aim to operate in. This is in line with findings from Baalbaki and Gúzman’s (2016) study which emphasized the importance of brands in shaping a consumer’s identity and social acceptance. According to this theory, if playing video games has a negative impact on the way consumers are perceived by others, it is unlikely for consumers to engage in playing games. Thus, altering the image of the video game industry from a geeky, negative pastime into a socially accepted hobby is of general benefit to firms operating in the video game industry.

Nintendo’s president Kimishima indicated in an interview with Bloomberg that the company’s aim is to increase the number of people who play video games and deliver new surprises to their customers (Nakamura and Imano, 2016). So too does Sony Computer Entertainment strive to get more people involved with gaming, says the President of the department of America (Crecente, 2017). One of the ways the video game audience is increasing, according to Sony’s President of Worldwide Studios, is because more people are playing video games on their smartphones and they might enjoy it so much they turn to purchasing consoles to play video games (Robinson, 2015). Juul (2010) states that the rise of the casual video game player audience is prone to stigmatizing, stating that they are expected
to dislike difficult games and are not willing to invest a lot of time in playing video games. This can, over time, prove to be a problem for firms such as Nintendo and Sony in their mission to convert a larger audience to playing (serious) video games and convincing them to invest in a dedicated gaming console and taking their video game playing hobby to a next step.

As Keller (2013) states, experience goods can benefit from a strong brand especially. He argues that within the entertainment industry, of which the videogame industry is also part, strong brands are valuable because of the “fervent feelings that names generate as a result of pleasurable experiences” (p.47). Nintendo’s president of America pointed out in an interview with Time magazine that their intention is to make consumers interact with their IP’s frequently, engaging in unique experiences. “I want you to love what you’re doing with Zelda, with Animal Crossing, with Smash Bros.”, he says (Peckham, 2017). This means the company is really focusing on what a consumer experiences when they interact with the brands’ products and services, aiming to establish associations from positive experiences to the corresponding brand.

Alvisi et al. (2003) aim to find reasons for video game consoles to become a long-term success. They state that great games, or as they also say, games that meet customer’s expectations, determine the success of a videogame system in the long run. Videogame companies like Nintendo, Sony and Microsoft need great games that meet or exceed customer’s expectations in order for their videogame consoles to be purchased by consumers. These games are known in the industry as ‘AAA’ or ‘Triple-A’ games, which often require a big production and marketing budget (Mathews & Wearn, 2016).

Alvisi et al. (2003) argue that there is a network effect in the videogame industry. By this they mean that a console benefits from having a library of hit titles because this will drive sales of the console. In turn, a large installed base, which means a lot of consumers own a specific console, will drive developers to create games for a specific platform. This is in chime with claims by Marchand and Hennig-Thurau (2013) who call the industry two-sided, meaning that hardware producers such as Sony, Nintendo and Microsoft benefit from selling consoles to consumers and licenses to game producers, of which gamers then benefit. The big three do not only compete for market domination in terms of consoles sold, but also compete among each other to get publishers and developers to work with them (Zackariasson & Wilson, 2010). However, developers and publishers will only be more interested if a platform has sold to a large number of consumers, i.e. has a large installed base. Alvisi et al. (2003) argue that a console is in need of so-called killer applications, by which they refer to platform-exclusive videogames that drive console sales. These platform-exclusive videogames are also termed
first-party games, signifying the ownership of the development team by that particular company. For instance, the Mario games for Nintendo platforms are developed by developing teams owned by Nintendo and could be regarded as the killer applications Alvisi and his colleagues speak of. As a result, consumers can be prone to putting their trust into a company and making repeat purchases in return for quality experiences. Thus, loyalty can be a result of establishing a reputation that signals quality, which can be an advantage to firms aiming to establish a large installed base when launching a new console.

Popular video game software has multiple names in research focusing on the video game industry, such as Triple-A and killer applications. Binken and Stremersch (2008) consider the video game industry to be a superstar industry. They argue superstar software to have the power to easily trigger adoption of consoles by consumers, meaning that the release of popular video game software can drive the sales of hardware units. Their empirical research distinguishes between three dimensions of superstar software. The first is the exclusivity of a video game, referring to its availability on only one system or multiple (competing) systems. Software exclusivity is wanted by system manufacturers because it is assumed to drive console sales. For example, Microsoft considers their exclusive franchise Halo to be able to drive console sales (Gibson, 2007). The second is whether the software is a sequel to a prequel for the same system, meaning that the new superstar software is a follow-up to a previous instalment in that same series, otherwise termed a franchise. Sequels might benefit from an established brand name, which might result in higher awareness among consumers. However, the impact of sequels on hardware unit sales might be smaller because consumers who buy this type of software are likely to have bought the previous instalment in the franchise, meaning they have already purchased the hardware (Binken & Stremersch, 2008). The third and last dimension is the type of genre of the video game software. The researchers define six genres, classifying the action and platformer genres to be large, as opposed to first-person shooters, racing, role playing and sports genres to be small. They propose that the large genres are likely to have a larger effect on hardware sales than the small genres.

Results of their analysis shows that highest quality superstars increase hardware sales by 21 percent, medium quality superstars with 13 percent and lower quality superstars with 8 percent. Exclusivity of the superstars is also a more reliable factor than non-exclusive superstars as exclusive superstars push hardware sales for 16 percent, whereas non-exclusive superstars drive sales for about 9 percent. However, the results are not shown as significant meaning that exclusivity is not a major driving force for superstar software in selling hardware units. The expectation that large genres have a bigger impact on hardware unit sales is also not
met, meaning that genres do not moderate the effect of superstar software on selling hardware.

It becomes clear that superstar software or killer applications or Triple A software can be of great benefit for console manufacturers in their mission to establish an installed base. Liu (2010) even argues that Nintendo could have won the console war from Sony’s first PlayStation if its library of video games for the Nintendo 64 had been 10% bigger than it was at the time. Ip and Jacobs (2006) investigated the quality of video games released for major platforms from 2000 to 2003 based on consumer reviews. Their findings suggest that nearly half of the video games released during that period was of poor quality and they imply the need for quality improvement for firms because repeated experience with poor quality software can cause a decrease of loyalty due to expectation damaging. Consumers prove to be forward-looking and hesitant to choose a particular console when they are in doubt if the system will provide enough quality games over the course of its lifespan. Dubé, Hitsch and Chintagunta (2010) argue that the market is also prone to tipping, meaning a firm’s market share dominance increases due to indirect network effects. This means that a firm is likely to become more dominant after a certain amount of time has passed in the lifespan of a console that consumers have put their trust in. Consumers tend to pick the product they expect to win the standards war, signifying that a certain console is meant to become the industry standard, increasing the likelihood of quality software. This causes tipping, meaning the market will see an increase of concentration towards a single platform.

As becomes clear from the previous paragraph, gamers might rely on previous experiences playing videogames. Having had multiple pleasurable experiences with a certain videogame franchise might cause attitudinal loyalty and multiple repeat purchases, but only if developers are able to keep meeting expectations. The importance of pleasurable past experiences can be clarified by looking at the role of nostalgia in the videogame industry. Despite the industry’s relative short existence of about 40 years, nostalgia plays a significant role.

Esposito (2005) distinguishes multiple reasons why nostalgia plays an important role in the videogame industry. For example, players might appreciate discovering the roots of certain genres or might enjoy the relatively harder-to-beat videogames distributed on previous platforms. Besides these reasons to play older videogames, nostalgia plays another significant role in the modern videogame industry. Several videogame franchises originated in the early stages of the industry. Franchises like The Legend of Zelda, Super Mario, Gran Turismo and Halo have a multi-year history and new instalments are still released as of 2017. These are popular
franchises that often manage to sell many copies. Alvisi et al. (2003) state that the lack of hit franchises, or killer applications as they call it, might result in consumers deciding to purchase another brand in the future. One could thus argue that the presence of popular, long-running franchises that are platform-exclusive can be a competitive advantage to any videogame company. The significance of this will be tested in this research by measuring consumer’s opinion on first-party games.

Nintendo recognizes feelings of nostalgia that consumers might bear. In 2016, they launched the NES Classic Mini, a revamped version of the Nintendo Entertainment System (NES), with 30 classic video games from the NES pre-installed. The system was a commercial success, with over 2.3 million units sold worldwide. Nintendo, however, decided to discontinue its production, arguing that it was intended to sell during the holiday period in 2016 and they did not foresee the incredible demand for the product (Peckham, 2017).

Establishing a loyal consumer base, as shown in previous paragraphs discussing branding, is argued to result in competitive advantages to firms such as less price sensitivity among consumers, lower marketing costs for firms and creating a barrier of entry for possible new market entrants. Given the generational nature of the video game industry, which launches a new generation of home video game consoles every four to six years (Zackariasson & Wilson, 2010), purchasing a certain console is a means of devotion to this console for the duration of that particular generation. Thus, purchasing a home video game console can be regarded as high-risk for consumers, who can doubt the market acceptance of new technology (Sarin, Sego & Chanvarasuth, 2003), an effect that is possibly enhanced by the network effects that characterize the video game industry, which results in consumers refraining from purchasing until they are certain a platform is to become the industry standard.

On top of the high-risk nature of purchasing a video game console, Generation Y consumers are characterized as highly disloyal and regarded as resistant to traditional marketing efforts (Lazarevic, 2012). Establishing a loyal consumer base can therefore prove to be a challenge for brands in the video game industry, though it is also regarded as a strong asset to console manufacturers. Shankar and Bayus (2002) question the power of an installed base in creating a competitive advantage in the video game industry. They show that Nintendo was able to overtake Sega despite the larger installed base of the Sega platform. Contrary to what Shankar and Bayus suggest, Kemerer et al. (2017) state that having established a large installed consumer base can be used as a competitive advantage when introducing a new console that is backwards compatible with its predecessor. Backwards compatibility means the new platform is able to run the software that was developed for its
predecessor while also being able to run the software developed for the new platform specifically. This way, consumers are able to purchase a new console but still be able to play the video games they already own, while also purchasing the ability to play new, enhanced video games. For consumers, this reduces the risk of purchasing new technology that holds promise but has not realised it yet. Sarin et al. (2003) argue that reducing the perception of risk, and with that the barrier to adoption, is an issue of critical importance for the introduction and commercialization of new technologies. Consumers tend to stay away from purchasing until they are convinced the technology will be widely adopted and succeed in the market, they say. Firms in the video game industry apply selling strategies in order to ensure a large installed base, such as bundling.

Applying a strategy of bundling, selling two or more products otherwise sold separately in a bundle possibly to a reduced price, is suggested as an effective way of introducing new high-technology commodities into a market. Sarin et al. (2003) propose a bundling strategy to reduce the perceived risk of consumers on multiple aspects. It signifies to the consumer that there is not a lack of complementary goods, which in case of video game consoles could be video games or complementary goods such as controllers. It increases market penetration, which can be a desirable effect when introducing a new video game console in a market affected by network effects. Besides a positive effect on establishing a large installed base, increasing attractiveness of the platform to third party developers, bundling is also a commercial strategy that increases revenues because multiple products are sold at once to consumers. This strategy is widely adapted in the video game industry, where new video game consoles are often bundled with either an extra controller to allow consumers to play multiplayer straight out of the box, or with popular video games. This way, consumers are able to immediately use their consoles.

Derdenger and Kumar (2013) have investigated the influence of bundling strategies in the video game industry, specifically the hand-held video game console market. They investigated the time period of 2001 to 2005, in which Nintendo was the monopolist in the hand-held console market, selling the Nintendo GameBoy Advance (GBA) and its successor GBA SP both separately as well as bundled with several software products. Their results show that bundling in the video game industry can be an effective strategy, firstly because some consumers are convinced to enter the market sooner than they would in the absence of bundles. Their research is unique because it recognizes the indirect network effects that characterize the video game market, employing a model of predicting sales using a dynamic demand model that takes into account a consumers’ consideration of the library of video
games that is available on a console. The results show that sales of consoles decline in the absence of mixed bundling, and also that consumers who purchase bundles might refrain from buying a standalone console, even though these might be cheaper than bundles. It should however be recognized that this research was conducted in a monopolistic industry, which does not reflect the effect of bundling strategies in an oligopolistic market like the home video game console market. Bundling might prove to be an effective strategy especially in the later stages of selling video game hardware, renewing consumer interest for example during the holiday season. The research also shows that mixed bundling is more effective than pure bundling. Mixed bundling means that bundles are also available for purchase as loose components, whereas pure bundling means consumers are not able to purchase the video game console separately from its bundled product. An important side note to their research is that bundling strategies appear to be less effective when markets are increasingly subject to network effects, meaning that an increase of network effects lessens the influence of bundling strategies on sales.

Nair (2007) investigated the influence of a skimming strategy in the video game market. Skimming is defined as the strategy of selling durable goods for a premium price to highly involved consumers, after which the price of the goods is lowered in order to sell to lower-involved consumers. This strategy appears to be effective in the market of video game consoles. When a skimming strategy is not adopted, profit losses are estimated to be large and economically significant, meaning video game console manufacturers should take into account the forward-looking consumers who anticipate a price-cut for durable goods, says Nair. A 2010 study of the hardware battle between the Nintendo 64 and Sony’s PlayStation, however, showed that had Nintendo not embraced a skimming strategy but a penetration strategy (selling at a low price which causes losses to ensure the quick establishment of an installed base), it could have won the ‘console war’, due to a larger installed base before the arrival of Sony’s PlayStation (Liu, 2010). This could mean that choosing between either a skimming strategy or a penetration strategy is dependent on the status of the market and should be carefully predominated by firms looking to enter the market with a new product.

The video game console market is affected by indirect network effects, meaning firms should aim to establish an installed base for a newly launched video game console as fast as possible in order for the platform to gain attractiveness to developers. However, consumers in this market appear to be forward-looking and anticipating price-cuts, possibly because they are aware of skimming strategies. The strategy of offering bundles (hardware bundled with software or complementary hardware) can therefore prove to be an effective way of
introducing hardware, although research shows that its effectiveness decreases when network effects are bigger. This could signify that bundling strategies might prove to be more effective in later stage of a product's lifecycle, increasing demand later, possibly combined with lower prices.

2.5 Conceptual framework overview
Brands are seen as a vital part of any firm and as a strong intangible asset (Keller, 2013). Establishing a strong brand is done by realising brand awareness among consumers and establishing a fitting brand image, according to Keller. As soon as consumers are aware of the brand, establishing the right brand image is required to draw consumers to the brand and establish a relationship with it. Literature suggests several sources of brand equity, but brand awareness and brand image appear to be present in most brand equity measurement models. Creating a brand that bears strong equity can be seen as a series of steps to be taken by marketers (Yoo & Donthu, 2001), starting with establishing brand awareness among consumers, also termed salience in Keller's (2009) brand resonance pyramid. When consumers are aware of the brand, firms can use marketing to ensure the consumer bears the right associations in their mind, forming a coherent brand image, a mental view of the brand based on quality of a product or service, its personality and possibly the sustainability and social influence associated with the brand. A strong and stable relationship between brand and consumer should then result in loyalty among consumers, who are then likely to engage in activities concerning the brand and become less price-sensitive, going out of their way to purchase the brand they prefer (e.g. Keller, 2013).

The video game industry is a highly competitive and volatile industry, with an oligopolistic structure (Marchand & Hennig-Thurau, 2013). As of 2017, Nintendo, Sony and Microsoft remain as the main competitors, selling video game consoles and aiming to gain market dominance. A large market share has several advantages. It keeps shareholders satisfied because it is associated with higher profits. Also, large market shares can imply that there is a large loyal consumer base. A loyal consumer base is profitable for companies because it can imply that consumers are willing to pay a price premium for their products and that they bear positive associations towards a brand. As long as brands are able to keep meeting or exceeding these expectations, consumers are likely to remain loyal to this brand.

Establishing a loyal consumer base is a goal of marketers and an ideal outcome of branding strategies. It is not easy to establish, nor is it easy to maintain. Companies can try to invoke loyalty amongst consumers in several ways and their loyalty is dependent on multiple
factors. As stated in the previous paragraph, consumers need to bear positive associations towards a brand firstly in order for them to become loyal. These associations then have to be nurtured and the relationship between consumer and brand has to be maintained. This means companies have to keep meeting or exceeding expectations (Alvisi et al., 2003). At the same time, they need to establish the right brand image in the minds of consumers. One way to do this is to differentiate the brand from its competition by teaching consumers what the product does, ‘who’ the product is and why they should care (Keller, 2013). Furthermore, brands should investigate what values are important to their target audience and consequentially adapt their products and brand image to these values, in order for congruity to establish between brand and consumer, after which consumer-brand identification is likely to occur (Nam, Ekinci & Whyatt, 2011). This results in commitment and willingness to spread positive WOM, expressions of loyalty.

In the videogame industry history, market leadership has shifted often during its relatively short existence. Nintendo has been the dominant firm for a long time, until Sony took over at the start of the 20th century. Nintendo then regained market leadership with the Nintendo Wii, but was unable to maintain this position with its successor the Wii U. Microsoft and Sony appear to be controlling the contemporary video game market, while Nintendo is fighting for a share in the market. Therefore, one might conclude that a loyal consumer base in the videogame industry is hard to establish. However, the three main competitors are vigorously trying to differentiate their consoles from the competition. The present study aims to investigate whether consumers in the videogame industry are able to perceive differences amongst the three competitors and whether this infers positive associations towards these brands. Then, the relationship between perceived brand differentiation and brand loyalty will be examined. The method of this research will be elaborated on in the next chapter.
3. Methodology

3.1 Quantitative approach

As is clarified and emphasized in the theoretical framework, the strength of a brand lies in the minds of consumers, which is why brand equity is often measured by assessing brands with consumer research. Measuring customer-based brand equity (CBBE) can be done using either direct or indirect approaches. Direct approaches attempt to measure CBBE directly by focussing on consumers’ preferences, whereas indirect approaches measure the concept through demonstrable manifestations (Christodoulides & Chernatony, 2010). Measuring the concept of customer-based brand equity has been done in multiple different ways, due to the fact that there is no unanimous belief as to which brand sources constitute brand equity. However, measuring CBBE using a direct approach is a common method in measuring brand equity because it assesses consumer preferences on an individual basis (e.g. Park & Srinivasan, 1994; Chaudhuri & Holbrook, 2001). In addition, Aaker (1996) has formulated an extensive set of brand equity measures to be utilized in surveys in order to “provide a missing ingredient for those who would build and nurture brands” (p. 120). In essence, measuring CBBE on an individual level employing a direct approach such as surveys allows for valuable, in-depth insights in the strength of any brand, which is of significant importance to managers. The intention of this thesis is to examine the relationship between perceived brand differentiation and brand loyalty in the video game industry. In other words, do consumers perceive differences between brands in the video game industry and does this influence their loyalty towards these companies? For the purpose of this thesis, there is a focus on the segment of the home video game consoles, so the focus is not on the entire video game industry which also entails hand-held machines such as the Nintendo GameBoy and the Sony PlayStation Portable/Vita and personal computers. Within the contemporary home video game console market, there are three main competitors, namely Nintendo, Sony and Microsoft. For that reason, the research will only address these three brands. The fact that the home video game console market has known other brands in its history is acknowledged, but as of 2017 the aforementioned three brands consume the market for home video game consoles. This research employs a quantitative approach and measures consumers’ attitudes towards the three aforementioned brands through a survey, which is a direct approach to measuring customer-based brand equity. Keller (2013) states that in order to measure sources of customer-based brand equity it is required to measure various aspects of brand awareness and brand image, which can then lead to the differential customer response which makes up brand equity. He recognizes that consumers might have holistic views of brands that are hard to
divide into smaller components. However, by applying branding theory, mental associations that consumers bear towards brands can be divided into different components such as quality and sustainability of a brand. The present study focuses specifically on the assessment of brand differentiation by the target demographic and its influence on brand loyalty for the three main brands in the video game industry. By assessing consumer’s perceptions of the brands on a Likert scale, analyses of the extent to which brands are perceived as differentiated and brand loyalty can be executed.

3.2 Study population and sampling
The target demographic for this research is defined as members of Generation Y in the Netherlands. Generation Y, according to a study by Loroz and Helgeson (2013), are people born between 1977 and 1994. This means at the time of this study, they are within the age range of 22 to and with 39 years old. Members of Generation Y in the Netherlands are selected as the population for this study because they are argued to be the future main segment of the video game market (Lazarevic, 2012). Lazarevic also labels Generation Y as a disloyal generation for brands, which makes it interesting to see whether this is true within the market for home video game consoles. This generation has mostly grown-up with video games and might already have developed preferences for a specific brand, despite their apparent disloyalty (Kline et al., 2003).

As a result of the limited time frame for this research, a non-random convenience sampling method is employed by choosing the nearest and most convenient persons to act as respondents (Robson, 2002). The respondents were not offered any compensation for their participation and therefore entered completely voluntary. Before the participants could initiate the survey, they were asked to digitally sign a consent form acknowledging that their participation was voluntary. An anonymous link to the questionnaire was posted on Facebook within a survey-sharing group and on the websites www.xboxworld.nl and www.budgetgaming.nl. These platforms are popular websites for people who are interested in videogames which makes them a good fit for this study because the visitors might be more willing to participate, which is in chime with the convenience sampling method. In total this resulted in 295 respondents. Elimination of incomplete data resulted in a dataset of 206 useable surveys within the target age range of 22-39 years old. The data was collected using Qualtrics survey software. Collection of data occurred starting the 30th of April and ended on May 15th of 2017.
3.3 Operationalization

As becomes clear from the theoretical framework, brand equity is argued to be composed of multiple brand sources such as brand awareness, brand image and brand loyalty (e.g. Keller, 2013; Aaker, 1991). The purpose of this paper is to assess perceived brand differentiation of the three main competitors in the video game industry, which are Nintendo, Sony and Microsoft. Brand loyalty of consumers is also assessed in relation to perceived brand differentiation. A survey is designed aimed to gauge perceived brand differentiation and brand loyalty amongst consumers. The constructs of perceived brand differentiation and brand loyalty have been operationalized based on existing branding theories concerning these concepts.

Brand differentiation is done by firms in order for consumers to perceive differences among brands within a certain product category. Differentiation can be based on, for example, quality or uniqueness. A brand can focus its marketing efforts on convincing consumers that their product is qualitatively superior or that their brand offers a unique experience which consumers are unable to find with products or services from the competition. Kapferer (2012) argues that brands should not focus on differentiating their brands based on material, because competitors can and will copy your best idea. He advises brands to focus on intangible assets, which prevents substitutability. Hence, a brand is seen by the consumer as differentiated when they consider a brand to be of superior quality, offering advantages they cannot find with the competition and to be unique or irreplaceable. Items have been generated in order to assess the perceived brand differentiation, measuring the brands’ uniqueness and whether the brand exceeds expectations or offers advantages that other brands do not offer. These items are included in the survey with a 7-point Likert scale.

According to theory concerning brand loyalty, loyal consumers express certain behaviour when they are considered loyal. First of all, they intend to repeat purchase the same brand for a longer period of time, choosing this brand over the competition. Given the generational nature of the video game industry, repeat purchase of consoles does not necessarily imply brand loyalty. A new generation of consoles is launched every four to six years, a long period to transcend and which could imply changes in both consumer perspective as well as brand image of the video game brands. Repeat purchase of both consoles and video games for a specific platform is a quite straightforward measure to assess brand loyalty. However, when consumers indicate that they plan to repurchase the same brand in the future, this is an indicator of loyalty and therefore this is included in the survey. Besides purchasing the same brand repeatedly, loyal consumers are expected to be more willing to invest time in getting to
know a brand. Thus, willingness to learn more about a brand could be an attribute of a loyal consumer. Loyalty can also result in the intention to recommend a brand to others.

Based on theories reported in the theoretical framework concerning branding and previously established items, a pool of 18 scale items was generated to reflect the dimensions of brand differentiation and brand loyalty. The items were tested by two test participants in order to clarify what respondents were meant to assess. Finally, the survey was developed as follows. Respondents are first asked if they own or have owned a console made by either Nintendo, Sony or Microsoft. Based on their answer to this question they were asked to assess their opinion towards the brands which they own or have owned in the past. All questionnaire items, as shown in Appendix, are measured on a seven-point Likert Scale ranging from 1 (strongly disagree) to 7 (strongly agree). For the full questionnaire, consult Appendix A.

Their experience playing video games in terms of number of years are requested as well as the frequency with which they play in order to allow for analysis in differences among players with different amounts of experience with playing video games.

3.4 Analysis
The analysis of the data provided by the questionnaire was analysed using Statistical Package for Social Sciences (SPSS) Statistics by IBM (version 24). This is a commonly used software tool to analyse quantitative data. Before starting the analysis of the data, it was cleaned by removing unusable data sets. As a first step in analysing the data, frequency distributions and descriptive tests were computed in order to report general details about the participants of the study. Then, in order to assess the goodness of fit of the items included in the survey to measure the concepts of perceived brand differentiation and brand loyalty, principal component analyses were conducted to test whether the items load onto the proposed components. Then the internal consistency of these items was tested using a Cronbach’s alpha reliability test.

Following the reliability analyses, new variables for each brand’s perceived brand differentiation and brand loyalty scales were computed. Using a Pearson’s product-moment correlation analysis, perceived brand differentiation and brand loyalty were tested for a linear relationship. Consequently, regression analyses were conducted for each brand to assess the extent to which perceived brand differentiation accounted for the strength of the brand loyalty score. Finally, in order to examine the influence of age, experience playing video games and frequency of playing on brand loyalty scores, multiple regression analyses were performed for all three brands.
4. Results

In order to formulate an answer to the research question posed in this thesis, a survey was distributed. In total, 295 respondents started the survey. 241 respondents have completed the survey, with 54 respondents not having finished the survey.

<table>
<thead>
<tr>
<th>Progress</th>
<th>Number of respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Completed</td>
<td>241</td>
</tr>
<tr>
<td>Not completed</td>
<td>54</td>
</tr>
<tr>
<td>Total</td>
<td>295</td>
</tr>
</tbody>
</table>

Because the uncompleted surveys are irrelevant to the results, they will be left out from this following results. In table 2 below, the distribution of respondents according to gender is displayed. The option ‘other’ was selected four times, but the answers were not serious.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>191</td>
</tr>
<tr>
<td>Female</td>
<td>46</td>
</tr>
<tr>
<td>Other</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>241</td>
</tr>
</tbody>
</table>

Considering the fact that this thesis aims to investigate Generation Y in the Netherlands, respondents aged 22-40 will be used in this research. In total, 206 respondents are within the target demographic. It can be concluded from this information that it does not correlate with the data from ESA, where the gender distribution of video game players is more equally divided. Table 3 below shows the number of respondents per gender.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Number of Respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 3.

Gender distribution of the respondents
The average age of the respondents is 26 years old. 75.7 percent of the participants was aged between 22 and 30 years old, the remaining 24.3 percent was aged 31 years or older.

A little under two thirds (62.1 percent) of the respondents stated that their main daily activity was work, whereas about a third (31.6 percent) stated their main daily occupation was to study. The remaining 6.3 percent indicated they were in between jobs or had just finished studying and were looking for work. The large majority (85 percent) of the respondents indicated they had followed higher education in the Netherlands (hbo or university).

Respondents were asked whether they own or have owned a console manufactured by either Nintendo, Sony or Microsoft. Table 4 below shows how many respondents indicated they owned a console by either one of the three manufacturers or if they did not. It is noteworthy to see that all three brands are owned by a large part of the respondents, which means that respondents own multiple consoles by the three main competitors.

Table 4.

<table>
<thead>
<tr>
<th>Distribution of owned consoles by the respondents.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of respondents</td>
</tr>
<tr>
<td>------------------------</td>
</tr>
<tr>
<td>Nintendo</td>
</tr>
<tr>
<td>Sony</td>
</tr>
<tr>
<td>Microsoft</td>
</tr>
<tr>
<td>Did not own a console</td>
</tr>
</tbody>
</table>

Respondents were inquired to report for how long a period of time they have been playing video games. In total 197 of the 206 respondents answered the question, of which 95.5 percent has experience playing video games for 10 years or longer. More than half of the respondents even report having over 18 years of experience playing video games, namely 57.4 percent. The entire distribution of playing experience is displayed in table 5 below.

Table 5.
Of the 206 respondents, 196 answered the question of how often they play video games on average. The majority, 84.1 percent, plays video games at least once a week. Over one in four respondents play video games every day. The participants in this study can therefore be regarded as active video game players. The table 6 below displays the results for this question.

Table 6.

Frequency of playing video games on average.

<table>
<thead>
<tr>
<th>Frequency of playing video games</th>
<th>Number of respondents</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A few times per year</td>
<td>15</td>
<td>7.7</td>
</tr>
<tr>
<td>Once a month</td>
<td>6</td>
<td>3.1</td>
</tr>
<tr>
<td>A few times a month</td>
<td>10</td>
<td>5.1</td>
</tr>
<tr>
<td>Once a week</td>
<td>22</td>
<td>11.2</td>
</tr>
<tr>
<td>A few times a week</td>
<td>91</td>
<td>46.4</td>
</tr>
<tr>
<td>Every day</td>
<td>52</td>
<td>26.5</td>
</tr>
</tbody>
</table>

The items assessing the respondents’ attitude towards the three brands included a ‘I don’t know / not applicable’ value, which represented value 8 on the Likert scale. This value was included to refrain from forcing respondents to have an attitude towards the items in the survey. However, it does not assess the extent to which the respondent agrees with the item in the survey and can therefore not be included in the analysis. Thus, these values were recoded into missing values so as to exclude them from the analysis.
In order to assess the strength of the items used in the survey, principal component analyses (PCA) have been conducted to test whether the items that were used measure the same construct and if they are correlated. Table 7 below shows the results for the factor analysis of the brand loyalty construct for Nintendo.

Table 7.
Component loadings for Brand Loyalty construct assessing the Nintendo brand

<table>
<thead>
<tr>
<th>Component</th>
<th>Component 1</th>
<th>Component 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. I consider myself loyal towards Nintendo</td>
<td>.641</td>
<td>.596</td>
</tr>
<tr>
<td>2. I purchase games as often as possible for a Nintendo platform</td>
<td>.490</td>
<td>.726</td>
</tr>
<tr>
<td>3. I only need Nintendo when it comes to video games</td>
<td></td>
<td>.793</td>
</tr>
<tr>
<td>4. Nintendo is a reliable brand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Nintendo is a valuable brand to me</td>
<td>.854</td>
<td></td>
</tr>
<tr>
<td>6. For a future console-purchase, I would buy Nintendo again</td>
<td>.647</td>
<td>.529</td>
</tr>
<tr>
<td>7. I would recommend Nintendo to others</td>
<td>.840</td>
<td></td>
</tr>
</tbody>
</table>

Six items load onto factor 1. Based on theoretical insights, all items used in this factor analysis are assumed to assess brand loyalty. Items 2 and 6 represent the repeat purchase intention that is theorized to be a loyal consumer trait (e.g. Kapferer, 2008), whereas items 5 and 7 represent the consumers’ attachment to a brand and their willingness to spread positive WOM (Tuškej et al., 2013). Item 4 represents the consumer’s trust towards a brand, which is argued to influence loyalty (Delgado-Ballaster & Luis Munuera-Aléman, 2001). It becomes clear from this factor analysis that the third item, ‘I only need Nintendo when it comes to video games’, only loads onto the second factor. Thus, this item will be excluded from the first factor which assesses brand loyalty. A reliability analysis was then conducted using items 1, 2, 4, 5, 6 and 7. These items compose the brand loyalty scale for Nintendo and are internally consistent ($\alpha = .88$). In order to allow for analysis of averages concerning brand loyalty towards the Nintendo brand, a new variable was computed using the six items that loaded onto factor 1. This new variable was labelled ‘BLNintendo’.

A PCA has been conducted for items assessing brand loyalty for the Sony PlayStation brand. Table 8 below shows the items that load onto the factor brand loyalty. As opposed to the results from the factor analysis for Nintendo, the third item does load onto the factor along with the other items. However, to assure unity across all brands, the item is excluded from the
variable computed with the six other items that load onto the construct of brand loyalty. The other six items together have a reliability of $\alpha = .88$. A new variable was computed labelled ‘BLSony’.

Table 8.

<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>I consider myself loyal towards Sony PlayStation</td>
<td>.827</td>
</tr>
<tr>
<td>I purchase games as often as possible for a Sony PlayStation platform</td>
<td>.832</td>
</tr>
<tr>
<td>I only need Sony PlayStation when it comes to video games</td>
<td>.666</td>
</tr>
<tr>
<td>Sony PlayStation is a reliable brand</td>
<td>.601</td>
</tr>
<tr>
<td>Sony PlayStation is a valuable brand to me</td>
<td>.843</td>
</tr>
<tr>
<td>For a future console-purchase, I would buy Sony PlayStation again</td>
<td>.873</td>
</tr>
<tr>
<td>I would recommend Sony PlayStation to others</td>
<td>.811</td>
</tr>
</tbody>
</table>

Lastly, the PCA was conducted for the Microsoft Xbox brand assessing brand loyalty. Table 9 below displays the results. Similar to the factor analysis for the Sony PlayStation brand, only one factor was extracted from the analysis. Item 3 will be excluded from the new variable labelled ‘BLMicrosoft’. The six items are reliable ($\alpha = .91$).

Table 9.

<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>I consider myself loyal towards Microsoft Xbox</td>
<td>.840</td>
</tr>
<tr>
<td>I purchase games as often as possible for a Microsoft Xbox platform</td>
<td>.848</td>
</tr>
<tr>
<td>I only need Microsoft Xbox when it comes to video games</td>
<td>.728</td>
</tr>
<tr>
<td>Microsoft Xbox is a reliable brand</td>
<td>.658</td>
</tr>
<tr>
<td>Microsoft Xbox is a valuable brand to me</td>
<td>.828</td>
</tr>
<tr>
<td>For a future console-purchase, I would buy Microsoft Xbox again</td>
<td>.875</td>
</tr>
<tr>
<td>I would recommend Microsoft Xbox to others</td>
<td>.892</td>
</tr>
</tbody>
</table>

Also for the construct of perceived brand differentiation, factor analyses have been conducted to assess the strength of the items that measure the construct. In table 10 below the results of the factor analysis for Nintendo are reported. Based on the results, it can be concluded that
items 1 through 5 measure the construct of perceived brand differentiation. In the theoretical framework, the importance of unique, exclusive software to attain success is theorized by, for example, Alvisi et al. (2003) and Binken and Stremersch (2008). Items 6 and 7 can be argued to assess brand quality. However, they do not load onto factor one ‘perceived brand differentiation’, and will therefore be excluded from the assessment of perceived brand differentiation. Items 1, 2, 4 and 5 measure the extent to which the brand is perceived as differentiated, which is important in establishing a vivid brand image in the mind of consumers (Keller, 2013). A reliability analysis shows that items 1, 2, 3, 4 and 5 are internally consistent ($\alpha = .80$). A new variable was computed with these items to assess the average perceived brand differentiation, labelled ‘PBDNintendo’. A high score on the items indicate a higher level of perceived brand differentiation.

Table 10.

<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Nintendo is unique</td>
<td>.773</td>
<td></td>
</tr>
<tr>
<td>2. Nintendo is irreplaceable</td>
<td>.785</td>
<td></td>
</tr>
<tr>
<td>3. Nintendo’s 1st Party games offer a unique experience</td>
<td>.819</td>
<td></td>
</tr>
<tr>
<td>4. Nintendo exceeds expectations</td>
<td>.616</td>
<td>.435</td>
</tr>
<tr>
<td>5. Nintendo offers advantages that other brands in the video game industry do not offer</td>
<td>.590</td>
<td></td>
</tr>
<tr>
<td>6. Nintendo is a reliable brand</td>
<td></td>
<td>.823</td>
</tr>
<tr>
<td>7. Compared to the competition, Nintendo is qualitatively superior</td>
<td></td>
<td>.847</td>
</tr>
</tbody>
</table>

A PCA was also conducted to assess the strength of the measurement of perceived brand differentiation for Sony PlayStation. The results can be seen in table 11 below. Only one factor was extracted, with items 6 and 7 also loading onto the factor, unlike the factor analysis for Nintendo. However, to assure consistency, items 6 and 7 are excluded from the new variable labelled ‘PBDSony’. The five items included in the variable have a reliability of $\alpha = .84$.

Table 11.

<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Nintendo is unique</td>
<td>.773</td>
</tr>
<tr>
<td>2. Nintendo is irreplaceable</td>
<td>.785</td>
</tr>
<tr>
<td>3. Nintendo’s 1st Party games offer a unique experience</td>
<td>.819</td>
</tr>
<tr>
<td>4. Nintendo exceeds expectations</td>
<td>.616</td>
</tr>
<tr>
<td>5. Nintendo offers advantages that other brands in the video game industry do not offer</td>
<td>.590</td>
</tr>
<tr>
<td>6. Compared to the competition, Nintendo is qualitatively superior</td>
<td>.823</td>
</tr>
<tr>
<td>7. Compared to the competition, Nintendo is qualitatively superior</td>
<td>.847</td>
</tr>
</tbody>
</table>
Lastly, to assess the strengths of the items that measure perceived brand differentiation for the Microsoft Xbox brand, a factor analysis was conducted. The results are shown in table 12 below. The results are similar to the analysis for the Nintendo brand, seeing that items 6 and 7 do not load onto factor one. Different from the Nintendo analysis is that items 3 and 4 appear to load stronger onto the second factor, but they also load onto factor 1. Items 1 through 5 were analysed on reliability ($\alpha = .81$) and a new variable was composed labelled ‘PBDMicrosoft’.

Table 12.

<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
<th>2</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>.892</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>.848</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>.417</td>
<td>.504</td>
</tr>
<tr>
<td>4.</td>
<td>.444</td>
<td>.721</td>
</tr>
<tr>
<td>5.</td>
<td>.654</td>
<td></td>
</tr>
<tr>
<td>6.</td>
<td></td>
<td>.890</td>
</tr>
<tr>
<td>7.</td>
<td>.387</td>
<td>.756</td>
</tr>
</tbody>
</table>

The computed variables allow for analysis of average scores of both perceived brand differentiation as well as brand loyalty for all three brands. Mean scores have been computed.
using descriptives on the variables assessing BL and PBD for all three brands. Table 13 below shows the average scores for each brand on brand loyalty and perceived brand differentiation.

Table 13.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean (SD)</th>
<th>N=</th>
</tr>
</thead>
<tbody>
<tr>
<td>BL Nintendo</td>
<td>4.65 (1.22)</td>
<td>151</td>
</tr>
<tr>
<td>BL Sony</td>
<td>5.10 (1.18)</td>
<td>153</td>
</tr>
<tr>
<td>BL Microsoft</td>
<td>3.95 (1.40)</td>
<td>109</td>
</tr>
<tr>
<td>PBD Nintendo</td>
<td>5.18 (1.12)</td>
<td>163</td>
</tr>
<tr>
<td>PBD Sony</td>
<td>4.57 (1.26)</td>
<td>154</td>
</tr>
<tr>
<td>PBD Microsoft</td>
<td>3.52 (1.15)</td>
<td>120</td>
</tr>
</tbody>
</table>

The results reported in table 13 show that respondents show the lowest scores on perceived brand differentiation and brand loyalty for the Microsoft Xbox brand. Sony PlayStation and Nintendo score over a point higher than Microsoft Xbox on the perceived brand differentiation scale, Nintendo scoring even higher than Sony PlayStation. On the other hand, Sony PlayStation scores higher on the brand loyalty scale than Nintendo. In terms of positive brand equity, Sony and Nintendo are the strongest brands in the video game industry. When assuming a causal order of brand equity sources (Yoo & Donthu, 2001), meaning that a higher score on PBD should indicate a higher score on BL, Nintendo is expected to have the highest score on BL. However, Sony scores highest on BL, whereas it scores lower on PBD. This could imply that there is not necessarily a causal order in building strong brand equity, as theorized by Aaker (1991), who argues loyalty to be equivalent to brand differentiation, which is part of the brand’s image. However, there could be a linear relationship between the two variables of PBD and BL, implying a causal order among the two sources. This will be tested using more elaborate tests in SPSS.

These results display means, which do not allow for analysis on correlation. Therefore, to test if a higher score on perceived brand differentiation predicts a higher score on brand loyalty, other statistical tests have to be conducted. A Pearson’s product-moment correlation coefficient was conducted to assess the relationship between perceived brand differentiation and brand loyalty for all three brands. Beforehand, simple scatterplots were computed to check for outliers in the data. No significant outliers were found that can be argued to disrupt
the data. There was a strong association between perceived brand differentiation and brand loyalty for Nintendo: the higher respondents rate the perceived brand differentiation, the higher they score on brand loyalty, $r = 0.687$, $n = 149$, $p < .001$. For the Sony PlayStation brand, the association between perceived brand differentiation and brand loyalty is slightly stronger, $r = 0.742$, $n = 147$, $p < .001$. As for Microsoft Xbox, the association appears slightly weaker than the other two brands, $r = 0.661$, $n = 108$, $p < .001$. Overall, there is a strong, positive correlation between perceived brand differentiation and brand loyalty. Increases in perceived brand differentiation is correlated with increases in brand loyalty. Next, an ordinary least squares (OLS) regression analysis is conducted to assess to what extent variables influence the score of brand loyalty.

The correlation analyses conducted in the previous paragraph show that there is a linear relationship between perceived brand differentiation and brand loyalty, meaning that if the first variable increases, it is likely the second will increase too. Basically, it shows that there is a relation between the two variables, but it does not indicate to what extent the first variable (PBD) influences the second variable (BL). Next, three linear regression analyses have been conducted to assess the extent to which the predictor variable (PBD) influences the dependent variable BL.

First a ordinary least squares (OLS) regression analysis was conducted to predict BL for Nintendo based on its PBD for the same brand. A significant regression equation was found ($F(1, 147) = 131.545, p < .001$) with an $R^2$ of .472. The participants predicted BL is $0.529 + 0.783$ (PBD) loyalty when PBD is measured on a scale of 1 to 7. The participants’ brand loyalty increased .783 for each extra point on the perceived brand differentiation scale. The simple linear regression test was also conducted for Sony. A significant regression equation was found ($F(1, 145) = 178.861, p < .001$) with an $R^2$ of .551. The participants predicted BL is $2.048 + 0.668$ (PBD) loyalty when PBD is measured on a scale of 1 to 7. The participants’ brand loyalty increased .668 for each extra point on the perceived brand differentiation scale. A third simple linear regression was computed for the Microsoft brand. A significant regression equation was found ($F(1, 106) = 82.055, p < .001$) with an $R^2$ of .436. The participants predicted BL is $1.208 + 0.783$ (PBD) loyalty when PBD is measured on a scale of 1 to 7. The participants’ brand loyalty increased .783 for each extra point on the perceived brand differentiation scale. The tests show that BL is likely to be low for each brand when PBD is low but that BL increases significantly when the PBD score for a brand increases. The relationship appears strongest for both Nintendo and Microsoft with .783 increases of BL for each increased point on PBD, whereas BL for Sony increases .668 with each increased point.
on PBD. The predictive power of PBD on BL is relatively large for each brand, especially for Sony (R² = .551).

The results from the OLS analyses show that PBD is a relatively stable predictor for BL for each of the three brands, with nearly half of BL predicted by the score of PBD for each brand. This implies a causal order in brand building, meaning that brand loyalty, or resonance (Keller, 2009), is achieved through establishing a positive brand image in the minds of the consumer which is part of the second stage of brand building. This implies that Aaker’s 1991 model of brand equity should also be interlinked between the four sources of brand equity, because they appear to influence each other. Next, multiple regression analyses are conducted to assess the influence of other variables like video game playing experience, age of the respondent and the frequency of playing games influence BL for each brand.

Results from a multiple regression analysis assessing the influence of independent variables PBD, age, years playing video games and the average of frequency playing video games indicates only PBD is a significant predictor of BL for the Nintendo brand. Theory regarding brand loyalty indicates that loyalty is a result of a long-lasting relationship with a brand (Brakus et al., 2009). The results of the present study do not indicate that if a participant has more years of playing experience, their loyalty is likely to be higher. This could indicate that loyalty in the video game industry is hard to achieve and is not necessarily a result of a long lasting period of good experiences with a brand. This might also be a result of the generational nature of the video game market, which launches new consoles every 4-6 years, competing with new improved hardware or innovative gaming experiences, causing consumers to switch brands (Zackariasson & Wilson, 2010). Results are displayed in table 14 below.

Table 14. Regression model for predicting brand loyalty for Nintendo (N = 148)

<table>
<thead>
<tr>
<th></th>
<th>B</th>
<th>SE: B</th>
<th>β</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td>Model 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>.520</td>
<td>.367</td>
<td></td>
</tr>
<tr>
<td>PBDNintendo</td>
<td>.786</td>
<td>.067</td>
<td>.687*</td>
</tr>
<tr>
<td>Step 2</td>
<td>Model 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>.477</td>
<td>.473</td>
<td></td>
</tr>
<tr>
<td>PBDNintendo</td>
<td>.782</td>
<td>.071</td>
<td>.684*</td>
</tr>
<tr>
<td>Age</td>
<td>.000</td>
<td>.021</td>
<td>.001</td>
</tr>
</tbody>
</table>
The same analysis was computed for the Sony PlayStation brand. Results are displayed in table 15 below. Similar to the results for Nintendo, this regression analysis shows that only PBD is a significant indicator of the BL score, whereas the other three variables do not significantly impact the score of BL.

Table 15.  
Regession model for predicting brand loyalty for Sony PlayStation (N = 146)  

<table>
<thead>
<tr>
<th></th>
<th>B</th>
<th>SE B</th>
<th>β</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td>Model 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>2.055</td>
<td>.240</td>
<td></td>
</tr>
<tr>
<td>PBD</td>
<td>.666</td>
<td>.051</td>
<td>.738*</td>
</tr>
<tr>
<td>Step 2</td>
<td>Model 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>2.184</td>
<td>.489</td>
<td></td>
</tr>
<tr>
<td>PBD</td>
<td>.667</td>
<td>.051</td>
<td>.739*</td>
</tr>
<tr>
<td>Age</td>
<td>.008</td>
<td>.065</td>
<td>.008</td>
</tr>
<tr>
<td>Years playing video games</td>
<td>-.016</td>
<td>.064</td>
<td>-.015</td>
</tr>
<tr>
<td>Average of frequency playing video games</td>
<td>-.009</td>
<td>.017</td>
<td>-.034</td>
</tr>
</tbody>
</table>

Note. Significance levels: * p < .001

Finally, a multiple regression analysis was computed for the Microsoft Xbox brand. Results are shown in table 16 below. Results are similar to the two other brands, with only PBD being a significant indicator of BL for Microsoft Xbox.

Table 16.  
Regression model for predicting brand loyalty for Microsoft Xbox (N = 107)  

<table>
<thead>
<tr>
<th></th>
<th>B</th>
<th>SE B</th>
<th>β</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 1</td>
<td>Model 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>1.084</td>
<td>.307</td>
<td></td>
</tr>
<tr>
<td>PBD</td>
<td>.828</td>
<td>.083</td>
<td>.696*</td>
</tr>
<tr>
<td>Step 2</td>
<td>Model 2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
According to theories regarding brand loyalty among consumers, loyalty is related to being less price sensitive or willing to pay a price premium (e.g. Keller, 2013; Lazarevic, 2012). This means a higher level of loyalty is likely to be correlated with a relatively lower level of price sensitivity. Participants were asked to indicate to what extent the price of a console influences their purchasing decision when aiming to purchase a new console. The item had a 7-point Likert scale, with 1 indicating 'no influence of price on purchasing decision' and a 7 'a lot of influence of price on purchasing decision'. The mean score for all participants was $M(SD) = 4.46 (1.62)$, indicating that on average, the price of a console does relatively influence the purchasing decision when considering a new video game console. Thus, a higher score on the price influence scale indicates a lower degree of brand loyalty. Therefore, the scale was recoded to indicate that a lower score indicates lower brand loyalty. A Pearson’s product-moment correlation was conducted for each brand to find a linear relationship between BL and price sensitivity, meaning that the higher a person scores on BL, the higher they should score on the price sensitivity scale. No significant results were found for BLNintendo and price sensitivity ($r = -.022, p > .05$), nor for BLSony ($r = .004, p > .05$) and BLMicrosoft ($r = .132, p > .05$). This indicates no linear relationship between brand loyalty and price sensitivity, which means a higher level of BL does not relate to a higher level of price insensitivity. This contrasts findings that imply that a high level of loyalty causes consumers to become less price sensitive (e.g. Keller, 2013; Aaker, 1996). The results of the present study do not support these claims, possibly due to the relatively high-risk nature of purchases such as video game consoles (Marchand, 2016). This might also indicate that consumers in the video game market are forward-looking and hesitant with deciding which console to purchase until they are convinced a certain platform will become the industry standard (Sarin, Sego & Chanvarasuth, 2003).

This chapter displayed the relevant results for this study, indicating through the use of correlation analyses that there are linear relationships between perceived brand differentiation and brand loyalty for all three brands, implying a causal order in building brand equity as
presented in Keller’s (2009) brand resonance pyramid. Regression analyses indicated that PBD for all three brands explain about half of the variance for BL for all three brands, which is relatively high. Results from multiple regression analyses indicate that years of playing experience, age and frequency of playing games do not significantly predict levels of brand loyalty. In the following final chapter, the results will be discussed and used to answer the research question posed in the introduction of this dissertation.
5. Conclusion

5.1 Significant findings
This research aims to add to the body of academic literature concerning the significance of brands in the competitive market of the video game industry. Specifically, the relationship between perceived brand differentiation and brand loyalty among Generation Y consumers in the Netherlands is investigated. The video game industry is characterized by its volatility and highly competitive nature (Hollensen, 2013). The market is also termed as a Red Ocean, meaning the focus is on beating the competition and winning market share through taking over consumers from competing firms (Kim & Mauborgne, 2004; O’Gorman, 2009). This volatility could be due to the indirect network effects that influence the market. Console manufacturers profit from having a large installed base of consumers, meaning they need to sell a large amount of consoles in order for their platforms to be attractive to developers aiming to sell as many copies of video games to a potential consumer base. On the other hand, consumers are attracted towards a certain console partly because of the software quality offered on the platform. In short, when a console lacks a large installed base, it is unattractive to developers, making it unattractive to consumers as well due to a lack of quality software. For consumers, a console becomes attractive when the library of software is of a certain quality. It can be concluded from this that when a firm aims to launch a new console, it is important to sell as many consoles as fast as possible in order to attract developers.

Within an industry also known for its technological progress, firms are unable to always rely on the technological quality of their consoles to drive sales. Technology is susceptible to copying strategies and is therefore not reliable as a unique selling point for most firms. Kapferer (2008) therefore proposes that firms operating in technological markets should not focus on differentiating their products on a technological basis, because it is prone to be substituted by other technologies that are improved or copied. A strategy involving branding can prove to be more influential in an industry meant to provide consumers with video game playing experiences, not in the least because consumers are prone to associating experiences to the brand that connects to it. Video games are experience goods and their quality cannot be judged without interacting with the product. Thus, experience goods benefit from a strong brand because consumers relate pleasurable past experiences to that name (Keller, 2013). These pleasurable experiences and positive brand associations might therefore influence future purchases for consumers who want to purchase a new console.

This thesis aims to formulate an answer to the following research question: Does perceived brand differentiation predict brand loyalty among Dutch members from Generation Y? It can be
concluded from the results of the survey that there is a significant relationship between perceived brand differentiation and brand loyalty. The results showed differences in scores between Nintendo, Sony PlayStation and Microsoft Xbox concerning perceived brand differentiation and brand loyalty. On perceived brand differentiation, Nintendo scored the highest mean score, followed by Sony PlayStation and then Microsoft Xbox. However, Sony PlayStation reported the highest mean score on brand loyalty, followed by Nintendo and then Microsoft Xbox. The results however do show that there is a linear relationship between perceived brand differentiation and brand loyalty, meaning that consumers who assess a certain brand higher on the perceived brand differentiation scale are likelier to be brand loyal.

This dissertation employed a quantitative method to directly inquire Dutch Generation Y and assess their position towards the three main brands in the video game industry. They were first asked to state which of the three brands they (have) owned, after which they were asked to state to what extent they agree with multiple items in the survey. These survey items were formulated using theory derived from branding literature concerning brand management. Items included mainly aimed to assess perceived brand differentiation and brand loyalty, but other items which assess brand image in general were included to prevent respondents from finding patterns. The method of employing a questionnaire to assess consumers’ perceptions of brands is a good fit because it is argued that a brands’ equity resides in the minds of the consumers. Therefore, assessing their attitudes towards the three main brands in the video game market allows for a clear insight into the equity of these brands among Generation Y in the Netherlands. Based on theoretical insights concerning brand differentiation and brand loyalty, items were included in the questionnaire to measure the strength of these concepts among the participants. Factor analysis was then conducted to check the item loadings onto the distinct components. Five items loaded onto the component of perceived brand differentiation and six items loaded onto the component of brand loyalty. These items were then checked for their reliability and combined to compose scales for perceived brand differentiation and brand loyalty for each of the three brands.

In order to assess whether there is a relationship between perceived brand differentiation and brand loyalty, Pearson’s product moment correlation analyses were computed for all three brands. These tests indicated a linear relationship between PBD and BL for all three brands, meaning that in case a participant scored higher on the perceived brand differentiation scale, it is likely they score higher on the brand loyalty scale for each brand. The extent to which PBD predicts BL was tested using linear regression analyses. The results from these analyses indicate that PBD can indicate the strength of BL scores for nearly
half of the variance. The effect is strongest for Sony PlayStation, where PBD explains about 55 percent of the BL score for this brand. The effects for Nintendo (47 percent) and Microsoft Xbox (43 percent) are slightly smaller but still account for nearly half of the predicted score of BL for these brands.

In order to assess whether age, years of playing experience and frequency of playing video games could explain the score of brand loyalty, multiple regression analyses were conducted for all three brands. The results did not indicate a significant effect of the three variables, whereas PBD remained a largely significant factor predicting brand loyalty. Lastly, a Pearson’s product moment correlation analysis was conducted to measure the extent to which respondents’ price sensitivity was less when their brand loyalty was higher. Results show that there is not a correlation between brand loyalty and brand loyalty among the participants in this study, indicating that a higher level of loyalty does not necessarily indicate less price sensitivity.

Concluding, the results from this study indicate that perceived brand differentiation does predict brand loyalty for brands in the video game industry among Dutch members of Generation Y. This indicates that when a brand is perceived to be different and is assessed as such by participants, it is likely that their brand loyalty scores are higher. These results indicate the significance of differentiation for firms operating in the video game industry in their endeavour to establish a loyal consumer base. The theoretical implications of these results will be discussed in the next section.

5.2 Theoretical implications
Based on the results of this study it can be concluded that brands play a significant role in the video game industry. Nintendo, Sony and Microsoft have positioned themselves as the three main competitors on the home video game console market, competing over the increasingly large industry of video games.

Branding strategies are employed by firms to achieve competitive advantage in the market. One strategy is to differentiate the brand from the competition in a positive manner and assure positive and strong associations towards the brand in the minds of the consumers. This is meant to teach the consumer who the brand is, what it does and most importantly why the consumer should care and ultimately purchase the brand (Keller, 2013). A clear image can thus be of great competitive advantage to any firm looking to dominate a market. Ultimately, firms seek to establish a loyal consumer base that is willing to pay a price premium for the brand, go out of their way to purchase it and to spread positive word of mouth, essentially turning into a free brand ambassador. The results in this study show that there is a positive...
relationship between perceived brand differentiation and brand loyalty, meaning that consumers are likely to become more brand loyal if they perceive a brand to be significantly different from the competition. Hence, firms like Nintendo, Sony and Microsoft should aim to influence the perception of consumers in the video game industry into perceiving their brands to be different from the competition.

The perceived brand differentiation score was based on five items in the questionnaire employed in this research, which assessed uniqueness, irreplaceability, the unique experiences offered by 1st party games, exceeding expectations and offering advantages that competing brands in the industry do not offer. Companies should aim to increase the positive associations in consumer’s minds by emphasizing these aspects of their video game consoles. This means that the availability of 1st party games affects the companies’ differentiation from the competition, which is in line with findings from Binken and Stremersch (2008) who investigated the role of superstar software and exclusivity in driving console sales. The results from this study also point to the importance of offering advantages that competing brands do not offer, which means companies should focus on unique aspects of their consoles and communicate functionalities that are available only on that platform.

Keller (2013) argues that the key to branding is to create mental structures to help consumers organize their knowledge and perceive differences among brands in a certain product category. Thus, the power of a brand resides in the minds of consumers and firms can employ marketing strategies to create or alter any associations consumers have towards a brand, the brand image. As stated before, a strong brand has positive brand equity, meaning consumers perceive the brand as better than other brands. Branding literature discusses multiple sources of brand equity, including brand awareness, brand image, perceived quality and brand loyalty, but also sustainability and social influence. Yoo and Donthu (2001) propose the notion that brand equity has a causal order, meaning there are steps to be taken in order to achieve positive brand equity, also visible in Keller’s (2009) brand resonance pyramid. Brand awareness is argued to be the first step, after which consumers will form a brand image. When this brand image is strong and positive loyalty might occur, which can be argued to be the ultimate result of brand equity building. The results of this study indicate a causal order between perceived brand differentiation and brand loyalty, meaning that brand loyalty can be seen as a result from perceived brand differentiation. This appears to be in line with the brand resonance pyramid by Keller (2009), which proposes four steps in building brand equity, with resonance as the ultimate goal of a branding strategy. Resonance is the
extent to which a consumer feels in-sync with the brand and is willing to establish a relationship with the brand, essentially becoming loyal to it.

Summarizing the above findings, it can be said that a brand can benefit from establishing an image in the minds of consumers that signifies that their products or services are differentiated from the competition, offering experiences consumers are unable to find with the competition. A strongly differentiated brand can evoke a positive brand image in the minds of consumers, ultimately leading to an increased level of loyalty among consumers.

5.3 Limitations
This thesis has assessed the role of perceived brand differentiation in predicting brand loyalty in the video game industry among consumers in Generation Y in the Netherlands. A loyal consumer base is argued to be one of the results of strong brand equity, which is shown to be influenced by the perceived brand differentiation. However, brand equity is based on multiple other sources, defined in the theoretical framework as brand awareness, social influence and sustainability. This thesis is limited insofar as it does not assess the extent to which these other sources of brand equity influence the brands’ equity in the video game industry.

Considering the mission by for instance Nintendo and Sony to increase the potential audience for video games, brand awareness can be regarded as an important aspect in branding strategies. This research does not investigate brand awareness of the three incumbents among potential new video game players in the Netherlands but mainly focused on experienced video game players who frequently play video games. Thus, the participants who filled out the questionnaire are most likely beyond the stage of brand awareness, having already developed mental structures for the three brands.

Besides limitations considering multiple sources of branding and their influence on brand’s equity in the video game industry, this research is limited in two ways in terms of the target demographic for this study. First, there is an under-representation of female video game players in this study. The survey used to assess the brand equity in this thesis was completed by a total of 206 respondents within the target demographic of Generation Y in the Netherlands. However, only 17 percent of the respondents was female. It is assumed that this does not adequately mirror the average video game player population, which is argued to be more evenly divided. Thus, the results from this dissertation might not be representative for female video game players. Further research towards the effects of branding strategies in the video game industry for female gamers is required.

Second, the results of this research can be biased because the respondents for this survey are highly experienced playing video games. A large majority of the respondents stated
they had experience playing video games for over ten years, with over half of the respondents having more than eighteen years of experience. Moreover, the majority stated they play video games at least once a week. There is a lack of inexperienced video game players in this research. Two limitations are proposed in regards of the video game industry studied.

First, this study does not investigate the handheld market or personal computer market for video games. Thus, participants might have more experience with either Nintendo or Sony through their handheld video game consoles such as Nintendo’s Gameboy or DS series of consoles. Furthermore, participants might have had more experience with playing video games on the PC, but were excluded from this study because they indicated they had not owned a console by either three brands. Therefore, this study does not assess the opinion towards brands from experienced video game players who have not owned a console but might have experienced them on other occasions.

Besides not including the handheld and pc market of video games, this study does not assess to what extent players consider third party developers to be important when deciding on which video game console to purchase. Third party developers are often drawn to the console which holds the most promise of becoming the industry standard and/or which has the largest installed base, an effect most likely caused by the network effects that characterize the video game market. However, sometimes console manufacturers like Sony pay large amounts of money to third party developers to ensure their next title is exclusively launched on their platform(s), like Sony did with Square-Enix and their hit-title Final Fantasy (Alvisi et al., 2003), which caused success for Sony’s first PlayStation console competing with Sega’s Saturn console. The limitations mentioned in this section imply that there are opportunities to investigate multiple aspects of the video game industry in future research. These will be detailed in the next section.

5.4 Future research
In section 5.3 it was stated that the present study does not investigate brand awareness of lower-involved consumers among Generation Y in the Netherlands in the video game market. Considering the trend in the video game industry to enlarge the potential audience by increasingly offering casual video games (Juul, 2010) and focusing on the smartphone market (Robinson, 2015), it can be of significant value to marketers in the video game industry to investigate brand awareness of their brand and possible associations that consumers have towards video games and consoles. For instance, if interested consumers think playing video games on consoles is difficult this can guide future marketing strategies aimed at lowering the barrier of entry through altering perceptions concerning the need for technology expertise in
the video game market. This can prevent problems like Philips’ CD-i faced, which failed in the market due to its complicatedness (Schilling, 2003). By investigating brand awareness among lower-involved consumers, researchers can gain insights into the causal order of brand awareness in the steps towards brand equity in the video game industry.

The present study under-represents female video gamers, so future research should investigate female audiences in order to establish a general notion of how brand loyalty is established among this demographic and how multiple sources of brand equity influence their loyalty.

Besides extending the research to larger demographics, it might be interesting to conduct qualitative research in order to gain more in-depth insights into consumer perceptions of brands in the video game industry. Similar to Palomba’s (2016) study investigating brand personalities of the seventh generation of home video game consoles, future research can investigate brand personalities of the parent brands in order to achieve a deeper understanding of the extent to which consumer perceptions of brand personalities are in-sync with how the brands aim to shape their personalities.

Finally, research can investigate the role of third party developers in the decision-making process of consumers in the video game market. Such research can provide insights into which developers are important to consumers and whether the exclusivity of these developers to one console manufacturer is important to consumers. Related to the previous suggestion, personalities of the brands of the third party developers could be investigated to see whether these are in-sync with the brands of the console manufacturers and can enhance the strength of the mental structures that consumers create concerning the parent brand.
References


Gaston, M. (10 May, 2013). PlayStation 4 marketing slogan said to be 'Greatness Awaits'.
Retrieved from: http://www.gamestop.com


Appendix A

Brands in the videogame industry

Q1 Beste participant, Bedankt voor het deelnemen aan dit onderzoek over merken in de videogame-industrie. Het doel van dit onderzoek is om de consumentenpercectie van merken in de videogame-industrie te onderzoeken. Dit onderzoek is onderdeel van een masterscriptie aan de Erasmus Universiteit Rotterdam. In deze enquête worden ten eerste een aantal vragen gesteld over uw gegevens. Deze zullen ten alle tijden geanonimiseerd worden verwerkt in het verslag en slechts gebruikt worden voor onderzoeksdoeleinden. Vervolgens wordt u gevraagd om aan te geven in welke mate u het eens bent met bepaalde stellingen over merken in de videogame-industrie. Voor zover ik het kan beoordelen gaan er geen risico's gepaard met het deelnemen aan dit onderzoek. Uw deelname is geheel vrijwillig en u bent vrij om de deelname te stoppen wanneer u wilt. Het onderzoek zal ongeveer vijf à tien minuten van uw tijd in beslag nemen. Als u enige vragen of opmerkingen heeft kunt u contact opnemen met de onderzoeker Gosse de Reus: 459767gr@student.eur.nl. Nogmaals hartelijk bedankt voor uw deelname aan dit onderzoek.

☐ Ik begrijp het bovenstaande en wil doorgaan met het onderzoek (1)
Q2 Wat is je leeftijd? Scroll naar beneden voor meer opties.
- 17 of jonger (1)
- 18 (2)
- 19 (3)
- 20 (4)
- 21 (5)
- 22 (6)
- 23 (7)
- 24 (8)
- 25 (9)
- 26 (10)
- 27 (11)
- 28 (12)
- 29 (13)
- 30 (14)
- 31 (15)
- 32 (16)
- 33 (17)
- 34 (18)
- 35 (19)
- 36 (20)
- 37 (21)
- 38 (22)
- 39 (23)
- 40 (24)
- 40 jaar of ouder (25)

Q3 Wat is uw geslacht?
- Man (1)
- Vrouw (2)
- Anders (3) ____________________

Q4 Wat is je voornaamste dagelijkse bezigheid?
- Studeren (1)
- Werken (2)
- Anders, namelijk (3) ____________________
Display This Question:
If Wat is je voornaamste dagelijkse bezigheid? Werken Is Selected
Q15 Wat is uw hoogst genoten opleiding?
- Geen (1)
- Basisonderwijs (2)
- Lager beroepsonderwijs (LBO, VMBO) (3)
- Middelbaar Algemeen Voorbereidend Onderwijs (MAVO) (4)
- Middelbaar Beroeps Onderwijs (MBO) (5)
- Hoger Algemeen Voorbereidend Onderwijs/ Voorbereidend Wetenschappelijk Onderwijs (HAVO, VWO) (6)
- Hoger Beroeps Onderwijs (HBO) (7)
- Wetenschappelijk Onderwijs (WO) (8)
- Weet ik niet / Wil ik niet zeggen (9)

Q5 Heb je gestudeerd/studeer je aan de hogere school (hbo) of Universiteit?
- Nee (1)
- Ja (2)

Display This Question:
If Heb je gestudeerd/studeer je aan de hogere school (hbo) of Universiteit? Ja Is Selected
Q6 Wat is/was je hoofdrichting binnen de studie?
- Ja, van Nintendo (1)
- Ja, van Sony (2)
- Ja, van Microsoft (3)
- Nee (4)

Condition: Nee Is Selected. Skip To: End of Survey.

Q8 Welke console(s) bezit je op dit moment of heb je in het verleden bezeten?
- Nintendo Switch (1)
- PlayStation 4 (2)
- Xbox One (3)
- Nintendo Wii U (4)
- PlayStation 3 (5)
- Xbox 360 (6)
- Nintendo Wii (7)
- PlayStation 2 (8)
- Xbox (9)
- Nintendo GameCube (10)
- PlayStation 1 (11)
- Nintendo 64 (12)
- Super Nintendo Entertainment System (SNES) (13)
- Nintendo Entertainment System (NES) (14)
Q9 Hoeveel jaar speel je al games?
- 0-3 jaar (1)
- 4-6 jaar (2)
- 7-9 jaar (3)
- 10-12 jaar (4)
- 13-15 jaar (5)
- 15-18 jaar (6)
- 18-20 jaar (7)
- 21 jaar of langer (8)

Q17 Hoe vaak speel je gemiddeld games?
- Een paar keer per jaar (1)
- Eén keer per maand (2)
- Een paar keer per maand (3)
- Eén keer per week (4)
- Een paar keer per week (5)
- Elke dag (6)

**Display This Question:**
If Hoe vaak speel je gemiddeld games? Eén keer per maand Is Selected
And Hoe vaak speel je gemiddeld games? Een paar keer per maand Is Selected

Q18 Hoeveel uur per maand spendeer je gemiddeld aan het spelen van videogames?
- 0-3 uur (1)
- 3-6 uur (2)
- 6-9 uur (3)
- 9-12 uur (4)
- 12-15 uur (5)
- 15-18 uur (6)
- 18 uur of meer (7)

**Display This Question:**
If Hoe vaak speel je gemiddeld games? Eén keer per week Is Selected
And Hoe vaak speel je gemiddeld games? Een paar keer per week Is Selected
And Hoe vaak speel je gemiddeld games? Elke dag Is Selected

Q10 Hoeveel uur per week spendeer je gemiddeld aan het spelen van videogames?
- 0-3 uur (1)
- 3-6 uur (2)
- 6-9 uur (3)
- 9-12 uur (4)
- 12-15 uur (5)
- 15-18 uur (6)
- 18 uur of meer (7)
Display This Question:

If Bezit je op dit moment of heb je in het verleden een console van Nintendo, Sony of Microsoft in bezit gehad? Meerdere antwoorden aanvinken mogelijk. Ja, van Nintendo Is Selected

Q11 Geef bij onderstaande beweringen aan in hoeverre je het er mee eens bent. Een 1 staat voor 'zeer mee oneens' en een 7 staat voor 'zeer mee eens'. Je kunt ook 'weet ik niet / niet van toepassing' aanvinken.
<p>| || Zeer mee eens (1) | Mee eens (2) | Enigzins mee eens (3) | Neutraal (4) | Enigzins mee eens (5) | Mee eens (6) | Zeer mee eens (7) | Weet ik niet / niet van toepassing (8) |
|---|---|---|---|---|---|---|---|---|
| Ik zou Nintendo missen als het niet meer zou bestaan (3) | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ |
| Nintendo is uniek (4) | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ |
| Nintendo is onvervangbaar (6) | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ |
| Nintendo's 1st Party games (Super Mario, Legend of Zelda) bieden een unieke ervaring (7) | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ |
| Nintendo overtreft verwachtingen (8) | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ |
| Nintendo producten zijn relatief duur vergeleken met de producten van de concurrentie (9) | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ |
| Als ik aan Nintendo denk roept dat positieve herinneringen op (10) | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ |
| Ik acht mijzelf loyaal naar Nintendo (11) | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ |
| Ik koop zo vaak mogelijk spellen voor een Nintendo platform (12) | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ | ☒ |</p>
<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Ik heb alleen Nintendo nodig wat betreft videogames (13)</td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Nintendo biedt voordelen die andere merken in de videogame industrie niet bieden (14)</td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Ik wil altijd meer te weten komen over Nintendo (15)</td>
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<td></td>
</tr>
</tbody>
</table>

Display This Question:

If Bezit je op dit moment of heb je in het verleden een console van Nintendo, Sony of Microsoft in bezit gehad? Meerdere antwoorden aanvinken mogelijk.

Ja, van Sony Is Selected

Q12 Geef bij onderstaande beweringen aan in hoeverre je het er mee eens bent. Een 1 staat voor 'zeer mee oneens' en een 7 staat voor 'zeer mee eens'. Je kunt ook 'weet ik niet / niet van toepassing'
aanvinken. De statements hebben betrekking op de videogame afdeling van Sony, de PlayStation afdeling.
<table>
<thead>
<tr>
<th>Zeer mee eens (1)</th>
<th>Mee eens (2)</th>
<th>Enigzins mee eens (3)</th>
<th>Neutraal (4)</th>
<th>Enigzins mee eens (5)</th>
<th>Mee eens (6)</th>
<th>Zeer mee eens (7)</th>
<th>Weet ik niet / niet van toepassing (8)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ik zou Sony PlayStation missen als het niet meer zou bestaan (3)</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
</tr>
<tr>
<td>Sony PlayStation is uniek (4)</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
</tr>
<tr>
<td>Sony PlayStation is onvervangbaar (6)</td>
<td>O</td>
<td>O</td>
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</tr>
<tr>
<td>Sony PlayStation's 1st Party games (o.a. Uncharted, God of War) bieden een unieke ervaring (7)</td>
<td>O</td>
<td>O</td>
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<td>O</td>
</tr>
<tr>
<td>Sony PlayStation overtreft verwachtingen (8)</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
</tr>
<tr>
<td>Sony PlayStation producten zijn relatief duur vergeleken met de producten van de concurrenten (9)</td>
<td>O</td>
<td>O</td>
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<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
</tr>
<tr>
<td>Als ik aan Sony PlayStation denk roept dat positieve herinneringen op (10)</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
</tr>
<tr>
<td>Ik acht mijzelf loyaal naar Sony PlayStation (11)</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
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<td>Statement</td>
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<tr>
<td>Ik koop zo vaak mogelijk spellen voor een Sony PlayStation platform (12)</td>
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<tr>
<td>Ik heb alleen Sony PlayStation nodig wat betreft videogames (13)</td>
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<tr>
<td>Sony PlayStation biedt voordelen die andere merken in de videogame industrie niet bieden (14)</td>
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<tr>
<td>Ik wil altijd meer te weten komen over Sony PlayStation (15)</td>
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</tbody>
</table>

Display This Question:

If Bezet je op dit moment of heb je in het verleden een console van Nintendo, Sony of Microsoft in bezit gehad? Meerdere antwoorden aanvinken mogelijk. Ja, van Microsoft Is Selected

Q13 Geef bij onderstaande beweringen aan in hoeverre je het er mee eens bent. Een 1 staat voor 'zeer mee oneens' en een 7 staat voor 'zeer mee eens'. Je kunt ook 'weet ik niet / niet van toepassing'
aanvinken. De statements hebben betrekking op de videogame afdeling van Microsoft, de Xbox afdeling.
<table>
<thead>
<tr>
<th></th>
<th>Zeer mee eens (1)</th>
<th>Mee eens (2)</th>
<th>Enigzins mee eens (3)</th>
<th>Neutraal (4)</th>
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<th>Zeer mee eens (7)</th>
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</thead>
<tbody>
<tr>
<td>Ik zou Microsoft Xbox missen als het niet meer zou bestaan (3)</td>
<td>☐</td>
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<tr>
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<tr>
<td>Microsoft Xbox is onvervangbaar (6)</td>
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</table>
If Bezit je op dit moment of heb je in het verleden een console van Nintendo, Sony of Microsoft in bezit gehad? Meerdere antwoorden aanvinken mogelijk. Ja, van Nintendo Is Selected

Q16 Geef bij onderstaande statements aan in hoeverre je het er mee eens bent. Een 1 staat voor 'zeer mee oneens' en een 7 staat voor 'zeer mee eens'. Je kunt ook 'weet ik niet / niet van toepassing' aanvinken.

<table>
<thead>
<tr>
<th>Nintendo is een betrouwbaar merk (2)</th>
<th>Zeer mee oneens (1)</th>
<th>Mee oneens (2)</th>
<th>Enigzins mee oneens (3)</th>
<th>Neutraal (4)</th>
<th>Enigzins mee eens (5)</th>
<th>Mee eens (6)</th>
<th>Zeer mee eens (7)</th>
<th>Weet ik niet / niet van toepassing (8)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nintendo is voor mij een waardevol merk (3)</td>
<td>○</td>
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</tr>
<tr>
<td>Ik zou bij een volgende console-aankoop wederom een Nintendo console aanschaffen (4)</td>
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<tr>
<td>Vergeleken met concurrerende merken is Nintendo kwalitatief beter (5)</td>
<td>○</td>
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<tr>
<td>Ik ben tevreden met mijn aanschaf (9)</td>
<td>○</td>
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<tr>
<td>Ik zou Nintendo aanbevelen aan anderen (10)</td>
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Display This Question:
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Q22 Geef bij onderstaande statements aan in hoeverre je het er mee eens bent. Een 1 staat voor 'zeer mee oneens' en een 7 staat voor 'zeer mee eens'. Je kunt ook 'weet ik niet / niet van toepassing' aanvinken.

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<tr>
<th></th>
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</tr>
<tr>
<td>Ik zou bij een volgende console-aankoop wederom een Sony PlayStation console aanschaffen (4)</td>
<td>○</td>
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<tr>
<td>Vergelijken met concurrerende merken is Sony PlayStation kwalitatief beter (5)</td>
<td>○</td>
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<tr>
<td>Ik ben tevreden met mijn aanschaf (9)</td>
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<tr>
<td>Ik zou Sony PlayStation aanbevelen aan anderen (10)</td>
<td>○</td>
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</tbody>
</table>
Q23 Geef bij onderstaande statements aan in hoeverre je het er mee eens bent. Een 1 staat voor 'zeer mee oneens' en een 7 staat voor 'zeer mee eens'. Je kunt ook 'weet ik niet / niet van toepassing' aanvinken.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Zeer mee oneens (1)</th>
<th>Mee oneens (2)</th>
<th>Enigzins mee oneens (3)</th>
<th>Neutraal (4)</th>
<th>Enigzins mee eens (5)</th>
<th>Mee eens (6)</th>
<th>Zeer mee eens (7)</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Microsoft Xbox is een betrouwbaar merk</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
<td>○</td>
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</tr>
<tr>
<td>Microsoft Xbox is voor mij een waardevol merk</td>
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<td>○</td>
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</tr>
<tr>
<td>Ik zou bij een volgende console-aankoop wederom een Microsoft Xbox console aanschaffen</td>
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<tr>
<td>Vergelijk en concurrerende merken is Microsoft Xbox kwalitatief beter</td>
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<td>Ik ben tevreden met mijn aanschaf</td>
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<tr>
<td>Ik zou Microsoft Xbox aanbevelen aan anderen</td>
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</tr>
</tbody>
</table>
Q19 Op een schaal van 1 tot 7, geef aan in hoeverre de prijs van een console invloed heeft op de keuze bij de aanschaf van een volgende console.

<table>
<thead>
<tr>
<th></th>
<th>1 (1)</th>
<th>2 (2)</th>
<th>3 (3)</th>
<th>4 (4)</th>
<th>5 (5)</th>
<th>6 (6)</th>
<th>7 (7)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Geen invloed: Veel invloed (1)</td>
<td>☐</td>
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<td>☐</td>
<td>☐</td>
<td>☐</td>
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</tr>
</tbody>
</table>

Q14 Bedankt voor het invullen van deze enquête. Zou u benaderd willen worden voor een kort interview over dit onderzoek? Laat dan hier uw e-mailadres achter zodat ik met u in contact kan komen. Nogmaals bedankt voor het deelnemen aan dit onderzoek!