

Sony Computer Entertainment's Continental adventure

By Wendy Cooper

With a remarkable new product to launch but no way to get it directly to consumers, the game maker came up with a bold solution: PlayStation.com (Europe), the first integrated, pan-European online marketing channel.

Last year's debut of PlayStation 2, the latest version of Sony Computer Entertainment's popular game console, may have been the most high-profile consumer electronics launch ever. And small wonder.

Slick, swift and fun to use, PlayStation is synonymous with today's youth culture. The product's commercial success—it boasted a 70 percent market share of the total console market in 2000 (combined sales of PlayStation and PlayStation 2), and it accounted for 28 percent of parent Sony Corporation's net profit—is striking testimony to the "digital dream kid" vision of Sony Chairman & CEO Nobuyuki Idei, for whom PlayStation is the key to the company's strategy for the future.

PlayStation 2, moreover, redefined the game console market. With its integrated DVD player, USB port and expansion bay for a hard drive, the upgraded console blurs the boundaries between games, home entertainment and network access devices. PlayStation 2 is a gateway to the next generation of broadband home entertainment—a vehicle for the online delivery of games, music, movies and information.

In early 2000, however, the company had no way of selling its remarkable new product directly to consumers in the complex European market. "We realized that we needed a robust mechanism for multi-country consumer contact and the processing of purchases," explains Chris Deering, London-based president of Sony Computer Entertainment Europe.

Tokyo's expectations in this regard were especially high: Sony management envisioned an online ordering facility for PlayStation 2 to take advantage of widespread excitement about the possibilities of business-

Company profile: Sony Computer Entertainment Europe

Headquarters: London
President: Chris Deering
Employees: 800
SCE (worldwide) sales and operating
revenue (FY2001): \$5.2 billion

to-consumer e-commerce. To meet those expectations, SCE Europe would have to build an e-commerce capability far more sophisticated than the online presence it then had: an assortment of individual country-based websites that only provided product and marketing information.

In effect, what Sony needed was a direct-to-consumer marketing channel that was pan-European in scope. And it all had to be in place in time for the scheduled European launch of PlayStation 2—which was just nine months away.

Unknown territory

Sony was about to venture into unknown territory. Big e-tailers like AOL and Amazon.com had rolled out their European expansions country by country. No company had ever attempted such a launch in a single pan-European stroke.

Unfazed, Deering seized the opportunity to write, as he puts it, on “a fresh sheet of paper.” In February 2000 he asked a team from Accenture, which was already exploring ways of improving SCE Europe’s customer relationship management, to build an e-commerce infrastructure for PlayStation as well.

By November 2000 PlayStation.com (Europe), an online facility and an entirely new business entity, had emerged. Built to service PlayStation 2 consumers in 16 European countries, who use 17 currencies and speak 11 languages, it was the first such integrated, multi-country facility in Europe. SCE Europe had made e-commerce history.

In fact, at the same time last year Sony Computer Entertainment was introducing e-commerce capabilities in all regions of the world where it had operations.

But because Europe is the world’s largest market for game consoles, the product’s success was especially important. The market also presented some special challenges. Unlike Japan, the United States, Australia and New Zealand, Europe has multiple currencies, cultures, languages and legal jurisdictions to consider.

Neither Deering nor Mike True, the partner heading up the Accenture team, was under any illusions about the difficulties they faced in building an integrated, pan-European B2C structure to support the launch of PlayStation 2, not the least of which was the tight deadline for completion.

For Deering, engineering issues loomed large. “It became apparent that integrating the demands of an efficient and a secure e-commerce structure with a linked group of communication websites that had sprung up country by country, each with its own navigation system, was going to be much more difficult than we had anticipated,” Deering confides. “It was a bit like laying the map of Manhattan over the map of London.” In the end, says Deering, “we had to kind of reinvent our entire commercial structure.”

Hacker-proof

The site was designed to be available 24 hours a day, seven days a week, and to be able to support peak levels of traffic. Throughout the order process, customers were to be kept informed of their order status via e-mail or with the help of an agent at one of a handful of call centers.

For the system to be acceptable to both PlayStation.com (Europe) and its customers, the site had to be protected against both hackers and fraud. The high visibility of the Sony brand made the site a hard-to-resist target for hackers. Any service inter-

ruptions—like the denial-of-service attacks on E-bay, Amazon.com and Microsoft in February 2000—would have meant a serious loss of income for the new venture. In the end the system's impenetrability was tested (and proven) by several leading external security experts—including the UK Ministry of Defence.

To reduce these risks, card checking and online-fraud protection were provided by ClearCommerce software. Additional levels of fraud detection and support were supplied via the merchant services of NatWest Bank.

There were challenges, too, with different approaches various countries took to the use of credit cards over the Web. Some national jurisdictions require separate, printed invoices for all Internet transactions.

Distribution was another problematic area. The launch of PlayStation 2 was planned to coincide with the pre-Christmas shopping rush, so fulfilling orders efficiently and on time was crucial. Warehousing and distribution systems had to be sufficiently flexible to pack and ship projected peak order volumes.

This flexibility was eventually achieved by deploying software from SAP, which handled all the back-end order processing, including inventory management, pricing, tax, finance and procurement.

A central warehouse was connected to distributed returns facilities across Europe to offer highly sophisticated delivery and collection services. At the same time the design of the warehouse was flexible enough to respond to changing supply and demand. Invoices were printed in local languages, and packaging labels included track-and-trace codes for each carrier.

The creation of PlayStation.com (Europe) was an enormous test of resolve. The Accenture team regularly put in long days to design, build and test all the capabilities required to manage the pan-European reach. And everyone concerned breathed a collective sigh of relief when the site was launched on time and simultaneously with the debut of PlayStation 2 in stores.

Better still, it worked without a hitch. In reflecting on the challenge, Deering comments, "I guess you could say we all had to grow up pretty quickly."

Leveraging the brand

Demand for PlayStation 2 has been consistently high. In fact, SCE Europe sold three times as many PlayStation 2 consoles in the first 14 weeks after launch as were sold in the same period following the 1995 European launch of PlayStation.

For his part, Deering has never lost sight of his long-term goal: to leverage the PlayStation brand. In that regard, what Sony has gained from PlayStation.com (Europe) is virtually incalculable.

It will take time to achieve the desired electronic distribution of PlayStation 2 software, a development that will obviate the need for postal services and will make online selling truly cost-effective. But SCE Europe is moving steadily in that direction.

Near-term goals include incorporating connectivity by mobile phone, achieving ISP connectivity via television and, ultimately, effecting connectivity to webcasting. "It will continue to be an evolutionary process in response to technological change," says Deering.

Meanwhile PlayStation.com (Europe) is helping SCE Europe get to know its consumers better. "We now have

the technology to improve and expand the numbers of ways our consumers can be in contact with us," Deering affirms, "and thus an opportunity to create a networked communication asset." ■

Wendy Cooper is a London-based business writer.