Online-gaming platforms are inevitably subject to system loopholes such as bugs. Some players may take advantage of these bugs to gain benefits illegitimately, being viewed as rule breakers by platforms. Online platforms face a dilemma between disciplining rule breakers with the risk of being perceived as unfair to the rule breakers—because rule breaches are, after all, caused by the game software’s technical glitches and belong to a “gray area”—and not disciplining rule breakers with the risk of being perceived as unfair to the observers. Different countermeasures may result in significantly different economic impacts. In this study, we use the unique field data of an online-gaming platform to examine the effects of players’ rule-breach behavior due to system bugs and the platform’s different countermeasures on players’ subsequent engagement. By employing various empirical models, we find that the occurrence of bugs negatively impacts the observing players’ in-game online duration and consumption. Surprisingly, although the platform is responsible for the bugs, not punishing rule breakers leads to even larger reductions in observing players’ platform engagement than punishing them. We thus suggest that the primary driver of the engagement reduction is the platform’s inappropriate countermeasure, rather than the bugs, and call online platforms’ attention to designing effective rules and recovery measures under the situation of a rule breach. Our findings enrich the literature and theories concerning the relationships between online-platform-loophole exploitation, associated recovery measures, and sustained user engagement.

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