

Are you selling me access to my property!? How perceptions of betrayal may undermine internal product upgrades

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Abstract

Physical products (e.g., cars) increasingly evolve into dynamic service platforms that allow for customization through fee-based activation of restricted add-on features. We refer to this phenomenon as “internal product upgrades”. Drawing on normative expectations literature, we examine pitfalls of internal product upgrades that marketers need to understand. Seven experimental studies in two contexts (consumer-electronics, automotive) reveal that consumers respond less favorably to internal (vs. external) product upgrades. The analyses show that perceived betrayal resulting from increased feature ownership perceptions drives the effects. Moreover, we identify four boundary conditions. The negative effects are attenuated when (1) the firm (vs. consumer) executes the upgrading, (2) upgrades are offered at a discount, and (3) consumers upgrade an intangible (vs. tangible) feature. Finally, consumers react less negatively when (4) the base product is less relevant to their self-identity.

Keywords: *dynamic service platforms; product upgrades; norm violations*

Track: Services Marketing