

Add on or Move on: Do in-game purchases help or hurt upgrading to newer game versions?

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Abstract

Despite the high economic importance of video games, research on consumers' spending behavior on video games is lacking. Two main revenue sources for video game publishers come from in-game purchases and upgrades to consecutive game versions. However, the incompatibility of in-game purchases across game versions bears important considerations. We draw from mental accounting theory to outline two potential paths through which a player's accumulated in-game purchases at a given point in time may impact the likelihood they upgrade to an available, newer game version: (i) a negative path due to higher psychological cost, and (ii) a positive path due to intensified usage in the owned game version. We test our framework with a rich data on game purchases and play behavior over time. We find empirical evidence for the two paths and show that the effects depend on the amount of pre-launch buzz surrounding new game versions.

Subject Areas: *Entertainment Marketing, Hedonic Products, New Product Development and Launch*

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