To Add Or Not to Add? the Effects of Add-Ons on Product Evaluation

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The research presented in this paper provides evidence that “add-ons” offered to enhance a base product can be more than just simple added benefits. We argue that consumers can make inferences based on add-ons and that these inferences lead to changes in the perceived utility of the core product itself. We further argue that there are two types of add-ons, vertical and horizontal, and that these two types lead to different inferences with opposing effects on overall evaluations. A set of experiments supports the general framework presented. From a prescriptive standpoint, our findings highlight the need for marketers to be more attentive in how they manage add-ons as part of their product strategy.

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EXTENDED ABSTRACT

“Add-ons” come in many shapes and sizes. For example, restaurant menus often list numerous toppings, condiments, spices, or other ingredients that patrons can add to a standard order. In the consumer electronics markets, manufacturers of goods such as digital cameras, portable music players, laptop computers, and video game consoles encourage consumers to “accessorize” with various types of plug-in modules, kits, expansion packs, and carrying cases. Similarly, car manufacturers sell accessory packages and extended warranties for most new vehicles; domestic airlines offer meal service and in-flight entertainment at additional cost to passengers; fitness centers charge separately for locker rental, towel service, and many supervised group activities; telephone companies market a range of value-added services such as caller ID, call waiting, and call forwarding; and so on across a wide variety of industries.

Given the widespread appeal of add-ons, it is becoming increasingly important to understand their impact on purchase behavior. From a marketing standpoint, the literature on product assortment suggests that consumers can benefit from the availability of add-on features as long as these provide greater variety in choice (Bayus and Putsis 1999; Hoch, Bradlow, and Wansink 1999; Kahn 1998). Another suggested advantage of add-ons is to offset competition on the sale of base products (Ellison 2005; Verboven 1999). While these perspectives certainly deal with some of the key issues underlying the popularity of add-ons, we believe that add-ons are also likely to influence the inferential process consumers engage in when evaluating product information. Recent studies have demonstrated that while people have a hard time assessing products in absolute terms, they are often attentive to relative values and respond to a variety of contextual cues (Ariely, Loewenstein, and Prelec 2003, 2006; Bettman, Luce, and Payne 1998; Tversky and Simonson 1993). The relevance of these findings becomes apparent when one considers the possibility that context effects are based on inferences about the marketplace (Wernerfelt 1995), and therefore that information from the mere presence (but not the purchase or use) of add-ons—their type, quality, etc.—may create a context that consumers use to form or update their preferences.

In the present research we develop this additional perspective. In particular, by characterizing the add-on space according to the type of augmentation supplied by the firm—vertical when the enhancement upgrades an existing attribute (e.g., extra memory for digital cameras), horizontal when the enhancement introduces a new feature (e.g., condiments for coffee)–we propose two independent effects: vertical add-ons influence product evaluation by inducing a reassessment of specific features while horizontal add-ons influence product evaluation by cueing inferences about overall product quality.

The objective of our studies is to demonstrate these effects and to specify conditions under which the presence of an add-on is beneficial or, more surprisingly, detrimental to product evaluation. In experiment 1 we show that offering an optional extension on an existing product attribute more attractive (a vertical add-on) can increase the reference level for that feature and, consequently, make the base product alone seem less appealing. A follow-up experiment demonstrates that both effects disappear when sufficient external information on appropriate attribute levels is provided.

In experiment 2, we turn our attention to horizontal add-ons and demonstrate that participants infer a positive correlation between the observed quality of the new feature and the unobserved quality of the base product, but that the effect is conditional on the perception of fit between the two objects. Finally, in experiment 3 we show that the negative effect of vertical add-ons and the positive effect of horizontal add-ons can occur on the same base product, a result which underscores the fact that not all the optional features that consumers may find inherently valuable should find their way into the marketplace. We conclude with a general discussion of the implications of our findings.

REFERENCES


