



VAASAN AMMATTIKORKEAKOULU  
UNIVERSITY OF APPLIED SCIENCES

Aoyu Min

THE IMPACT OF PERCEIVED FIT ON CUSTOMER EVALUATIONS OF  
BRAND EXTENSION

Business Economics  
2016

## TIIVISTELMÄ

Tekijä	Aoyu Min
Opinnäytetyön nimi	Koetun yhtäläisyyden vaikutukset tavaramerkkilaajennuksen asiakasarvioihin
Vuosi	2016
Kieli	Englanti
Sivumäärä	74 + 4 liitettä
Ohjaaja	Satu Lautamäki

---

Tuotemerkin laajentaminen on viime vuosina kasvattanut suosiotaan markkinointistrategiana. Monet yritykset hyödyntävät laajentamista halutessaan siirtää tunnetun tuotemerkin ja sen koetut vaikutukset uuteen tuotekategoriaan. Tämä tutkimus selvittää empiirisesti kuinka koettu yhtäläisyys vaikuttaa tuotemerkkilaajennusten asiakasarvioihin. Tutkimuksen perustana on yleinen käsitys olemassa olevasta positiivisesta yhteydestä päätavaramerkin ja laajennuksen välillä, silloin kun asiakkaat kokevat jonkinlaisen “yhtäläisyyden”.

Kirjallisuuden yksityiskohtainen tarkastelu keskittyy koetun yhtäläisyyden rooliin tavaramerkkilaajennusten asiakasarvioissa. Tarkastelussa kerrotaan perustietoja tavaramerkistä sekä tuotekategorian yhtäläisyydestä ja tuotemerkkikonseptin johdonmukaisuuden eri piirteistä. Hypoteesit esitetään teorioiden yhteydessä asiaan liittyvien käsitteiden esittelyn jälkeen.

Empiirisessä tutkimuksessa hyödynnettiin sekä määrällistä että laadullista menetelmää kolmessa alustavassa testissä ärsykkeiden muodostamiseksi. Päättötutkimuksessa selvitettiin muuttujien väliset suhteet käyttäen ainoastaan määrällistä tutkimusmenetelmää ja SPSS:n korrelaatioanalyysia hyödynnettiin hypoteesien testaukseen. Tulokset osoittavat koetulla yhtäläisyydellä olevan positiivisia vaikutuksia tuotelaajennusten asiakasarvioihin. Tarkemmin sanoen, tuoteryhmän yhtäläisyys ja tavaramerkkikonseptin johdonmukaisuus vaikuttavat positiivisesti asiakkaiden asenteisiin, mitkä puolestaan helpottavat ostoaikeita. Lisäksi tutkimustuloksista selviää, että tuotekategorian yhtäläisyydellä ja tavaramerkkikonseptin johdonmukaisuudella on samankaltaisia vaikutuksia asiakasarvioihin.

Tutkimustulokset tarkastettiin käytännön ja johdon näkökulmista haastatteleamalla markkinointijohtajaa. Haastattelusta saadut tiedot vahvistivat päättötutkimuksen tulokset, mutta myös muita ehdotuksia saatiin koetun yhtäläisyyden ja tavaramerkkilaajennusten hallintaan. Tutkimus tarjoaa tärkeitä teoreettisia ja johtamisen oivalluksia. Lisäksi siinä on kerrottu tutkimuksen rajoituksista sekä mahdollisista tulevaisuuden tutkimuskohteista.

## ABSTRACT

Author	Aoyu Min
Title	The Impact of Perceived Fit on Customer Evaluations of Brand Extension
Year	2016
Language	English
Pages	74 + 4 Appendices
Name of Supervisor	Satu Lautamäki

---

Brand extension has become an increasingly significant marketing strategy in recent years. It is employed by many firms to apply an established strong brand name to a new product category in the hope of transferring the effects associated with the strong brand to the extensions. This research empirically investigates how perceived fit affects customer evaluations of brand extension. The common notion underlying this research is the existence of a positive relationship between a parent brand and the extension when customers perceive some type of a “fit”.

A detailed literature review focusing on the role of perceived fit in customer evaluations of brand extension starts with basic knowledge of brand to the effects of different dimensions regarding perceived fit, namely, product category fit and brand concept consistency. Hypotheses are proposed within the theories after the discussion of related constructs.

In the empirical study, quantitative and qualitative methods were both utilized in three pretests for stimuli development. The main study only employed quantitative research to identify the relationships between the variables. Correlation analysis in SPSS was used to test the hypotheses. The results show that perceived fit exerts positive effects on customer evaluations of extension products. To be more specific, product category fit as well as brand concept consistency both positively influence customer attitudes, which in turn facilitates their purchase intentions. Moreover, the research found that product category fit and brand concept consistency have similar effects on customer evaluations.

In order to check the result from practical and managerial perspectives, an in-depth interview with a marketing manager was conducted. The interview results confirmed the findings of the main study and also provided some suggestions on how to manage perceived fit and brand extension. The study provides important theoretical and managerial insights. Limitations and suggestions for future research are also discussed.

## CONTENTS

TIIVISTELMÄ

ABSTRACT

1	INTRODUCTION.....	9
1.1	Background of Study .....	9
1.2	Research Problem and Objectives .....	11
1.3	Outlines of Thesis .....	11
1.4	Definition of Terms .....	12
2	THEORETICAL FRAMEWORK WITH HYPOTHESES .....	14
2.1	Understanding Brand in Brand Extension .....	15
2.2	Brand Extension.....	17
2.2.1	Types of Brand Extension.....	18
2.2.2	Brand Extension in Practice.....	20
2.2.3	Factors Affecting the Evaluation of Brand Extension .....	23
2.2.4	Customer Evaluations of Brand Extension .....	27
2.3	Categorization Theory .....	31
2.3.1	Product Categorization.....	32
2.3.2	Brand Categorization .....	32
2.4	Perceived Fit .....	33
2.4.1	Dimensions of Perceived Fit.....	35
2.4.2	Product Category Fit .....	37
2.4.3	Brand Concept Fit/Consistency .....	39
3	EMPIRICAL RESEARCH ON PERCEIVED FIT.....	43
3.1	Stimulus Development.....	44
3.1.1	Pretest 1.....	44
3.1.2	Pretest 2.....	46
3.1.3	Pretest 3.....	48
3.2	Main Study.....	48
3.3	Analysis and Results of Questionnaire .....	49
3.3.1	Sample Description .....	49
3.3.2	Measurements .....	50
3.3.3	Preliminary Analysis.....	52

3.3.4	Validity and Reliability .....	53
3.3.5	Comparison Analysis of Two Hypothesized Products .....	54
3.3.6	Hypotheses Testing .....	57
3.3.7	Additional Findings .....	59
3.4	Interview for Further Understanding on Perceived Fit and Brand Extension .....	60
3.4.1	Introduction of Jihua Group Co., LTD. ....	60
3.4.2	Discussions of Interview Results .....	60
3.4.3	Suggestions on Managing Perceived Fit and Brand Extension ...	62
4	CONCLUSION AND IMPLICATIONS .....	64
4.1	Conclusions.....	64
4.2	Theoretical Implications .....	65
4.3	Managerial Implications .....	66
4.4	Limitations.....	67
4.5	Suggestions for Future Research .....	68
	REFERENCES .....	69
	APPENDICES	

**LIST OF FIGURES**

<b>Figure 1.</b> Conceptual Framework	14
<b>Figure 2.</b> The Components of Brand Knowledge (Gjertsen 2015)	16
<b>Figure 3.</b> Modified from Tauber's (1981) growth matrix (Ambler & Styles 1997)	18
<b>Figure 4.</b> Brand Extension Classifications (Chen & Gu 2012)	19
<b>Figure 5.</b> Factors Affecting the Evaluation of Brand Extension (Modified from Völckner & Sattler 2006)	24
<b>Figure 6.</b> Two Aspects of Brand Extension Evaluation (Priyadharsini & Shyamasundar 2013)	28
<b>Figure 7.</b> Process of Brand-Extension Evaluations (Park et al. 1991)	30
<b>Figure 8.</b> Categorization Theory (Goh 2010)	32
<b>Figure 9.</b> Dimensions of Perceived Fit	37
<b>Figure 10.</b> Conceptual Model with Study Hypotheses	41
<b>Figure 11.</b> Flow Chart of the Methodology and Process	43

## LIST OF TABLES

<b>Table 1.</b> Summary of Benefits and Risks Associated with Brand Extension (Ambler & Styles 1997)	20
<b>Table 2.</b> Pretest 1 Level of Familiarity Statistics for Each Product Category	45
<b>Table 3.</b> Pretest 2 Level of Familiarity Statistics for Each Brand Name	47
<b>Table 4.</b> Pretest 2 Perceived Quality Statistics for Each Brand Name	47
<b>Table 5.</b> Demographic Characteristics of the Main Study Sample	50
<b>Table 6.</b> Measures of Different Variables	51
<b>Table 7.</b> Preliminary Results of Product Category Familiarity	52
<b>Table 8.</b> Preliminary Results of Brand Familiarity and Perceived Quality	52
<b>Table 9.</b> Factors Loadings for Customer Evaluation Construct	53
<b>Table 10.</b> Factors Loadings for Perceived Fit Construct	54
<b>Table 11.</b> Product Category Fit Comparison between Apple Camera and Apple Sports Shoes	55
<b>Table 12.</b> Brand Concept Consistency Comparison between Apple Camera and Apple Sports Shoes	55
<b>Table 13.</b> Customer Evaluations Comparison between Apple Camera and Apple Sports Shoes	56
<b>Table 14.</b> Intent to Purchase Comparison between Apple Camera and Apple Sports Shoes	56
<b>Table 15.</b> Correlation Analysis of Variables	57
<b>Table 16.</b> Comparison between Two Independent Variables	58
<b>Table 17.</b> Correlation Analysis of Variables	59

**LIST OF APPENDICES**

**APPENDIX 1.** Questionnaire for Pretest 1

**APPENDIX 2.** Questionnaire for Pretest 2

**APPENDIX 3.** Questionnaire for Pretest 3

**APPENDIX 4.** Questionnaire for Main Study

## **1 INTRODUCTION**

This chapter is divided into four sections, including background of study, research problem and objectives, outlines of thesis, and definition of terms. To start with, basic information of brand extension context is introduced, followed by the purpose of the study. The structure of this thesis as well as definitions of terms which are referred to in the following chapters are presented afterwards.

### **1.1 Background of Study**

Brand is a symbol of identifying the products and services of a firm and distinguishing them from those of rivals. A brand name, symbolizes unique meaning to help customer recognition and decision-making processes (Wernerfelt 1988), is among the most significant, fundamental and long lasting assets within an organization (Afzal 2013). A cross-cultural study conducted by Dawar and Parker (1994) has demonstrated that customers depend more on the brand name signals than on price or physical appearance when evaluating or purchasing the products; while customers depend more on other attributes only when brand name is rarely applied in the markets (Xie 2008).

Companies are seeking to stretch or extend their brands into new product categories in order to leverage goodwill, for instance, brand names and customer loyalty (Xie 2008). Numerous new products emerge in the marketplace every year for the purpose of survival and attracting customers. The success or failure of these kinds of products plays a vital role both in financial and operational implications for the companies (Xie 2008).

Over the decades, brand extension has become a core marketing strategy to launch new products or sub-brands for a large number of companies. More than 80 percent of firms adopt brand extension as a method to market goods and services (Keller 1993). In order to survive or achieve more market share, companies resort to different kinds of strategies which could create competitive advantages for the companies under today's fierce competitions. Creating a totally new brand requires heavy investment. However, a more economical and effective approach is adopted to introduce a brand or a product under the umbrella of successful existing brand, in other words, brand

extension is applied. This is followed by as many as eight out of ten new product launches (Ourusoff, Ozanian, Brown & Starr 1992).

Brand extension has been studied by many researchers, and gained a lot of attention from academic field (Chen & Gu 2012). Keller and Aaker (1992) state that the use of established brand names to enter new product categories or classes can greatly reduce the introductory marketing expenses. Companies not only save the costs but also minimize the risks by launching the new product as brand extension under the already existing brand name. In addition, the brand extension strategy increases the chance of success for an extension product because it has an established brand positioning to draw on. Yet it cannot guarantee the success of extension for new products, it has still been increasingly adopted in consumer-packaged goods (Aaker & Keller 1990). To measure whether the brand extension is successful or not, customers' evaluation or acceptance is strategically crucial for a company. Marketers believe that brand extensions are evaluated favourably by customers because they transfer positive attitudes towards the parent brand to the extensions.

Well-conducted brand extensions will bring out a number of advantages to companies, which could be demonstrated by many successful examples of brand extension such as P&G and Armani. Yet there exist failures as well due to poor implementation of brand extensions. For example, Coca Cola failed when it intended to expand its name by licensing Muijani to produce a line of sweat suits and other casual clothing. Hence, it is vital to carry out brand extension strategy appropriately by analysing the elements which may affect the success of brand extension or customer evaluations. Prior researches have reached the conclusion that various factors could influence customer evaluations of brand extension including similarity, reputation, perceived risk, and innovativeness (Hem, de Chernatony & Iversen 2001). Additionally, customers' attitude towards the original brand, fit between the original and extension product classes, as well as perceived difficulty of making the extension all contribute to customer evaluations of brand extension (Aaker & Keller 1990). Among these factors, this study will focus on one specific variable, namely, perceived fit, which is conceptualized as similarity or association between the parent brand and the extension product, playing a significant role in affecting the customer evaluations of brand extension (Sheri, Keller & Sanjay 2000).

## **1.2 Research Problem and Objectives**

Brand extension as a marketing strategy is prevalent to be adopted by many firms when they launch new products. “Perceived fit” has been extensively discussed and studied; however, a series of replications has been done but revealed different results from the original study conducted by Aaker and Keller (1990). Despite the popularity of perceived fit in brand extension context among researchers for academic purposes, the domain of specific aspects of perceived fit such as brand concept fit/consistency between the core brand and the extension product has been not widely explored; on the contrary, product category similarity is much more prevalent among previous researches. This determinant (brand concept fit/consistency) is different from perceived fit studied by Aaker and Keller (1990) who proposed three dimensions of the fit (substitute, complement, and transfer) between two different product categories (the original product category and the extension category). Apart from product category fit, consistency to the core brand concept, one of the bases regarding perceived fit, is also a significant construct as it equally contributes to influencing customers’ responses towards the extension products.

The aim of the research is to investigate how perceived fit affects the evaluation of brand extensions in general from customers’ perspective, whether it has a positive or negative impact, significant or moderate. To be more specific, the effects of perceived fit on customer evaluations are analysed from two dimensions: product category fit and brand concept fit/consistency. Besides, this study makes comparison between these two dimensions and stresses both the importance of them. More importantly, this research provides theoretical and managerial implications as well as suggestions for marketers and brand managers in general regarding brand management and product extension decisions.

## **1.3 Outlines of Thesis**

For the remaining chapters, this study proceeds as follows. Chapter 2 reviews the extant literature about brand extensions, including the role of brand, types of brand extensions, merits and risks associated with brand extension strategies, as well as factors influencing success of brand extensions. This chapter also describes

theoretical perspectives from categorization theory in order to provide a better understanding on perceived fit. In addition, perceived fit from different dimensions and its role in customer evaluations are presented at length, with hypotheses proposed after discussion of each construct. Chapter 3 presents empirical research on perceived fit, starting with the methodology and procedures, followed by the test of hypotheses with validity and reliability check as well as additional findings. For the purpose of double checking the results and providing valuable insights practically, an in-depth interview is conducted as well. Finally, conclusions, theoretical and managerial implications, limitations, and suggestions for future research are discussed in Chapter 4.

#### **1.4 Definition of Terms**

Brand: A name, term, sign, symbol, design, or some combinations identifying the product of a company.

Brand Name: An attribute of a brand consisting of words or letters which form a name to identity and distinguish a company's products or services.

Brand Extension: A marketing strategy which is adopted by firms to use a current brand name to enter a new product category.

Brand Equity: The added value which can be viewed from the perspective of the company, the trade or the customers.

Brand Associations: Beliefs and attitudes which serve to distinguished one brand from another.

Attitude: A cognitive action which reflects the extent to which a customer prefers a product or a brand (i.e., average of customer's perception of overall quality of the brand extension and their likelihood of buying the product).

Purchase Intention: A person's conscious plan to buy a product.

Parent Brand/Core Brand: The original brand or the extending brand.

Perceived Fit: For the purpose of this study, refers to the degree of similarity/consistency (product category fit and brand concept consistency) between the parent brand and extension product.

Product Category Fit: The extent of fit/similarity between two product categories (the brand's existing product and the extension product).

Complement: The extent to which customers view two product categories as complements (i.e., camera and films).

Substitute: The extent to which customers view two product categories as substitutes (i.e., washing powder and laundry soap).

Transfer: The extent to which customers view the ability of a company operating in the original product class to produce a product in the extension product class.

Brand Concept Fit/Consistency: The extent of fit/consistency between the extension product and the parent brand concept.

Categorization Theory: An evaluative judgment process where the customer attempts to match an incoming stimulus with category knowledge stored in the category schema. When there is a match, the customer engages in an evaluation process conceptualized as category-based processing. Otherwise, the evaluation is conceptualized as piecemeal processing.

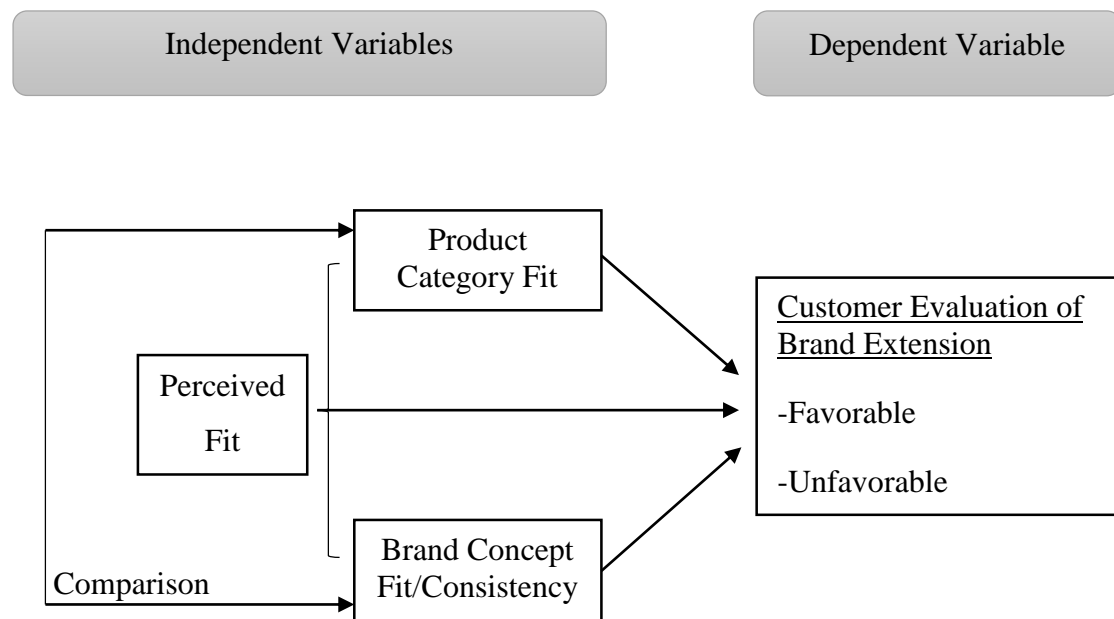
Category Schema: The knowledge structure of a category in an individual's mind which represents expectations about the properties, usage situation and evaluations for that category. Over time and through experience, people develop a number of categories of objects in an effort to organize and understand them.

Dilution: The negative effect that an unsuccessful brand extension has on the parent brand.

## 2 THEORETICAL FRAMEWORK WITH HYPOTHESES

This chapter presents a literature review related to this study, as well as proposes four hypotheses based on the theoretical background. The chapter starts with the conceptual framework regarding the key points, followed by a review of existing literature on basic knowledge of branding, brand extensions, categorization theory and perceived fit. In terms of perceived fit, the study investigates this determinant from two specific dimensions: product category fit and brand concept fit/consistency. The hypotheses are provided within the literature review after the discussion of related constructs.

The following literature review is structured around this research conceptual framework, as shown in Figure 1.



**Figure 1.** Conceptual Framework.

## 2.1 Understanding Brand in Brand Extension

In order to better understand the brand extension, it is important to understand a brand's role firstly. A brand is defined as "a name, term, sign, symbol, or design, or a combination of them which is intended to identify the goods and services of one seller or group of sellers and to differentiate them from those of competitors" (Kotler 1991, 442). This typical definition of brand indicates that a brand is a separate element of the product or the service (Aaker 1991). Vazquez, del Rio, and Iglesias (2002) state that a brand can be measured when a person compares the added value of a branded product with an unbranded product, which is widely applied in measuring brand equity for managerial purposes.

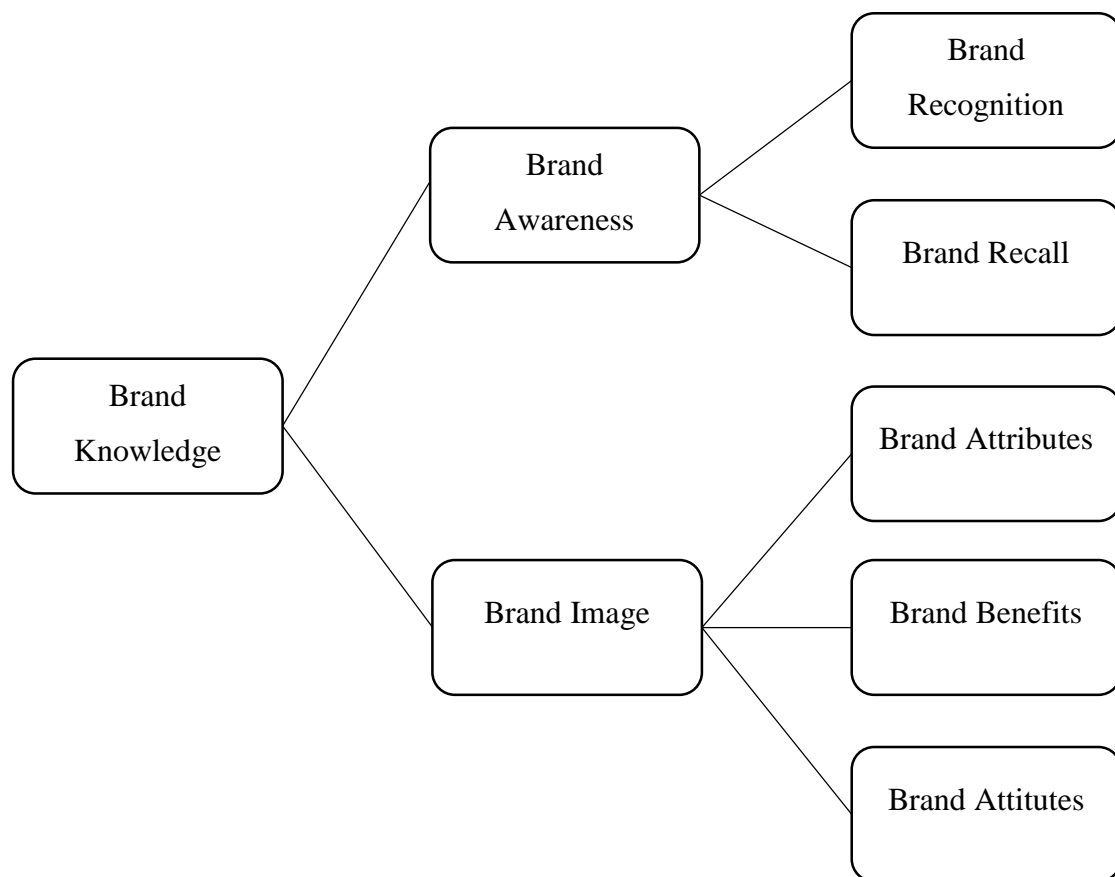
The brand identities are constituted of brand name, logo and symbol (Keller 1993). These brand identities as well as products or services of this brand could be regarded as a whole which forms the overall perceptions of the brand from customers' perspectives (Goh 2010). Keller (1993) argues that a brand is viewed as a whole where both the brand and its products or services form the overall customers' impressions of the brand. That is to say, the total impression of the brand in customer's mind originates from his or her overall experiences with the specific products or services of a brand.

According to Keller (1993), brand knowledge consists of brand awareness and brand image. Brand image is influenced by the favourability, strength, and uniqueness of the brand associations in customer's memory, which plays a crucial role in high involvement settings (Gjertsen 2015). Brand awareness is defined as customers' ability to recall and recognize the brand, which could determine the outcome in low-involvement settings when customers have either low motivation or ability to make decisions. In this case, customers may just choose a brand which is familiar and well established.

As shown in Figure 2, brand awareness could further be divided into two groups, brand recognition and brand recall. Brand recognition is related to how customers can remember previous exposure to the brand when coming across a brand relevant cue, for instance, a logo or a jingle (Gjertsen 2015). While brand recall, is related to

customers' ability to evoke the brand when encountering a category-relevant cue, for instance, thinking of Nike when shopping for sportswear (Gjertsen 2015). A brand image could be developed when brand awareness have been established.

Brand associations or image consist of brand attributes, brand benefits and brand attitudes (Keller 1993). Brand attributes refer to the descriptive features of a product and brand benefits are its values and meanings to the customers (Gjertsen 2015). Mitchell and Olson (1981) argue that brand attitudes are the “beliefs about attributes of the advertised brand”.



**Figure 2.** The Components of Brand Knowledge (Gjertsen 2015).

In order to better understand customers' brand knowledge, it is necessary to know how memory is formed. Based on the “associative network memory model”, memory formation is related to links and nodes (Goh 2010). According to Keller (1993), nodes are “stored information connected by links that vary in strength”, when a node is activated either from an internal source or external source, the other nodes linking to

the activated node may also be evoked. Keller (1993) suggests that the strength of brand associations might be influenced by the quality and amount of the information processed.

According to Goh (2010), in branding context, brand knowledge could be viewed as a brand node which is linked with a wide range of association nodes in the memory. These association nodes are the foundations of the formation regarding brand awareness and brand image which have impact on customers' responses to a brand. Brand awareness and brand image are influenced by relationships among "characteristics of the associations of that part particular brand as well as other related associations such as contextual associations" (Goh 2010). For example, people will think of soft drinks, sugar, and cool and so on when associating Coca-Cola in mind. Keller (1993) declares that a customer also recalls advertisements or past product experiences, and these associations will influence customers' responses or attitudes towards the brand.

"Building strong brands is a long term endeavour for most marketers" (Goh 2010). Page and Herr (2002) define brand strength as the strength of associations and awareness which the customers perceive the brand in mind and the attitude the customers hold towards the brand. Therefore, strong brands have strong brand images and receive high degree of brand awareness; by contrast, weak brands do not have strong brand images and maintain lower brand awareness.

Marketers often launch new products under the same brand name and image to enter a new product category, in order to increase customers' acceptance of the new product. This strategy, called brand extension, is widely applied in the markets. For example, P&G extends to a wide range of sub-brands and product categories, such as shampoo, cosmetics and food and beverage.

## **2.2 Brand Extension**

Introducing a new product is usually done through brand extensions. Aaker and Keller (1990) declare that brand extension is the use of an already established brand name to enter a completely different product class. According to the American Marketing Association, a brand extension "is usually aimed at another segment of the general

market for the overall brand”. Therefore, brand extension is a tool in order to expand a company’s market share by entering new segments (Gjertsen 2015).

Brand extension has been extensively adopted by consumer brands. The study of Aaker (1990) reveals that approximately 40 per cent of the new brands introduced into American supermarkets every year from 1997 to 1984 were brand extensions. Research shows that not only are extension products more popular than new brands, they also seem to be more successful ((Apostolopoulou 2002).

### 2.2.1 Types of Brand Extension

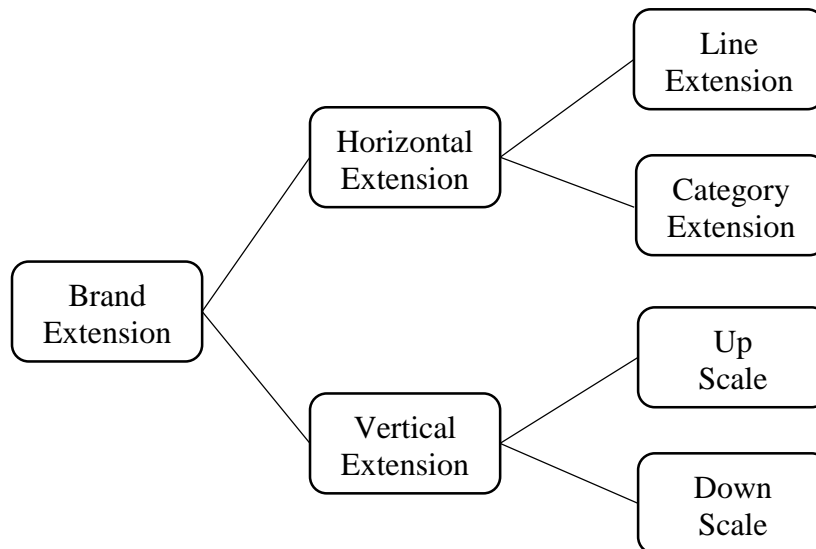
There is some variation with regard to the definition of brand extension in the academic literature. The key controversy issue is the distinction between the brand extension and line extension. A survey of the trade and academic literature shows that each concept has been “given a variety of definitions and that the terms are often used interchangeably” (Ambler & Styles 1997).

As shown in Figure 3, Tauber (1981) distinguishes the brand extension from the line extension. This is in line with the definition proposed by Aaker and Keller (1990), brand extension involves the use of an established brand name to enter a new product category, while line extension whereby a current brand name is leveraged to enter a new market within the same product category through some changes (Nkwocha 2000).

		Product Category	
		New	Existing
Brand Name	New	New Brand	Flanking Brand
	Existing	Brand Extension	Line Extension

**Figure 3.** Modified from Tauber's (1981) growth matrix (Ambler & Styles 1997).

However, from a broader point of view, brand extension includes line extension. Figure 4 presents types of brand extensions in a clear, lucid and more systematical way. According to the graph, horizontal extension includes line extension and category extension while vertical extension includes up scale and down scale.



**Figure 4.** Brand Extension Classifications (Chen & Gu 2012).

Pitta and Katsanis (1995) define the horizontal extension as launching a core brand to a new extension in the same product category or to an extension which is totally new for the firm. The difference between line extension and category extension is associated with “category” or “class”. For line extension, the same product category of the parent brand is continually used to launch a new extension; by contrast, the parent brand is utilized to enter a different product class in category extension (Keller 2003).

On the other hand, vertical extension is defined as launching a similar brand to the same product class while setting different prices and qualities (Keller & Aaker 1992). Specifically, vertical brand extension can be classified into two groups, including up-scale and down-scale brand extension (Kim & Lavack 1996). It can be concluded that up-scale extension has higher quality and higher price compared to the parent brand; whereas down-scale extension has lower quality and lower price. Take Nikon for

example, it sells cameras in various classes with different quality level and price, but with the same applications or functions essentially (Chen & Gu 2012).

### 2.2.2 Brand Extension in Practice

The action to launch a brand extension product has both merits and pitfalls associated with it (Ambler & Styles 1997). Table 1 below is a summary regarding the benefits and risks of brand extension.

**Table 1.** Summary of Benefits and Risks Associated with Brand Extension (Ambler & Styles 1997).

<b>Factors Affected by Benefit/Risk</b>	<b>Benefits/Risks</b>
<u>Efficiency Benefits</u>	<ul style="list-style-type: none"> <li>-Lower cost to build-up awareness</li> <li>-Lower cost to achieve target trial levels</li> <li>-Communication efficiency as profile of whole brand lifted</li> </ul>
<u>Effectiveness Benefits</u>	<ul style="list-style-type: none"> <li>-Higher acceptance of extension from established brand associations (e.g. quality)</li> <li>-Brand positioning can be strengthened</li> <li>-Creation of “mega-brand” (increased bargaining power with retailers)</li> <li>-Effectiveness defence against rivals</li> </ul>
<u>Risks to the Extension</u>	<ul style="list-style-type: none"> <li>-Lack of funds allocated to launch (benefits overestimated)</li> <li>-Over-estimation of benefits</li> <li>-Poor “fit” with existing brand</li> </ul>
<u>Risks to the Brand</u>	<ul style="list-style-type: none"> <li>-Brand dilution</li> <li>-Cannibalization of existing lines</li> <li>-Intertwined reputation of various lines</li> <li>-Logistics/manufacturing inefficiencies</li> </ul>

There has been a great number of discussions in terms of launching brand extensions. Generally, the main reasons for adopting brand extension have been the development of additional revenue streams for the company, the opportunities for the company to develop in various directions, as well as the enhancement of the quality of the core brand (Aaker 1990).

Brand extension is often considered to be beneficial for companies due to its numerous advantages. Firstly, this marketing strategy facilitates customers' acceptance of new product by developing greater brand awareness due to the existence of brand nodes in customers' minds (Goh 2010). In this case, customers only need to establish the link between the brand node and the new product extension.

Secondly, brand extension could reduce new product introduction marketing research as well as the advertising costs for higher cost of launching a new brand. In addition, Aaker and Keller (1990) also indicate that brand extension is regarded as a relatively safer marketing strategy, because leveraging existing brand equity into new product classes tends to avoid the risk involved in establishing a new brand. In this case, customers are convinced that the positive attributes associated with the core brand are relevant to the new product. Because trusting in an established brand with which customers may have previous experiences, they would be more likely to purchase the extension product.

An extension can also enhance the name recognition and associations among a new group of customers (Aaker 1990), which is beneficial for firms to have competitive advantages in the market. Extension products can enjoy credibility and positive associations from the firm's existing customer base (Apostolopoulou 2002).

Moreover, brand extension enlarges parent brand' customer base and eventually help in developing parent brand franchise (Chen & Gu 2012). Brands can take advantages of their name recognition and image to expand to new markets, provide product variety for customers and even attract more customers (Apostolopoulou 2002). In this way, a customer's relationship of this brand could be strengthened. Smith and Park (1992) state that brand extension could gain more access to the customers than individual brand.

There are great benefits of brand extensions discussed above. Resorting to brand extension strategy thereby is becoming more and more popular in order to succeed introducing new products. Market is a place full of competitions while providing opportunities for firms to gain profits. When launching new products, firms are trying to decrease the costs and risks involved by using the well-known existing brand name.

This enables companies to apply more resources and efforts to communications of the new product instead of a new brand (Gjertsen 2015). For this approach, the new product can enter a totally different category from the existing one. Ambler and Styles (1997) declare that brand extension strategy is applied widely for the last decade, during which period, companies prefer adopting brand extensions rather than launching a new product under a new brand name.

However, in spite of various benefits of brand extensions for marketers, cautions are still necessary since brand extensions may not always be successful (Goh 2010). On balance, “the probability of success is uncertain and unpredictable” and 80% of failure examples tell us that brand extension is full of risks and has two sides (Chen & Gu 2012).

Marketers are often motivated by brand extension for its great advantages. However, if the extension product fails, the image of the parent brand will surely suffer negative effects. In other words, the parent brand image might be diluted instead of being enhanced. What’s worse, it may bring down the customers’ trust or loyalty and belief in the brand name (Sullivan 1990).

According to Aaker (1990), brand extension might lead to psychopathy conflict of customers, weakening of existing associations, and the sharp image of the parent brand can be also vague. This will discourage those customers who are not likable towards the parent brand from trying the extension (Aaker 1990). In addition, it may also have drawbacks on the market share as well as the customer base once the brand extension fails.

Another potential risk is associated with the position of the brand, which may change in the market. There will be a strong restriction concerning the positioning for a new product (Chen & Gu 2012). The positioning of the new product should fit the parent brand, or otherwise, risks may occur. Take Goldlion for example, which is a well-known Chinese clothing brand for men. The slogan is “Goldlion, men’s world”. However, Goldlion started to expand its brand for women clothes with the development of Chinese clothing market targeted on women. But it ended up with a

fuzzy image to the core brand. In fact, once Goldlion's positioning changed, customer perception towards brand image changed as well (Chen & Gu 2012).

Even though brand extensions are ideally designed and expected to expand a company's customer base or gain more profits, there always exist potential risks that an extension product fails and brings out negative consequences, for instance, the extension takes away the customers and sales from the original brand (Aaker 1990). This phenomenon is known as "cannibalization" of the parent brand. Therefore, to better launch a new product by applying brand extension as a marketing strategy, it is significant to be careful before actually conducting it.

The brand extension strategy, determining how far the brand can be extended, has to include the whole policy of brand (Vukasović 2012). There are several questions that should be considered carefully before actually resorting to brand extension strategy, which include (Davis 2002):

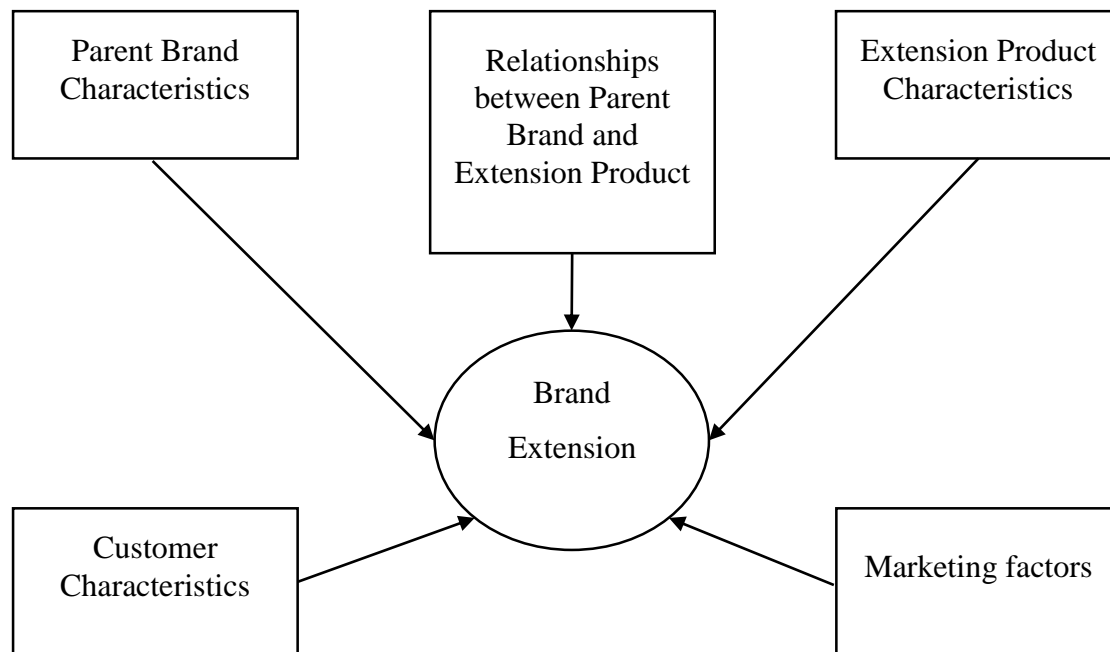
- “(1) Is the extension consistent with your brand vision?
- (2) Does the extension help uphold and strengthen your ‘Brand Picture’?
- (3) Is the extension consistent with your overall positioning?
- (4) If it fails, will it be a major or minor setback for your brand?”

Among the questions above, one of the key points is the “consistency” with the brand.

### **2.2.3 Factors Affecting the Evaluation of Brand Extension**

Researchers often investigate the factors influencing the brand extensions success from two aspects, including direct factors and indirect factors (affecting brand extensions through fit or similarity). Figure 5 is a summary of determinants influencing customer's evaluations of brand extension based on the literature review of prior researches on brand extension (Aaker & Keller 1990; Boush & Loken 1991; Park, Milberg & Lawson 1991). The factors could be classified as five groups, including parent brand characteristics, extension product characteristics, relationships

between parent brand and brand extensions, customer characteristics and marketing factors.



**Figure 5.** Factors Affecting the Evaluation of Brand Extension (Modified from Völckner & Sattler 2006).

Factors associated with parent brand or parent brand characteristics mainly include the perceived quality, brand concept consistency, parent brand attribute associations, parent brand effect, parent-brand conviction, brand reputation and brand breadth.

According to the research conducted by Aaker and Keller (1990), perceived quality influenced by fit between parent brand and extension product does not have a significant direct effect on brand extension evaluation, yet fit does have a significant direct effect on brand extension evaluation. Apart from perceived quality, the brand effect (Broniarczyk & Alba 1994), the prestige of the parent brand (Park et al. 1991), brand reputation (Hem et al. 2001), brand trust (Reast 2005) and brand conviction (Völckner & Sattler 2006) of a powerful brand all have positive impacts on brand extension. In addition, Park et al. (1991) declare that brand extension will receive high

evaluation when extension product has consistent brand concept with parent brand, no matter the brand is function-oriented or prestige-oriented.

Bhat and Reddy (2001), Broniarczyk and Alba (1994) and many other researchers explored on the impact of brand attribute association on brand extension evaluation. They have mainly studied the relationship between the physical product attributes of parent brand and that of extension product, and they argue that if the physical product attributes are more connected between two products, the range of extension for this parent brand narrows. The parent brand therefore should link its physical product attributes to the products with high quality, fashion, durability as well as prestige, in order to ensure the maximum range of extension. Additionally, Bhat and Reddy (2001) suggest that parent brand attribute associations are more important than parent brand effect on customer evaluations or brand extension success. Broniarczyk and Alba (1994) indicate that associations specific to brand have greater impacts than parent brand effect and product category similarity, particularly when the customers know more about brand knowledge.

The brand breadth influences brand extension from two aspects, including the products categories affiliated with the parent brand, and the portfolio quality variance of the parent brand. Dacin and Smith (1994) state that customers' confidence and favourability of brand extension would increase with the product categories affiliated with the parent brand increasing or the portfolio quality variance decreasing. Meyvis and Janiszewski (2004) analysed the brand breadth from the perspective of accessibility of benefit associations, and declare that broad brands have more access to benefit associations than narrow brands. What's more, broad brands have higher chances of success on brand extension even though narrow brands have higher similarity with the extension products.

The characteristics or attributes of extension product also have direct effects on brand extension evaluation. Aaker and Keller (1990) stated that when the customers consider the extension product is easy to design and make, they may perceive the combination of a quality brand and a not important product category as incongruous or inconsistent. This is more likely to cause a low-satisfaction judgment by the

customers. By contrast, higher degree of difficulty in making products will lead to more positive evaluation.

Different categories generally have regulating effect on factors influencing the brand extension. Sood and Dreze (2006) investigated brand extension by studying movie sequel as experiential goods and found that this kind of products was different from categorization model. The greater difference between the parent brand and the extension product is, the higher the customer evaluations will be. Besides, Hem et al. (2001) analysed the factors influencing brand extension success regarding different types of products including FMCG, durable goods, and services. The findings shows that factors vary among different types of extension products.

In terms of factors of relationships between parent brand and extension product, “fit” first proposed by Aaker and Keller (1990), has a direct positive impact on brand extension evaluation, which is the topic of this thesis and will be discussed in the following sections in details. The findings of the study conducted by Park et al. (1991) indicated that the higher product feature similarity between parent brand and extension product is, the higher evaluation will be. Aaker and Keller (1990) also split fit into three dimensions, namely, complement, substitute, and transfer. Park et al. (1991) defined fit from product feature similarity, and reached the conclusion that high product feature similarity leads to high evaluation of brand extension. In addition, in later studies, Hem et al. (2001) made definition from the perspective of category similarity and argued that the customers evaluate the brand extension more favourably when the category similarity is higher. However, Bhat and Reddy (2001) considered that similarity between parent brand and extension product is not the most significant factor of brand extension evaluation; instead, the fit with the parent brand’s image is more of importance.

Apart from factors associated with parent brand or extension product, customers themselves have effects on brand extension evaluations to some extent as well. For instance, Monga and John (2007) compare holistic thinking in orientalism and analytic thinking in western culture and they found that these two different cultures had different impact on brand extension evaluation. To be more specific, customers

with holistic thinking have higher perceived fit level than customers with analytic thinking, as a consequence, they evaluate brand extension more favourably as well.

In addition, innovativeness is another factor. Hem et al. (2001) reached to the conclusion that “more innovative consumers evaluate services brand extensions more favourably”. Besides, parent-brand experience will also affect the customer evaluations of brand extension (Volckner & Sattler 2006).

As for companies, they could enhance high evaluations of brand extension by strengthening the marketing support. Völckner and Sattler (2006) suggest that marketing support has a positive impact on success of brand extension.

#### **2.2.4 Customer Evaluations of Brand Extension**

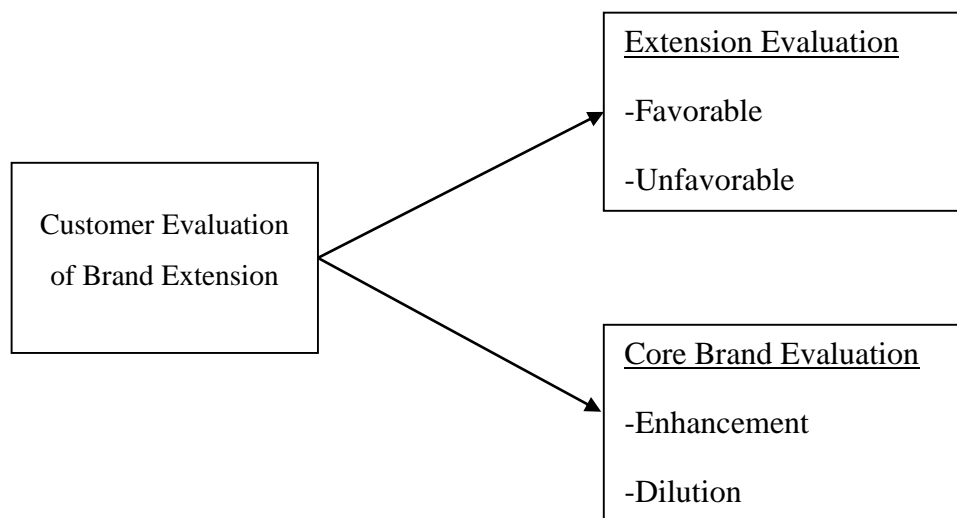
The majority of brand extension researches has focused on the evaluation of brand extensions from the customers’ perspective (Keller & Aaker 1990). Based on the summary of previous studies, there are two main reasons why particular attention has been paid on customer evaluations. First, customer evaluations are considered to be a key element in indicating the extensions and the core brand success (Boush & Loken 1991). Second, favourable customer evaluations are believed to be essential in development of brand equity (Pitta & Katsanis 1995). Brand equity refers to the added value which can be viewed from the perspective of the company, the trade or the customers (Grime, Diamantopoulos & Smith 2002).

Attitude is often used to measure customer evaluations. Attitude is defined by Fishbein and Ajzen (1975) as an action consistency favourable or unfavourable towards the object and proposed measurements of attitude such as “like-dislike”, “approve-disapprove” and “agree-disagree”.

Customer reactions to brand extensions seem to involve a categorization process in which the new extension product is evaluated based on the “perceived fit” (Park et al. 1991). Categorization theory (which will be discussed at length in the following section) indicates that there are generally two ways of evaluating a brand extension by a customer: (1) by piecemeal processing, in which case, the customer evaluation of the brand extension is regarded as a function of inferred brand attribute beliefs and

their evaluative significance; (2) by category-based processing, in which case, the customer evaluation of the brand extension is regarded as a function of some overall attitude towards the parent brand. To be more specific, if the customers perceive the parent brand and the extension fit together, they would transfer the quality perceptions to the extension product (Aaker & Keller 1990). This general transfer effect has been demonstrated by categorization researchers.

As shown in Figure 6, the evaluation of brand extension strategy can be conducted under two broad aspects: evaluation of existing brand extensions and evaluation of prospective brand extensions (Priyadharsini & Shyamasundar 2013). Customer evaluations of extension products could be simply reflected from their attitudes, favourable or unfavourable. On the other hand, when an extension is launched, the core brand might be also influenced to an extent. The image of the core brand maybe enhanced or diluted.



**Figure 6.** Two Aspects of Brand Extension Evaluation (Priyadharsini & Shyamasundar 2013).

Customer evaluations of brand extension have been measured in plenty of ways. For instance, as mentioned above, Aaker and Keller (1990) linked the consumer evaluations of extension quality and likelihood of trying the extension. A number of other researchers have also adopted the quality or likability constructs to measure

customer evaluations of the extension and the core brand after an extension launches (e.g. Keller & Aaker 1992; Kirmani, Sood & Bridges 1999). Common to all such measures is the underlying view that the customer positive beliefs and favourable attitudes towards the core brand is the determinant for the extensions to be successful; such beliefs and attitudes are known as “brand associations” which serve to distinguished one brand from another (Keller & Aaker 1990). As mentioned earlier, according to the previous research conducted by Keller (1993), brand associations have been classified into attributes, benefits, and attitudes: attributes are the descriptive features which characterize a product or service; benefits are the personal value attached to a product or service; attitudes are the customers’ overall evaluation of the brand.

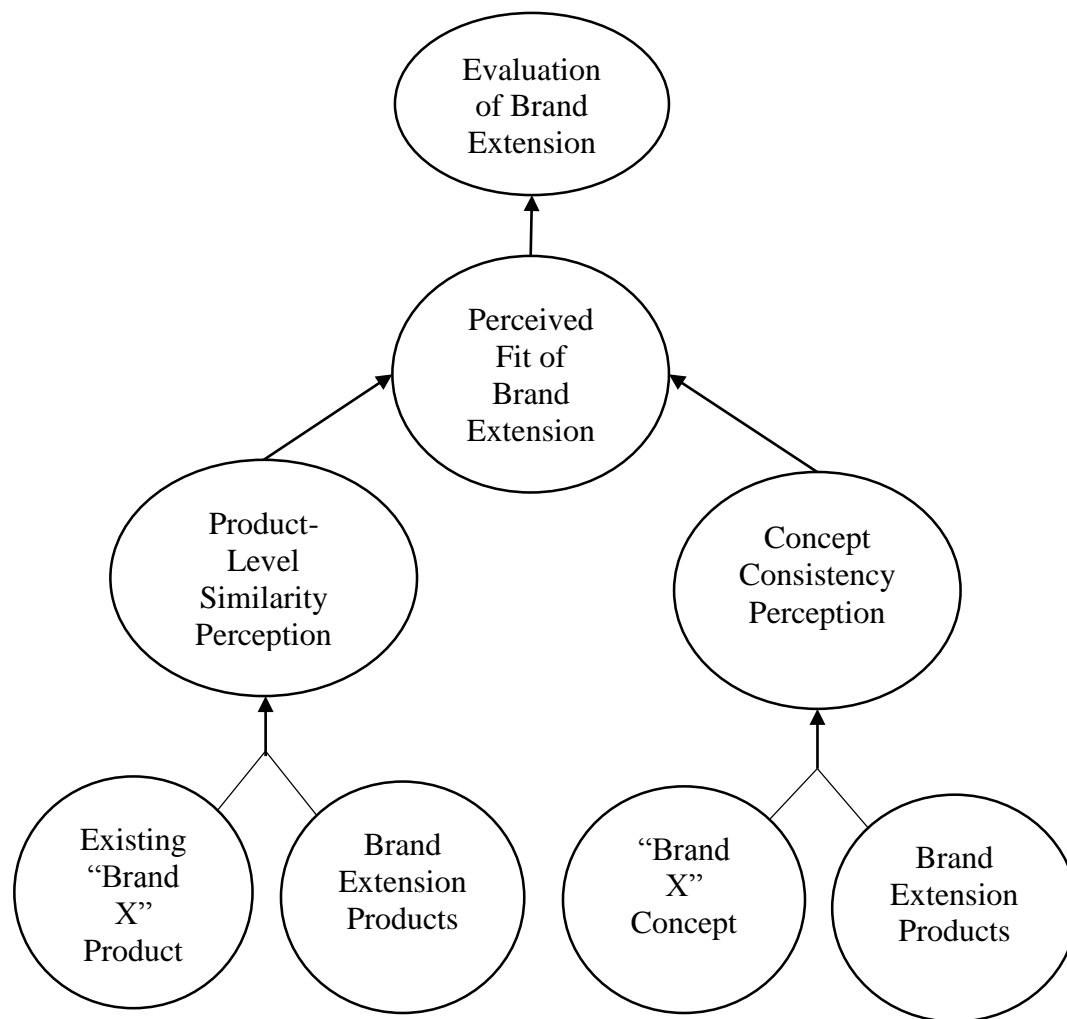
When the new extension is introduced, if the associations are transferred from the original brand to the extension product, the extension product will be perceived as fitting with the new category by the customers (Park et al. 1991). Moreover, the transfer of brand associations is particularly affected by the customer perceptions of fit (Keller & Aaker 1990).

This study mainly focuses on one factor, namely “perceived fit”, affecting customer evaluations of brand extension. In this case, the customers will evaluate the product based on customers’ perceptions of how fit (degree of fit) between the parent brand and the extension product is.

The process of brand-extension evaluations is presented in Figure 7. According to the process, perceived fit of brand extensions includes two dimensions that are both used for evaluation, product-level similarity perception and brand concept consistency perception, which will be discussed at length in the following section. In other words, “the degree of perceived fit is a function of both product-feature-similarity perceptions and brand-concept-consistency perceptions” (Park et al. 1991).

In terms of product-level similarity perceptions, customers will compare the existing “Brand X” product and brand extension products while they will compare the “Brand X” concept and brand extension products in terms of concept consistency perceptions. Park et al. (1991) in their studies state that product-feature-similarity perceptions rely

on identifying the feature correlations, attribute matching or shared-usage situation; while brand-concept-consistency perceptions depend on whether the extension products is able to fit the brand concept.



**Figure 7.** Process of Brand-Extension Evaluations (Park et al. 1991).

Given the notion of process in terms of customer evaluations on brand extension from these two aspects, categorization theory is then provided in order to acquire a better understanding of how customers evaluate and categorize the products.

### 2.3 Categorization Theory

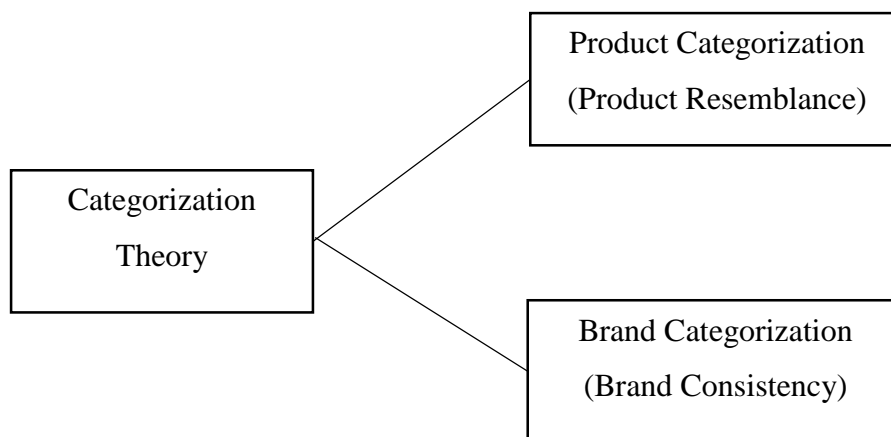
“When consumers encounter a new product, they are likely to evaluate and categorize it” (Goh 2010). Fiske and Pavelchak (1986) state that an individual encounters a new stimulus, he or she first experiences a categorization process to facilitate understanding the stimulus. Customers will immediately understand what the stimulus is when a product fits within a category; by contrast, customers might be confused if the product does not fit within any existing categories in mind (Goh 2010).

Categorization theory (Fiske & Pavelchak 1986) proposes that associating the extension with previously defined category or schema reinforces the customer’s attitude towards the brand extension. Category schema here refers to the knowledge structure of a category in an individual’s mind which represents expectations for the properties, usage situation and evaluations for that category (Sujan 1985). That is to say, category-based processes are retrieved and judgments are made based on “family resemblance” if there is a fit or match between the extension and the schema; on the contrary, piecemeal processes are retrieved and judgments are made based on specific attributes of extension if there is a mismatch (Nkwocha 2000).

The category-based approach to evaluation has been supported in a wide range of customer domains, which includes product judgment (Sujan 1985), brand extension judgments (e.g., Boush & Loken 1991; Aaker & Keller 1990; Keller & Aaker 1992), product category assessments (Loken & Ward 1990), and information searches (Ozanne, Brucks & Grewal 1992).

Category members in the basic level (most fundamental level of categorization) have similar overall shapes and a mental image is formed by people to reflect the whole category (Mervis, Catlin & Rosch 1976). Apart from products, brands can be also categorized to promote customers’ responses and evaluations (Boush & Loken 1991).

We simply divided categorization into two directions, seen as Figure 8, product categorization and brand categorization.



**Figure 8.** Categorization Theory (Goh 2010).

As shown in Figure 8, product categorization is processed based on product resemblance perceived by customers while brand categorization is processed based on brand consistency perceived by customers.

### **2.3.1 Product Categorization**

Category schema for categorizing objects is formed by customers based on their perceptual similarity to the schema (Neisser 1976). Objects in a category might share some attributes with other objects within the same category but also have some unique attributes (Goh 2010).

Theories of embodied cognition (Barsalou 1999; Zaltman 1997) declare that objects or brands are perceptually presented in human's mind. Barsalou's (1999) theory of perceptual symbol system (PSS) states that a perceptual symbol maintains the original modality of an object because encoding a perceptual symbol does not need transformation to semantic mode. According to this, "the categorization process of a product is based on the perceived fit of its perceptual symbol to a category as represented perceptually in the consumer's mind" (Goh 2010).

### **2.3.2 Brand Categorization**

Category schema for brands or categorizing products of brands is formed by customers based on the similarity or consistency between the brand's products and the

brand concept or image. The customers will find it easy to categorize the product to its brand if the product is consistent with the brand concept or image.

According to the study conducted by Boush and Loken (1991) which examines the effects of categorization on evaluating potential brand extension, a brand and its products are regarded as a brand category. For instance, a broad range of product types defines a broad category while a narrow range of product types defines a narrow category.

## **2.4 Perceived Fit**

The common concept underlying various empirical studies is that the relationship between the parent brand and the extension shows positive when the customers perceive some type of “fit” (Nkwocha 2000). The idea of fit can be traced back to Tauber (1981), who defined it as a “rub-off of perceived superior know-how, effectiveness or appropriate imagery”, and pointed that there should be “a benefit of the parent brand that is the same benefit offered and desired in the new franchise extension”. Generally, fit comes from the associative networks of the customers (Keller 1993) and it occurs when two brands or the extension and the parent brand are combined together (Even & Olsen 2012).

Given this concept, marketers are recommended to attach significance to “fit” in deciding whether to introduce brand extensions or not. In other words, the literature encourages marketers to launch an extension if it is believed to have a high degree of fit with the core brand (Klink 1996). On the contrary, the marketers are discouraged from launching new extensions with low-fit (Keller & Aaker 1990).

The extensions should fit the brand by all means. Aaker (1990) has asserted that “a meaningful association that is common to both the brand and the extension can provide the basis of fit.” Fit in brand alliances may consist of several bases including product category fit, brand associations, consumer goals, culture, product user, product usage, and self-representation (Martin, Stewart & Matta 2005).

A brand extension in a new product class is regarded to be more or less similar and relevant to the core brand. The core brand can contribute an attractive attribute to the

extension product (Priyadharsini & Shyamasundar 2013). Perceived fit as a function of explanatory links connects the core brand and the extension product (Bridges, Keller & Sood 2000). What's more, it is also deemed to be one of the most relevant variables which can affect the result of an extension (Völckner & Sattler 2006).

In spite of the popularity of the concept of "perceived fit", there is no common definition used throughout the extant literature (Bridges et al. 2000). Aaker and Keller (1990) indicate that perceived fit is whether a customer considers the new item to be similar or consistent with the parent brand. In the later research, Bridges et al. (2000) suggest that "any parent brand association, including category, brand concept, or brand-specific associations, can connect the parent brand with an extension and serve as the basis for perceived fit". To put it simply, perceived fit is defined by the number of shared associations between the core brand and the extension product (Burnaz & Bilgin 2011).

Perceived fit between the parent brand and the extension has been explored by a number of researchers and generated a lot of discussions. The common conclusion of these studies appears to be that brand extensions are evaluated more highly by the customers when they are perceived as being meaningfully connected to the original brand. This is particular when the customers hold positive attitudes towards the original brand. Furthermore, the key for transfer of such associations is to successfully create a link (fit) between the original brand and the extension product, thus customers are more likely to establish the connections between the two products as well as to evaluate the new extension based on their perceptions or knowledge about the old product (Apostolopoulou 2002).

When the company introduces a new product which is consistent with the core brand, the customers will be more likely to perceive higher fit between the products associated to both the core brand and the extension (Buil, de Chernatony & Hem 2009). In such situation, customers consider the new extension as credible, which in turn leads to more willingness to purchase. Therefore, a lot of empirical studies propose that perceived fit has a positive effect on the evaluation of brand extensions (e.g. Keller & Aaker 1990; Boush & Loken 1991). Additionally, according to

previous researches, such positive relationships are applied in both tangible products and services.

Apart from resulting in positive customers' attitude towards brand extensions, perceived fit can also enhance or dilute the brand equity of the parent brand (Buil et al. 2009). Prior studies have indicated that an extension perceived as consistent (fit) may lead to more favourable and positive evaluations of the parent brand (Keller & Aaker 1992). That is to say, if the extension product appears a high fit to the core brand, customers will transfer their quality perceptions and other associations to the new extension product. In this context, perceived fit contributes to facilitating the perceived quality and the image of the core brand as the existing associations will be strengthened (Aaker 1990).

On the contrary, an extension with poor fit may result in the loss of differentiation and credibility of the company, as well as weakening associations with the core brand (Keller & Aaker 1992). Poor fit may detract the transfer of positive associations from the parent brand to the extensions. When the fit is low, the customers may devote more abilities and efforts to produce good products (Aaker & Keller 1990).

Therefore, Hypothesis 1 is offered based on the theoretical foundation discussed earlier.

**H1:** A high degree of perceived fit between the parent brand and its extension product will have a positive effect on customer evaluations.

#### **2.4.1 Dimensions of Perceived Fit**

According to previous empirical studies, it is commonly agreed that fit is vitally crucial; however, there exists considerable conflict with regard to the dimension of fit. Perceived fit is often conceptualized by researchers in various ways. To be more specific, based on the literature, fit consists of a number of dimensions, including similarity, typicality, relatedness and brand concept consistency (Keller & Aaker 1990).

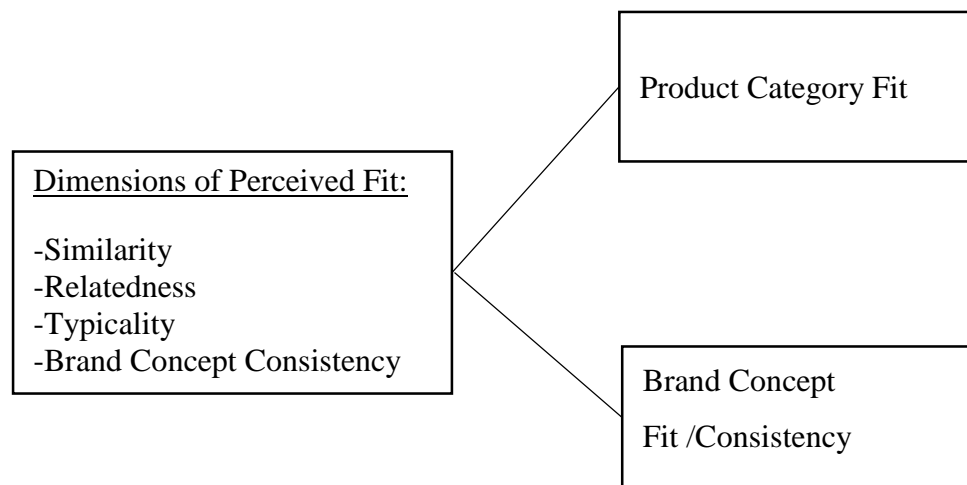
“Similarity” is the most frequent term when referring to the dimension of fit. Similarity is defined as how alike the current and the new product categories are with

regard to features or benefits (Keller & Aaker 1990; Park et al. 1991). Consumer Behavior Seminar (1987) has drawn a conclusion that the greater the similarity between the current product and the new extension, the greater the transfer of positive or negative beliefs to the new extension. However, perceived fit is not always plausible to achieve feature similarity and it has been suggested that other factors are more likely to be combined with the effect of perceived fit on brand extension evaluations (Apostolopoulou 2002).

Another dimension of fit mentioned is the “relatedness” or “typicality” of the new product category to the existing category (Boush & Loken 1991). Typicality refers to how representative the extension class is of the parent brand (Nedungadi & Hutchinson 1985). In the subsequent research, it has also been regarded as “the degree to which category members (e.g. different products manufactured by Sony or Sanyo) are representative of the family brand image” (Gurhan-Canli & Maheswaran 1998). It is particularly difficult to clearly distinguish these concepts because there is a lack of explicit distinctions between similarity, relatedness and typicality. Furthermore, Muroma and Saari (1996) indicated in the research that similarity is a measure of the “relatedness” of the two product categories in brand extension context.

Apart from the measure “similarity”, “relatedness” and “typicality”, it has been further implied that the customers also evaluate fit concerning “brand concept consistency” between the parent brand concepts and the extension (Park et al. 1991). Brand concept, in other words, refers to the “image” portrayed by the brand. The degree to which an extension is perceived as consistent with the brand concept is deemed to be equally vital as the similarity between two product categories (Park et al. 1991). Unlike the case of “relatedness” or “typicality”, brand concept consistency is clearly different from the similarity of the product categories because it refers to how customer perceptions of fit is influenced by a brand image instead of by the similarity of product features, attributes or benefits (Grime et al. 2002). Meanwhile, Gurhan-Canli and Maheswaran (1998) indicate that extensions have to be accordant with the parent brand image in order to be favourably evaluated by the customers. To put it simply, the extension is supposed to have a similar image to the core brand.

As shown in Figure 9, a summary of discussions above, there are several dimensions of perceived fit in brand extension context.



**Figure 9.** Dimensions of Perceived Fit.

Among various bases of fit, product category fit and brand concept fit (consistency), the focus of this study, have been regarded as two independent reasons contributing to favourable customer attitudes and evaluations (Even & Olsen 2012).

#### **2.4.2 Product Category Fit**

In functional brand alliances, every brand enjoys a relatively clear link (fit) to a differentiated product class. Thus product category fit, referring to the link between two product categories, simply requires being consistent to the performance abilities of the core brands, which is possible if the attributes and benefits of every brand match (Even & Olsen 2012).

“Product-category fit is determined mainly by perceptual factors” (Goh 2010). When assessing product category fit, customers evaluate whether the two products (the old product and the new extension) can complement or substitute each other (Keller & Aaker 1990), have the same physical product characteristics or attributes, can be applied into the same consumption situations or perform the same practical functions (Park et al. 1991). Even and Olsen (2012) propose that this process would more likely to involve attribute-by-attribute or piecemeal comparison of these two products. For instance, one must consider whether product B possesses the same qualities or

attributes as product A does, in order to assess whether product B can replace product A. Generally speaking, processing piecemeal supposes that attributes are assessed respectively and that overall evaluations are formed by integrating these individual evaluations (Sujan 1985).

According to the previous study conducted by Aaker and Keller (1990), the three dimensions of “fit” between two product classes were:

COMPLEMENT - “...the extent to which consumers view two product classes as complements”;

SUBSTITUTE - “...the extent to which consumers view two product classes as substitutes”; and,

TRANSFER - “... how consumers view relationships (design or making) in product manufacture”.

Complementarity defines the degree of which the customers perceive two product categories as complements. That is to say, two product categories are used at the same time, for instance, camera and film. Substitutability refers to the degree of which the customers perceive two product categories as substitutes. In other words, one product category can be used instead of the other, for instance, washing powder used instead of laundry soap. Transferability indicates the perceived ability of any company operating in the original product class to produce a product in the extension product class (Nkwocha, Bao, Johnson & Brotspies 2005).

Among these three dimensions, Aaker and Keller (1990) found that two of fit dimensions, namely transferability of skills and assets, and complementarity, were particularly utilized when related to the acceptance of extension concepts.

In terms of transferability of skills and assets, first of all, the “brand” is regarded to have the skills and assets which are required to launch the brand extensions. Besides, complementarity is another factor influencing the fit of brand extension since the extension is used with the product category associated with the brand. For instance, Vuarnet skis became successful even though skis are technologically far removed from sunglasses as Vuarnet sunglasses generates a close association with skiing

(Aaker 1990). What's more, a fit on either transferability or complementarity may be adequate; "a good fit on both is not necessary" because there is a negative relationship between these two fit variables (Park et al. 1991).

A brand might be more successful if extending to a new product category through sharing high similarity with the target category exemplar. In this way, consumers will consider the new extension product easy to fit in within their existing product category schema (Goh 2010).

In the light of the facts above, Hypothesis 1a is offered below.

**H1a:** A high degree of product category fit between the parent brand and its extension product will have a positive effect on customer evaluations.

### **2.4.3 Brand Concept Fit/Consistency**

Brands with abstract images or concepts in customer's minds are often involved in brand alliances and a brand concept is the special brand meaning derived from customers' needs and demand (Even & Olsen 2012). Brand concepts stand for unique brand meaning such as high status which typically originates from product features, for instance, high price as well as a company's devotion to build visions (Park et al. 1991). Brand concept positions the brands in customers' minds and distinguishes them from other brands of the competitors (Park, Jaworski & MacInnis 1986).

Different from product category fit, the brand concept fit is more about brand image than the physical features (Burnaz & Bilgin 2011), and the evaluation of brand concept consistency consists processing of information based on categories. In other words, customers assess whether the more "superordinate and abstract-level associations" of the brand concepts are similar (Even & Olsen 2012). Brand concepts are regarded as category structures lying in customers' minds, with attribute interrelations, structured product beliefs and emotions generated by experience with the product (Park et al. 1991).

Whether an extension product is considered to be consistent with the parent brand concepts relies on how easily it could fit the brand concepts; this easiness, in turn, relies on the customer's perceptions of whether customers' brand-concept

associations are related to the extension product (Park et al. 1991). The example Park et al. (1991) illustrated in their study could specifically explain this. Assume that the brand McDonald's launches an extension product category "toys", which are clearly dissimilar to the food and beverage sold in McDonald's. However, the extension products toys standing for "fun" are perceived as "fit" because the advertising campaign and slogan expressing McDonald's brand concept was "food, folks and fun".

Take McDonald's for example again, it is associated with Ronald McDonald as well as his friends, applying the concept into a McDonald's theme park is therefore acceptable. Likewise, Giorgio Armani, generating associations with luxury and fashion, has achieved a huge success in terms of extending its core brand from clothes to cosmetics and accessories.

In the brand extension literature, Park (1991) infers that customers are more favourable towards the brand extensions when they belong to the same brand concept as the core brand (consistent) than when they belong to a different brand concept (inconsistent). This argument was proved to be valid for both functional and expressive brand concepts.

On the contrary, Loken and John (1993) found that when brand extension attributes are inconsistent with the parent brand beliefs or concepts, dilution consequences occur. In the brand extension context, dilution means the negative effect that an unsuccessful brand extension has on the parent brand, in which case, we deem that the parent brand image is "diluted" (Loken & John 1993).

Based on the literature review above, it is reasonable to conjecture that a good fit between the brand concept of the parent brand and that of the extension product will result in a more positive attitude towards the extension product; hence Hypothesis 1b is offered as following:

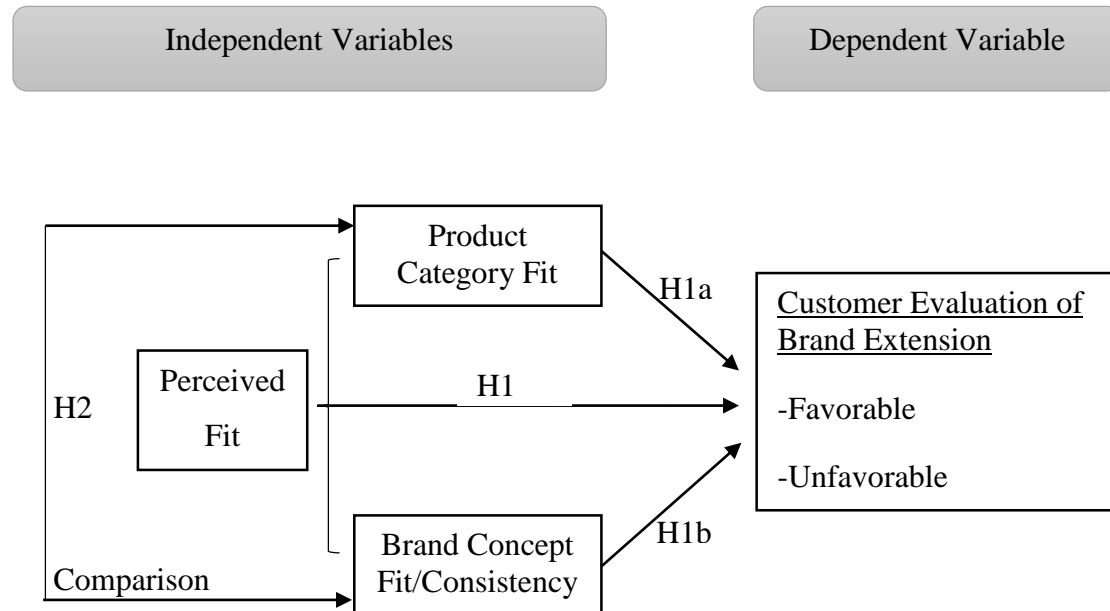
**H1b:** A high degree of brand concept fit between the parent brand and its extension product will have a positive effect on customer evaluations.

Consumers make evaluations the most favourably when the extension product has both high brand concept consistency and high product feature similarity to the parent brand (Park et al. 1991). In reality, product category fit matters less than brand concept fit in the evaluations of the customers because tangible attributes of products are not presented in the customer evaluations, but instead, they represent cultural meaning and social symbols (Even & Olsen 2012).

Based upon the literature, it is possible to predict that brand concept fit/consistency has greater impact on customer evaluations than product category fit does; hence, Hypothesis 2 is presented below.

**H2:** Brand concept fit/consistency will have a greater impact on customer evaluations than product category fit does.

The discussions above are summarized in a schematic framework, seen as Figure 10, presenting the hypotheses and the relationships among each variable.



**Figure 10.** Conceptual Model with Study Hypotheses.

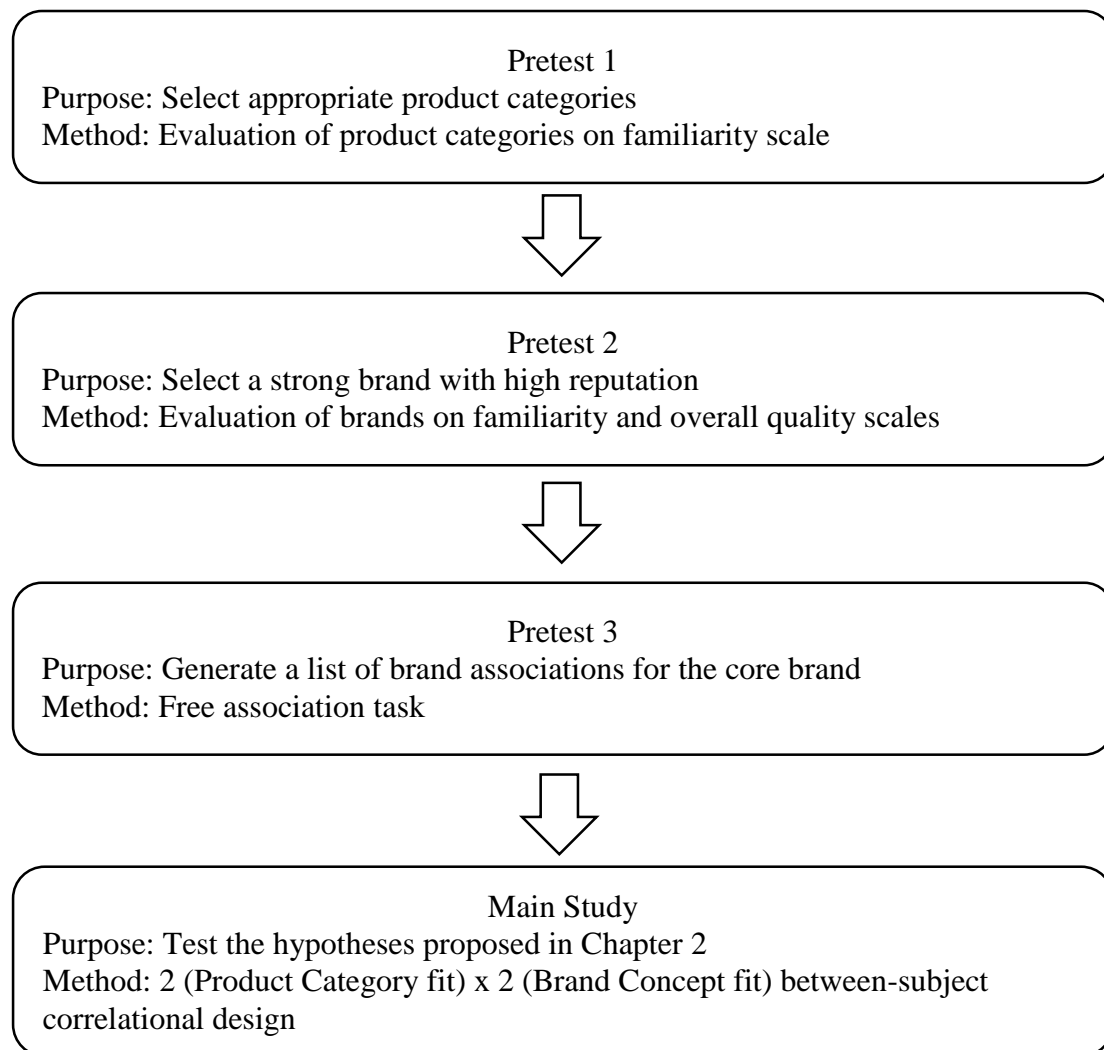
Perceive fit is hypothesized to have a positive effect on customer evaluations of brand extension (H1). Two specific dimensions of perceived fit, namely, product category

fit (H1a) and brand concept fit/consistency (H1b) are expected to have positive impacts on customer evaluations of brand extension. In addition, brand concept fit/consistency has a greater impact on customer evaluations than product category fit does (H2).

### 3 EMPIRICAL RESEARCH ON PERCEIVED FIT

This research investigates how perceived fit affects customer evaluations of brand extension. More specifically, this research explores brand extension from customers' perspective by examining two dimensions of perceived fit, namely, product category fit as well as brand concept fit.

This chapter first presents the research methods and procedures in the empirical study, as shown in Figure 11. An overview of the stimuli development including three pretests is provided at the beginning of this chapter, followed by the research design, subjects and procedures used in the main study.



**Figure 11.** Flow Chart of the Methodology and Process.

The pretest procedures and questionnaire design were done referring to Nkwocha's (2000) research, which studied a similar topic of brand extension. The objective of the first pretest is to select appropriate product categories for the parent and extension products to be utilized in this study. The identified product categories were used in stimuli development for Pretest 2 and were also used as the manipulation of perceived fit in the main study. Pretest 2 and Pretest 3 were conducted to select a well-known parent brand with high reputation and to generate a list of brand concepts associated with each brand respectively. Based on these three pretests, stimuli were developed in order to prepare for the following main study. The main study was performed to empirically test the hypotheses proposed in Chapter 2.

### **3.1 Stimulus Development**

Three stages of pretesting were used to develop the stimulus materials for main study research. The first two pretests adopted quantitative research while the third pretest adopted qualitative research through free association task. The pretest surveys are provided in Appendices and discussed below.

#### **3.1.1 Pretest 1**

The purpose of pretest 1 is to identify appropriate product categories for the parent and extension products to be utilized in this study. The selected product categories were used in stimuli development for Pretest 2 and in the main study.

Zaichkowsky (1985) suggests that the concern always has been the relevance of the product to the needs and values of the customer group in product research. That is to say, "the product categories for the parent product and the extension product have to be in categories which the subject population is very familiar with" (Nkwocha 2000). Familiarity is therefore chosen as the criterion to select appropriate product categories.

Pretest respondents were drawn from a non-probabilistic convenience sample consisting of 30 college students, age 19 or above and were mainly recruited from universities in China. Before the research, brief instructions were given to the pretest participants and then they were asked to fill in the questionnaire for pretest 1, seen as Appendix 1.

Interval level data (using 7-point differential scales) was collected for level of familiarity of stimuli product categories to verify the rationale for the choice. The sample students (n=30) were asked to indicate their level of familiarity with each product category on a 7-point scale (1 = very familiar, 7 = very unfamiliar). Descriptive statistics of the product category familiarity are provided in Table 2. Mobile phone (Mean=6.63), camera (Mean=4.90) and sports shoes (5.10) were identified as the parent product category and the extension product categories by the study population due to their high level of familiarity.

**Table 2.** Pretest 1 Level of Familiarity Statistics for Each Product Category.

<b>Product Category</b>	<b>Mean</b>	<b>N</b>	<b>Std. Deviation</b>
Mobile Phone	6.63	30	0.718
Camera	4.90	30	0.923
Personal Computer	5.90	30	1.125
Colorful TV	5.60	30	1.429
Wrist Watch	4.10	30	1.788
Sunglasses	4.03	30	1.474
Shampoo	4.73	30	1.461
Sports Shoes	5.10	30	1.348
Batteries	4.30	30	1.725
Lotion	4.30	30	2.037

Although the level of familiarity of product categories such as personal computer (Mean=5.90) and colourful TV (5.60) is also high, these types of products have already been extended from many mobile phone companies or mobile phones have already been extended from many PC or colourful TV companies. Because of this, mobile phone was selected as parent product category while camera and sports shoes were selected as extension product categories accordingly as they were rarely launched as extension products from mobile phone companies. These product categories were used in the following pretest and main study as well.

### 3.1.2 Pretest 2

The purpose of Pretest 2 is to select a strong parent brand for the parent product category (mobile phone) that was identified in Pretest 1. Even and Olsen (2012) suggest that brand familiarity is significant, as participants' fit evaluations (of both product category fit and brand concept fit/consistency) are based upon existing associative networks among participants. Familiarity in the marketplace was ensured by selecting brands that were long established and market leaders in their respective product categories, and by measuring brand familiarity in a pretest. Therefore, the selection criterion for the brand name was basically the same criterion utilized for selecting product categories in Pretest 1. In other words, the brand name had to be very familiar to the subject population (Keller & Aaker 1992).

However, there exists one criticism of brand extension research, pointing out that much of the research lacks "real world" conditions (Klink & Smith 1997). For this research, realism was maintained, and meanwhile, care was taken to avoid confounding quality with other possible associations by selecting an established strong brand that does not appear to be overextended. In this case, the brand has to be in high quality in order to maintain some realism.

In the procedure, a list of brand names of mobile phone companies (Apple, Huawei, Nokia, Xiaomi, Meizu, Lenovo, Oppo, Vivo, BBK and Motorola) was provided in the questionnaire for Pretest 2, seen as Appendix 2. The same subject population sample (n=30) was asked to indicate their level of familiarity with each brand name on a 7-point scale (1 = very unfamiliar, 7 = very familiar). Next, they were asked to indicate the extent to which they perceived each brand name's overall quality on a 7-point scale (1 = very low quality, 7 - very high quality).

Table 3 shows results of pretest 2 concerning customer level of familiarity of each brand name. Among these 10 famous brands of mobile phone, Apple is rated the highest by the respondents, with the Mean of their familiarity level representing 6.67, followed by Nokia. On the contrary, BBK, one of the famous brands in China, ranking the lowest compared to other brands.

**Table 3.** Pretest 2 Level of Familiarity Statistics for Each Brand Name.

<b>Brand Name</b>	<b>Mean</b>	<b>N</b>	<b>Std. Deviation</b>
Apple	6.67	30	.758
Huawei	5.37	30	1.542
Nokia	5.67	30	1.516
Xiaomi	5.00	30	1.287
Meizu	3.77	30	1.569
Lenovo	4.83	30	1.533
Oppo	4.77	30	1.194
Vivo	4.37	30	1.377
BBK	3.37	30	1.586
Motorola	3.83	30	1.555

Descriptive statistics of the overall quality of each brand are provided in Table 4. Brand Apple is rated the highest by the respondents, with Nokia ranking the second. Aaker and Keller (1990) argue that low quality brands are less likely to support extensions. Upon on the argument that the brand has to be in high quality as well, brand Apple thereby was chosen as the core brand for this study as the sample rated Apple the highest on both the level of familiarity (Mean=6.67) and on overall quality (Mean=6.43).

**Table 4.** Pretest 2 Perceived Quality Statistics for Each Brand Name.

<b>Brand Name</b>	<b>Mean</b>	<b>N</b>	<b>Std. Deviation</b>
Apple	6.43	30	.679
Huawei	5.23	30	.971
Nokia	6.10	30	.885
Xiaomi	5.13	30	.819
Meizu	4.33	30	1.155
Lenovo	4.70	30	1.149
Oppo	4.43	30	1.006
Vivo	4.20	30	1.297
BBK	3.67	30	1.269
Motorola	4.27	30	1.202

Based on Pretest 1 and Pretest 2, Apple was selected as the core brand and Apple camera and Apple sports shoes were identified as two possible extension products.

The extensions were chosen because they were thought to some of the most common marketplace products and the earlier definition of brand extension: when current brand name is leveraged to enter a different product category.

### **3.1.3 Pretest 3**

The purpose of the pretest 3 was to generate a list of brand concepts associated with the brand Apple which was selected as core brand in Pretest 2. The same sample (n=30) was asked to answer the question, seen as Appendix 3, “what comes to your mind when you think about brand Apple? Please list all the attributes or words representing the brand concept of brand Apple. (For example: When I think of Brand Benz, these attributes come to my mind: High quality, high-end, high-tech, comfortable, user friendly, etc.)”, in order to acquire a list of brand concepts associated with the brand Apple.

The data collected for Apple on the free association task was in the form of qualitative data as subjects were asked to list any brand associations that come into their minds. The data showed that several attributes or words listed by the respondents to present their associations of Apple’s brand concepts emerged, including high technology, innovation, and user-friendly.

## **3.2 Main Study**

A survey/correlational design was administered in the main study to examine the role of perceived fit in customer evaluations of brand extension as well as to test the proposed hypotheses proposed in Chapter 2. The independent variable in the research is perceived fit, two aspects of which are product category fit and brand concept fit/consistency; we view this two factors also as independent variables but in more specific dimensions. The dependent variable is the customer evaluations or attitude towards brand extension.

Before conducting the main study, the questionnaire was tested with a small sample, approximately 30 undergraduate students. The results showed a relatively low reliability; some revisions of the questionnaire were therefore done to maintain a high level of reliability of the results.

After revisions and check, the questionnaire for main study, designed by using E-lomake, was published online and undergraduate students from universities both in Finland and China were invited to complete the survey at the link. One hundred and twenty six undergraduate students majoring in different programmes from different countries were identified as a random sample of respondents for the main study. The number of collected data was twice of the population sample size since each respondent completed one questionnaire with two cases (Apple camera and Apple sports shoes). That is to say, the sample size for research analysis was 252 from 126 respondents.

### **3.3 Analysis and Results of Questionnaire**

This section presents the data analysis of the questionnaire in the main study and results together with the hypotheses testing, starts from providing sample description. Measurements used in the research, preliminarily results analysis, validity and reliability check, as well as the test of hypotheses are discussed afterwards. The purpose of the main analysis was to test the stated hypotheses with regard to role of perceived fit in customer evaluations of brand extension. The relationships in the proposed model presented before as well as the reliability of the measurements were tested by using SPSS program. Additional findings excluding hypotheses testing is provided in the last part of this section.

#### **3.3.1 Sample Description**

Table 5 presents an overview of demographic characteristics of the main study sample. 126 college students majoring in different programmes from different countries were asked to fill in the questionnaire.

The sample was 36.5% male and 63.5% female, with majors from different departments and different universities. The largest number of the students were from department of business (38.9%), followed by departments of engineering (19.8%), arts (18.3%) and science (13.5%). The age groups of the participants were between 16-25 (89.7%) and 26-35 (10.3%). The majority of the students was from China (91.3%), followed by Vietnam (1.6%) and Nigeria (1.6%). The number of the

respondents from Finland, Russia, Indonesia, India, German and Slovak was the same, representing 0.8% of the total.

**Table 5.** Demographic Characteristics of the Main Study Sample.

Categories	<i>f</i>	%
<u>Gender</u>		
Male	46	36.5
Female	80	63.5
<i>n</i>	126	
<u>Age</u>		
16-25	113	89.7
26-35	13	10.3
<i>n</i>	126	
<u>Major</u>		
Business	49	38.9
Engineering	25	19.8
Arts	23	18.3
Science	17	13.5
Medical Science	5	4.0
Other	7	5.6
<i>n</i>	126	
<u>Nationality</u>		
China	115	91.3
Finland	1	0.8
Russia	1	0.8
Vietnam	2	1.6
Nigeria	2	1.6
Indonesia	1	0.8
India	1	0.8
German	1	0.8
Slovak	1	0.8
<i>n</i>	126	

### 3.3.2 Measurements

In order to analyse the relationship between the dependent variables (product category fit and brand concept consistency) and the independent variable (customer evaluations), related questions were included in the questionnaire and several measurements of each variable were decided to be used.

Table 6 presents an overview of all scales and items used in this research, including familiarity index, evaluation index, product category fit index and brand concept fit

index. Most of questions in the questionnaire were developed using seven-point bipolar semantic differential scales.

**Table 6.** Measures of Different Variables.

Items/Scales	References
<u>Evaluation Index</u>	
The average of three, seven-point scales:	
1. Bad/good	Park et al. (1991)
2. Unlikable/likable	
3. Displeased/pleased	
<u>Product Category Fit Index</u>	
The average of two, seven-point scales:	Aaker & Keller (1990)
1. Product feature similarity	Park et al. (1991)
2. Transferability	
<u>Brand Concept Fit Index</u>	
- Consistent/not consistent	Park et al. (1991)

This study mainly investigates the impact of perceived fit on customer evaluations of brand extension, attitude towards customers therefore is one significant index to analyse the relationship between the variables. To measure customer evaluations or attitudes, the average of three, seven-point scales was used in the study: how good/bad an idea the extension was, how likable the extension was and how pleased the extension made you feel (Park et al. 1991). These scales were proved to have high level of reliability.

In terms of product category fit, Aaker and Keller (1990) proposed three dimensions, complement, substitute and transfer, as discussed in Chapter 2. Among these three items, transfer was adopted in this study since it was suggested to greatly influence customer evaluations. And more importantly, transfer has high level of practical implications from strategical perspective. However, complement and substitute were not used as measurements in this study because these two terms were likely to cause confusion for most ordinary people; instead, product feature similarity was utilized as it combines and represents the attributes of complement and substitute essentially. Hence, product feature similarity and transfer were selected as the scales for measuring product category fit. The scales have been proved to have great construct

validity by prior researcher. Besides, the results showed that the average of these two items maintain satisfactory level of reliability, which presented consistency with results of previous research.

As for brand concept fit, this study simply chose 7-point scale consistent/not consistent was the measurement.

### 3.3.3 Preliminary Analysis

Preliminary analysis was performed, comparing the data of pretests with that of the main study by using the same measures. To be more specific, subjects were asked to indicate their level of familiarity with product categories and different brand names, as well as their perceived quality for each brand.

As shown in Table 7, the parent product and two extension products were quite familiar to the subjects and the ratings among these product categories were similar to that in pretests (Mean=6.16, 4.75, 4.16 for mobile phone, sports shoes and cameras, respectively). The preliminary results show consistency with the pretests regarding respondents' degree of familiarity with product categories.

**Table 7.** Preliminary Results of Product Category Familiarity.

<b>Product Category</b>	<b>Pretest</b>	<b>Main Study</b>
<u>Parent Product</u>		
Mobile Phone	6.63	6.16
<u>Extension Products</u>		
Sports Shoes	5.10	4.73
Camera	4.90	4.17

Table 8 presents a comparison between pretest data and main study data concerning brand Apple familiarity as well as its perceived quality.

**Table 8.** Preliminary Results of Brand Familiarity and Perceived Quality.

<b>Brand Apple</b>	<b>Pretest</b>	<b>Main Study</b>
<u>Brand Familiarity</u>	6.67	5.85
<u>Perceived Quality</u>	6.43	5.96

Means indicating brand familiarity and respondents' overall perceived quality in the main study were 5.81 and 5.94, respectively, while the counterpart figures in the pretest were 6.67 and 6.43, respectively. The preliminary results show consistency with the pretests although the ratings slightly varied due to different samples size or other factors which could be acceptable.

### 3.3.4 Validity and Reliability

Customer evaluation, the dependent variable in the research, was measured by three items (how good/bad an idea the extension was, how likable the extension was and how pleased the extension made you feel). This scale has been used by Park, Milberg and Lawson (1991) and been proved to obtain high level of validity and reliability.

In this research, principle component analysis proved that customer evaluation scale was unidimensional with high validity (each factor loading > 0.96, variance explained 93.95%), seen as Table 9. The scale also demonstrated high level of reliability (Cronbach's  $\alpha=0.968$ ), indicating well-designed construct of scales regarding customer evaluations. Items were thereby combined and averaged into a single dependent measure for further analysis.

**Table 9.** Factors Loadings for Customer Evaluation Construct.

<b>Customer Evaluation Scale Item</b>	<b>Factor Loadings</b>
How good/bad an idea the extension was	0.96
How likable the extension was	0.97
How pleased the extension made you feel	0.98
Eigenvalue	2.82
Variance Explained	93.95%

This study asked respondents to provide perceived fit assessments regarding the product feature similarity, transfer (ability of producing a product in the extension product class) as well as brand concept consistency, which were identified as three independent variables.

As shown in Table 10, principle component analysis suggested that perceived fit scale had high validity (each factor loading > 0.89, variance explained 79.77%), which confirmed consistent results with past research. In addition, the Cronbach's  $\alpha$  of perceived fit scale item was 0.873, indicating high reliability.

**Table 10.** Factors Loadings for Perceived Fit Construct.

<b>Perceived Fit Scale Item</b>	<b>Factor Loadings</b>
Product Feature Similarity	0.89
Transfer	0.90
Brand Concept Fit	0.90
Eigenvalue	2.39
Variance Explained	79.77%

### 3.3.5 Comparison Analysis of Two Hypothesized Products

In the questionnaire of main study, the respondents were asked to indicate their degree of product category fit (product feature similarity and transfer) regarding the two hypothetic Apple products: Apple camera and Apple sports shoes. Before conducting the main study, Apple camera is presumed to maintain a higher level of product category fit than Apple sports shoes because Apple Company is well-known for producing electronic products and accessories. Camera is considered to have similar product features to Apple's other existing products and it is easy for customers to believe Apple has transferable ability to make cameras. On the contrary, Apple sports shoes, although maintain some product feature similarities with Apple Watch Sport, do less well in transferring ability from existing products compared to cameras to a certain extent.

Table 11 shows the product category fit comparison between these two possible products. The results indicate that product category fit of Apple camera

(Mean=4.7619) is perceived higher by the customers than that of Apple sports shoes (Mean=3.1071), which is consistent with the assumption.

**Table 11.** Product Category Fit Comparison between Apple Camera and Apple Sports Shoes.

	<b>Product Category Fit of Apple Camera</b>	<b>Product Category Fit of Apple Sports Shoes</b>
Mean	4.7619	3.1071
N	126	126
Std. Deviation	1.37071	1.52395

Respondents were also asked to indicate their degree of brand concept consistency regarding the same two possible products. Apple camera is presumed to maintain a higher level of brand concept consistency than Apple sports shoes as camera is more consistent with Apple's innovative and high-tech brand concepts.

Table 12 shows the brand concept consistency comparison between these two possible products. The results indicate that brand concept consistency of Apple camera (Mean=5.5794) is perceived higher by customers than that of Apple sports shoes (Mean=3.4286), which is consistent with the assumption.

**Table 12.** Brand Concept Consistency Comparison between Apple Camera and Apple Sports Shoes.

	<b>Brand Concept Consistency of Apple Camera</b>	<b>Brand Concept Consistency of Apple Sports Shoes</b>
Mean	5.5794	3.4286
N	126	126
Std. Deviation	1.37027	1.76829

In order to analyse the relationship between perceived fit and customer evaluations, the respondents were asked to indicate their evaluations on the two possible products in terms of how good/bad an idea the extension was, how likable the extension was

and how pleased the extension made you feel. Comparison between customer evaluations on these two possible products is presented below (see Table 13).

**Table 13.** Customer Evaluations Comparison between Apple Camera and Apple Sports Shoes.

	<b>Customer Evaluations on Apple Camera</b>	<b>Customer Evaluations on Apple Sports Shoes</b>
Mean	4.7751	3.2196
N	126	126
Std. Deviation	1.54450	1.67659

According to the results, Apple camera is rated higher concerning the evaluations by customers than Apple sports shoes, with the figure of Mean representing 4.7751 and 3.2196, respectively.

Customer intent to purchase is also designed and included in the questionnaire which is analysed as additional findings. The respondents were asked to indicate their intent of purchase on 7-point scale (1= very unlikely, 7= very likely). Table 14 shows their intent of purchase of these two possible products.

**Table 14.** Intent to Purchase Comparison between Apple Camera and Apple Sports Shoes.

	<b>Intent to Purchase of Apple Camera</b>	<b>Intent to Purchase of Apple Sports Shoes</b>
Mean	4.4127	2.6825
N	126	126
Std. Deviation	1.95252	1.67165

According to the results, Apple camera is rated higher concerning their intent to purchase than Apple sports shoes, with the figure of Mean representing 4.4127 and

2.6825, respectively. In other words, customers would more likely to buy Apple camera than Apple sports shoes based on the assumptions.

With these basic comparison analysis, hypotheses testing is provided in the following section in order to prove the positive relationship between the perceived fit (product category fit and brand concept consistency) and customer evaluations and well as the comparison between these two specific dimensions of perceived fit. Correlational analysis was utilized for testing the hypotheses.

### 3.3.6 Hypotheses Testing

The hypotheses were tested by correlation analysis in this research. H1 states that perceived fit between the parent brand and the extension product has a positive effect on customer evaluations of brand extension. Specifically, product category fit (H1a) and brand concept fit/consistency (H1b) are expected to have positive impacts on customer evaluations of brand extension.

Correlation analysis confirmed the positive relationships between three independent variables (product feature similarity, transfer and brand concept consistency) and one dependent variable (customer evaluations), as seen in Table 15.

**Table 15.** Correlation Analysis of Variables.

		<b>Product Feature Similarity</b>	<b>Transfer</b>	<b>Brand Concept Consistency</b>
<b>Customer Evaluations</b>	Pearson Correlation	0.629**	0.680**	0.715**
	Sig. (2-tailed)	.000	.000	.000
	N	252	252	252

\*\* Correlation is significant at the 0.01 level (2-tailed).

Pearson correlation index (0.629 and 0.680 for product feature similarity and transfer, respectively) as well as significance index (0.000 for both product feature similarity and transfer) suggest that product category fit positively influences customer evaluations, thus supporting H1a.

Similarly, correlational analysis indicates that brand concept consistency (Pearson correlation index=0.715 and significance index=0.000) also has a significant positive impact on customer evaluations, thus supporting H1b.

In the light of the analyses above, we can logically conclude that perceived fit (including product category fit and brand concept consistency) has a positive impact on customer evaluations of brand extension, thus supporting H1. This is consistent with the results of past researches.

For H2, brand concept consistency is hypothesized to have a greater impact on customer evaluations than product category fit does. In order to compare these two independent variables, product feature similarity and transfer have to be averaged into one score of measure for product category fit. The Cronbach's  $\alpha$  of product category fit scale was 0.820, confirming high reliability, which supports the combination of these two items into one scale.

Table 16 presents comparison results between the impact of product category fit on customer evaluations and the impact of brand concept consistency on customer evaluations.

**Table 16.** Comparison between Two Independent Variables.

		<b>Product Category Fit</b>	<b>Brand Concept Consistency</b>
<b>Customer Evaluations</b>	Pearson Correlation	0.710**	0.715**
	Sig. (2-tailed)	.000	.000
	N	252	252

\*\* Correlation is significant at the 0.01 level (2-tailed).

According to the table above, correlation analysis demonstrates that brand concept consistency (Pearson correlation index=0.715) has slightly greater impact than product category fit (Pearson correlation index=0.710), in other words, product category fit and brand concept consistency have similar effects on customer

evaluations, thus hardly supporting H2 because the difference between their coefficients is not significant.

### 3.3.7 Additional Findings

Although H2 was not strongly supported in this research, brand concept consistency is also equally vital in customer evaluations of brand extension. Among the three measurements of perceived fit, namely, product feature similarity, transfer and brand concept consistency, brand concept fit contributes the most to customer evaluations as its coefficient index is the highest, followed by that of transfer. That is to say, brand concept consistency plays a more important role than product feature similarity, which is consistent with Park, Milberg and Lawson's (1991) study. In addition, transfer, referring to the ability of the company making the extension products, is more important than product feature similarity concerning customer evaluations.

When the respondents were asked to indicate their intent to purchase for each possible product, they choose on the bases of 7-point scale where 1 indicates very unlikely to purchase the product and 7 indicates very likely to purchase. Table 17 shows the correlational analysis between customer evaluations and their intent to purchase.

**Table 17.** Correlation Analysis of Variables.

		<b>Intent to Purchase</b>
<b>Customer Evaluations</b>	Pearson Correlation	0.710**
	Sig. (2-tailed)	.000
	N	252

\*\* Correlation is significant at the 0.01 level (2-tailed).

Correlation analysis suggests that there is a significant positive relationship between customer evaluations and their intent to purchase. In other words, if the customers evaluate the extensions more favourably or positively, they would be more likely to buy the products. This is consistent with the research conducted by Goh (2010).

### **3.4 Interview for Further Understanding on Perceived Fit and Brand Extension**

In order to check the results of hypotheses testing using SPSS program as well as to put the theoretical analysis into practical use, an in-depth interview with a marketing manager from practical and managerial perspectives was therefore conducted. Jihua Group Co., LTD., belonging to Xinxing Cathay International Group which is one of the Fortune 500 enterprises, was selected as the target company for this interview.

#### **3.4.1 Introduction of Jihua Group Co., LTD.**

Jihua Group Co., LTD., established in 2009 and public listed in Shanghai Stock Exchange in 2010, is the largest light industrial manufacturing enterprise in terms of military supplies in China. There are over 70 sub-companies affiliated to Jihua Group Co., LTD. and its asset scale exceeds 20 billion RMB.

The main business of Jihua Group Co., LTD. includes developing, producing and marketing light industrial products, such as clothes, footwear, textile and fabric, as well as armours. In 2015, the total income reached 22.44 billion RMB and its total profits were 1.65 billion RMB.

#### **3.4.2 Discussions of Interview Results**

Several questions were designed to acquire a further understanding regarding the topic of this study. Chen Long, the marketing manager, has been working in Jihua Group Co., LTD. for around 15 years.

To begin with, we discussed about the role of a brand to lead to the main topic of the interview. He stated that a brand plays a crucial role in operation and management of a firm. When a brand of a company succeeds in the market, it has market influence and creates enormous profits for the firm. With the development of the enterprise, the company introduces new products by means of its brand influence in the market, brand extension is therefore a natural choice. Under brand extension context, he suggested that the introductory expenses and other costs would be saved. More importantly, customer positive evaluations on original products will be transferred to the new products.

When asked about the factors influencing success of brand extension, Chen Long emphasized the importance of customer's needs. He stated that customer is the god and customers' requirements are the key point for a firm. In other words, the products have to satisfy customers' demands and their evaluations play a significant role in helping company develop and make progress.

Apart from the importance of meeting customers' requirements, he mentioned another factor which also affects the success of brand extension, the positioning of the brand and the firm. Chen Long argued that the company has to clearly understand its ability in various aspects and its brand positioning. Brand positioning is the priority of brand management and operations. Besides, it is also the foundation of success of the brand in the long run.

There are more than these two factors influencing the success of brand extension, but he pointed out what he considered as the important elements of brand management and operations from practical and managerial perspectives.

After introducing "perceived fit" from two dimensions (product category fit and brand concept consistency), Chen Long strongly agreed with the statement that perceived fit positively influences customer evaluations. To be more specific, he suggested that product category fit as well as brand concept consistency both have positive impacts on customer attitudes toward the extension products.

In order to explain more specifically, he took some examples of the products in Jihua Group Co., LTD.. For instance, there are some similarities between the products manufactured and sold by the firm including suit, textile, leather shoes and armour. These product categories are all related to military supplies, maintaining some fit concerning product feature similarities among them. In this way, customers or clients perceive them to be similar or consistent with regard to the product categories. Additionally, they would more likely to accept similar types of products if they have purchase experiences in this company before. That is to say, high product category fit between existing products and new extension product would lead to high likelihood of customer acceptance or evaluations.

In terms of the significance of brand concept consistency, Chen Long suggested that the products have to be consistent with the brand concepts of the company. He mentioned that Jihua Group Co., LTD. developed several sub-brands such as JH1912 and Flower. Take brand JH1912 for example, it is a brand selling clothes and accessories by Jihua Group Co., LTD. cooperated with NT MAJOCCHI, a Italian company. Fashion, outdoor, comfortable and innovation define the brand concepts of brand JH1912. This brand has been expanded to Europe and aims to spread Jihua's garments culture. In this case, Chen Long stated that if JH1912 introduced products by using brand extension to enter a different product category, the extension has to be consistent with JH1912's brand concepts: fashion, outdoor, comfortable and innovation.

When comparing the importance of product feature similarity and brand concept consistency, Chen Long considered that brand concept consistency matters more than product feature similarity as brand concept stands for a company's core value and image. On the occasion where the extension product is consistent with the parent brand concepts, customers will more likely to generate associations and to transfer their likeability of core brand's original products to the extension products. He also suggested brand concept consistency should be the priority when adopting brand extension as a marketing strategy.

Since customer evaluations are regarded as the primary measurement of judging how successful the brand extension is, Chen Long considered that it is a wise action to conduct a marketing survey based on assumptions before actually introducing the products, for the purpose of knowing about customer attitudes toward the extension product. "Their attitudes or evaluations affect their final decisions of purchase", Chen Long said.

### **3.4.3 Suggestions on Managing Perceived Fit and Brand Extension**

At last, Chen Long was invited to provide some suggestions on how to manage brand extension. Given the notion of importance of perceived fit on customer evaluations, he argued that the extension products have to fit the brand or the firm by all means, whatever in product category aspect or brand concept aspect. Managers therefore are

suggested to carefully consider this factor before applying brand extension into the market. Customer would evaluate the product more favourably if it is consistent with the core brand concepts and maintains some fit in term of product category such as product features or attributes.

In addition, since customers' requirements matter the most, the segmentation should be divided based on their demands. Meanwhile, extension products have to meet the needs of the target customers, which in turn benefits the launch of the extension products.

As discussed above, brand positioning is equally significant. Chen Long stated that each successful brand has a common characteristic; that is linking the brand to customers through one constant form in order to convey the brand positioning messages to the customers accurately. The firms have to clearly understand their capabilities and their targets. The core brand should be a strong brand with extension ability if the firm intends to extend to a totally new product category. By contrast, a premature brand could lead to a failure if eager to extend its brand to a totally new product category. According to Chen Long's explanation, a premature brand indicates that it has not formed strong brand associations in customer minds. In this case, if this brand rashly extends to other fields, the customers will be confused, which may greatly hurt the just established brand positioning and brand images.

Compared to extensions to a totally different product category, Chen Long suggested that line extension, referring to entering a new market within the same product category, was easier to succeed. Line extension benefits the firms in terms of launching a similar product in the same product class, which also enhances the core brand image. Besides, firms can adopt up-scale or down-scale extensions. Up-scale extension has higher quality and higher price compared to the parent brand; whereas down-scale extension has lower quality and lower price. In other words, this type of brand extension is to segment different group of products for different target customers. "It will enrich the product lines in the market", Chen Long said.

## **4 CONCLUSION AND IMPLICATIONS**

Brand extension has become an increasingly significant marketing strategy for new product introduction in recent years. This rise in popularity is mainly because of the belief that, associating a familiar brand name with a product will have more advantages compared to a new brand, for instance, it positively affects customer evaluation of the product, leads to an increased likelihood to try the extension, and helps firms to gain more margins.

Past research on brand extensions has investigated the role of different variables that influence how customers evaluate brand extensions, including similarity, brand quality, perceived risk as well as consumer innovativeness. High costs and unpredictable risks associated with the new product launch nowadays provide compelling evidence for understanding the factors determining the success of brand extensions (Nkwocha 2000). The present research, therefore, focuses on one of the most important determinants, perceived fit, and examines how this factor affects customer evaluations of brand extension.

### **4.1 Conclusions**

Preceding chapters provide valuable insights with respect to understanding the effects of perceived fit, product category fit and brand concept consistency, on customer evaluations of extension products. The results of the present research demonstrate the positive relationship between perceived fit and customer evaluations, which is consistent with the past researches (Aaker & Keller 1990, Nkwocha 2000). More specifically, three scales (product feature similarity, transfer, and brand concept consistency) of perceived fit all significantly have positive impact on customer evaluations. Among these three items, brand concept consistency plays the most important role in influencing customer attitudes, followed by transfer (ability of firms making the extension products); while product feature similarity contributes slightly less compared to the other two. Product category fit and brand concept consistency have similar effects on customer evaluations. Moreover, additional findings indicate that customer evaluations positively affect their intent to purchase, that is, if customers evaluate the extensions more favourable, they would be more likely to purchase the products.

In terms of the interview results, hypotheses testing were double checked and suggestions on how to manage perceived fit and brand extensions were presented as well. The manager confirmed the proposed hypotheses of positive relationships between perceived fit (product category fit and brand concept consistency) and customer evaluations. Besides, the significance of customer requirements and brand positioning with regard to brand extension were emphasized. In addition, apart from extending into a totally new product category, line extension as well as up-scale and down-scale extensions are also suggested for companies to adopt as these two types are easier to succeed in general.

#### **4.2 Theoretical Implications**

This study contributes to the current understanding of customer evaluations by investigating one specific significant variable, perceived fit. This research provides valuable insights into the impact of perceived fit on customer evaluations of brand extension, which in turn influences purchase intent for the extension products. The classification of perceived fit into product category fit and brand concept fit contributes to the extant literature in branding and marketing.

The results of this study clearly confirm that product category fit, as previous studies prove, have implications for evaluations of brand extensions. Although this finding does not reveal anything new, it still enhances confidence in previous results with regard to the measures of fit.

In terms of product category fit, different from most studies which use complement, substitute and transfer as dimensions of fit between two product classes, this study adopted product feature similarity and transfer instead as the definitions of substitute and complements that are easy for ordinary people to get confused. The results confirm that the scale of product category fit maintains high level of validity as well as reliability, providing theoretical implications for further brand extension research when constructing product category fit items.

This study also combines fit in brand concept, called brand concept consistency, with product category fit. According to the results of this study, the emphasis that previous brand extension research placed on product category fit (the similarity between the

original product category and the new extension product category) needs to be redirected to incorporate the impact of brand concept consistency. The results demonstrate that brand concept consistency is also a significant variable influencing customer evaluations. To be more specific, customer evaluations of brand extension rely on the perceived fit which is a function of two dimensions, product category fit as well as brand concept consistency.

### **4.3 Managerial Implications**

Research on different bases of fit helps managers greatly understand how to launch successful brand extensions. This thesis provides added value for companies that may adopt brand extension to introduce new product. Practical significance of this study is attached to both general companies as well as Jihua Group Co., LTD..

Brand name generates customer confidence and a pleased experience; one would expect the significance of brand name to keep the same across different product classes. When launching an extension, it should possess some fit in terms of product category with the already existing products.

Apart from the importance of similarity between the original product categories and the new extension product category, referring to product category fit, the extension has to be congruent with the core brand concepts. In general, marketers are supposed to try to maintain a consistent brand image as well as consistent brand concepts, since extension products congruent with parent brand concepts are likely to be evaluated more favourably, and in turn, lead to greater purchase intentions.

Take Benz for example to instantiate the guidelines for product category fit and brand concept fit in new product development for brand extensions. Benz is a brand well known for cars and is perceived to be comfortable and luxurious. If the brand wants to extend to another new product category, the extension product should also be comfortable and luxurious in a similar category where customers perceive Benz Company has the ability to make that product.

Findings of this study demonstrate that brand concept consistency exerts a greater impact on customer evaluations than product feature similarity. When resorting to

brand extension as a marketing strategy, firms should provide products which both possess perceptual attributes similar to original products, and consistency between the new extension products with the parent brand concepts. However, if there is difficulty in achieving both high product feature similarity and high brand concept consistency in the new product development, maintaining high brand concept consistency should be the priority for the brand managers.

For Jihua Group Co., LTD., specifically, if the company plans to use brand extension as the marketing strategy to introduce a new product, the extension has to be consistent with its brand concepts such as innovative, technical and comfortable. Additionally, the product has to fit the existing light industrial product categories for military use including clothes, footwear, textile and fabric, and armours. However, line extension and up-scale and down-scale extensions are also suggested for Jihua Group Co., LTD since these types of extensions can enhance the customer base and reinforce the company image as well.

#### **4.4 Limitations**

In spite of efforts to ensure the validity and reliability of the research results, there are several limitations to the present research. Firstly, only one brand and two possible extension products were used in the study due to the limitations imposed by the pretesting. The two product categories were typical in the current study as one (camera) of them is perceived to have both high product category fit and brand concept consistency, while the other one (sports shoes), on the contrary, is perceived to have both low product category fit and brand concept consistency. In this case, the results of positive relationships between variables are significant. This limitation threatens the generalizability of the findings beyond that two product categories: cameras and sports shoes. Future brand extension research may need to use more than one brand and several product categories in order to see if the findings are still consistent.

Secondly, the sample (n=126) consisting of undergraduate students limits the findings in a way. In terms of demographic factors, the respondents are mainly from China, while international students account only for less than 10%. In spite of the majors of

study populations vary, the subjects' age group is from 16 to 35. Future research could select a random sample constituting subjects from different age groups, different backgrounds and different cultures in order to achieve a more generalized conclusion.

Thirdly, the scale of brand concept consistency in the current study only has a single index (consistent/not consistent), which lacks reliability to some extent. Future research may adopt a scale with several consistent items in the questionnaire in order to maintain high level of reliability, for example, 7-point scale of consistent/not consistent, similar/not similar, and typical/not typical. If the result shows high reliability concerning this scale, it can then be averaged into one score for analysis.

#### **4.5 Suggestions for Future Research**

As mentioned above, future research attempting to study brand extensions should notice the importance of pretests when selecting appropriate products or brands, the sample characteristics and size, as well as the scale of each variable when designing the questionnaires.

This study mainly examines the impact of one factor, perceived fit, on customer evaluations of brand extension and the data demonstrates the consistent results with past research. Research that investigates the effects of product category fit and brand concept consistency on feedback effect to the parent brand is also warranted. Future research should continue to explore the role of perceived fit, but more in customer evaluations of original brand rather than only in that of extension products. As suggested in the brand extension literature, unsuccessful brand extension may harm or "dilute" the core brand image (Loken & John 1993). Hence, investigating how extension products with different levels of product category fit and brand concept consistency influence customer evaluations of parent brands is a venue for future research.

## REFERENCES

- Aaker, D. 1990. Brand Extensions: The Good, the Bad, and the Ugly. *Sloan Management Review*. Accessed 06.02.2016.  
<http://search.proquest.com/docview/224963141?accountid=27304>
- Afzal, S. 2013. Factors Influencing Successful Brand Extension into Related and Unrelated Product Categories. *Asian Economic and Financial Review*. Accessed 30.01.2016. <http://www.aessweb.com/pdf-files/216-226.pdf>
- Ambler, T. & Styles, C. 1997. Brand Development versus New Product Development: Toward a Process Model of Extension Decisions. *The Journal of Product and Brand Management*. Accessed 25.03.2016.  
<http://search.proquest.com/docview/220579804?accountid=27304>
- Apostolopoulou, A. 2002. The Role of Parent Brand Strength, Perceived Fit, and Fan Identification on Consumers' Evaluation of Brand Extensions in the Sport Setting. Accessed 02.02.2016.  
<http://search.proquest.com/docview/305528773?accountid=27304>
- Barsalou, L. W. 1983. Ad Hoc Categories. *Memory & Cognition*. 11, 3, 211-227.
- Bhat, S. & Reddy, S. 2001. The Impact of Parental Brand Attribute Associations and Affect on Brand Extension Evaluation. *Journal of Business Research*. Accessed 28.03.2016.  
<http://search.proquest.com/docview/196324122/17074C7D0E5F465EPQ/4?accountid=14797>
- Boush, D. M. & Loken, B. 1991. A Process-tracing Study of Brand Extension Evaluation. *Journal of Marketing Research*. Accessed 31.01.2016.  
<http://search.proquest.com/docview/235207781?accountid=27304>
- Bridges, S., Keller, K. L. & Sood, S. 2000. Communication Strategies for Brand Extensions: Enhancing Perceived Fit by Establishing Explanatory Links. *Journal of Advertising*. Accessed 01.02.2016.  
<http://search.proquest.com/docview/236502698?accountid=27304>
- Broniarczyk, S. M. & Alba, J. 1994. The Importance of the Brand in Brand Extension, *Journal of Marketing Research*. XXXI, 214-228.
- Buil, I., de Chernatony, L. & Hem, L. E. 2009. Brand Extension Strategies: Perceived Fit, Brand Type, and Culture Influences. *European Journal of Marketing*. Accessed 06.02.2016. doi:<http://dx.doi.org/10.1108/03090560910989902>
- Burnaz, S. & Bilgin, P. 2011. Consumer Evaluations on Brand Extensions: B2B Brands Extended into B2C Markets. *The Journal of Product and Brand Management*. Accessed 01.02.2016.  
<http://search.proquest.com.ezproxy.puv.fi/docview/877023691?accountid=27304>

- Chen, S. J. & Gu, J. 2012. The Analysis of Challenges and Opportunities in Brand Extension. Accessed 25.01.2016. <http://www.diva-portal.org/smash/get/diva2:534912/fulltext01.pdf>
- Consumer Behavior Seminar. 1987. Affect Generalization to Similar and Dissimilar Brand Extensions Consumer Behavior Seminar. *Psychology and Marketing*. 4, 3, 225-237.
- Dacin, P. A. & Smith, D. C. 1994. The Effect of Brand Portfolio Characteristics on Consumer Evaluations of Brand Extensions. *Journal of Marketing Research*. Accessed 28.03.2016. <http://search.proquest.com/docview/235209039?accountid=27304>
- Davis, S. 2002. Implementing Your BAM(TM) Strategy: 11 Steps to Making Your Brand a More Valuable Business Asset. *The Journal of Consumer Marketing*, Accessed 25.03.2016. <http://search.proquest.com/docview/220132128?accountid=27304>
- Dawar, N., & Parker, P. 1994. Marketing Universals: Consumers' Use of Brand Name, Price, Physical Appearance, and Retailer Reputation as Signals of Product Quality *Journal of Marketing*. Accessed 27.03.2016. <http://search.proquest.com/docview/227767715?accountid=27304>
- Even, J. L. & Olsen, L. E. 2012. Brand Alliances: The Role of Brand Concept Consistency. *European Journal of Marketing*. Accessed 06.02.2016. doi:<http://dx.doi.org/10.1108/03090561211247874>
- Fishbein, M. & Ajzen, I. 1975. *Belief, Attitude, Intention, and Behavior: An Introduction to Theory and Research*. Accessed 28.03.2016. <http://people.umass.edu/aizen/f&a1975.html>
- Fiske, S. T. & Pavelchak, M. A. 1986. Category-Based Versus Piecemeal-Based Affective Responses: Developments in Schema-Triggered Affect. *The Handbook of Motivation and Cognition: Foundations of Social Behavior*. New York: Guilford. 167-203.
- Garvin, D. A. 1984. Product Quality: An Important Strategic Weapon. *Business Horizons*. Accessed 24.03.2016. <http://search.proquest.com/docview/195352506?accountid=14797>
- Gjertsen, D. 2015. Brand Extensions: Influences of Perceived Fit and Communication of Explanatory Links. Accessed 30.01.2016. <http://brage.bibsys.no/xmlui/bitstream/handle/11250/300605/Master%20thesis.pdf?sequence=1&isAllowed=y>
- Goh, Y. S. 2010. The Influence of Product-Brand Fit and Product-Category Fit on Product Attitude and Purchase Intention: The Role of Brand Strength and Processing Fluency. Accessed 27.03.2016. <http://search.proquest.com/docview/768026318?accountid=27304>

- Grime, I., Diamantopoulos, A. & Smith, G. 2002. Consumer Evaluations of Extensions and Their Effects on the Core Brand: Key Issues and Research Propositions. *European Journal of Marketing*. Accessed 31.01.2016. <http://search.proquest.com/docview/237026306?accountid=27304>
- Gurhan-Canli, Z. & Maheswaran, D. 1998. The Effects of Extensions on Brand Name Dilution and Enhancement. *Journal of Marketing Research*. Accessed 05.02.2016. [http://www.nationequityresearch.com/The\\_effects\\_of\\_extensions\\_on\\_brand\\_name\\_dilution\\_and\\_enhancement-Zeynep\\_and\\_Maheswaran.pdf](http://www.nationequityresearch.com/The_effects_of_extensions_on_brand_name_dilution_and_enhancement-Zeynep_and_Maheswaran.pdf)
- Hem, L. E., de Chernatony, L. & Iversen, N. M. 2001. Factors Influencing Successful Brand Extensions. Accessed 25.01.2016. [https://www.researchgate.net/publication/233662347\\_Factors\\_Influencing\\_Successful\\_Brand\\_Extensions](https://www.researchgate.net/publication/233662347_Factors_Influencing_Successful_Brand_Extensions)
- Keller, K. L. & Aaker, D. A. 1990. Consumer Evaluation of Brand Extensions. *Journal of Marketing*. Accessed 30.01.2016. <http://doi.org/10.2307/1252171>
- Keller, K. L. & Aaker, D. A. 1992. The Effects of Sequential Introduction of Brand Extensions. *Journal of Marketing Research*. Accessed 25.01.2016. <https://business.highbeam.com/138014/article-1G1-11911998/effects-sequential-introduction-brand-extensions>
- Keller, K. L. 1993. Conceptualizing, Measuring, and Managing Customer-Based Brand Equity. *Journal of Marketing*. Accessed 25.01.2016. <http://doi.org/10.2307/1252054>
- Kim, C. K. & Lavack, A. M. 1996. Vertical Brand Extensions: Current Research and Managerial Implications. *The Journal of Product and Brand Management*. Accessed 24.03.2016. <http://search.proquest.com/docview/220579995?accountid=14797>
- Kirmani, A., Sood, S. & Bridges, S. 1999. The Ownership Effect in Consumer Responses to Brand Line Stretches. *Journal of Marketing*. Accessed 31.01.2016. <http://search.proquest.com/docview/227819137?accountid=27304>
- Klink, R. R. 1996. Expanding the Extendibility of Brands: Managing the Effects of Perceived Fit on Consumer Evaluations of New Products. Accessed 01.02.2016. <http://search.proquest.com.ezproxy.puv.fi/docview/304312999?accountid=27304>
- Klink, R. R. & Smith, D. C. 1997. On the Extendibility of Brands. In D. T. LeClair & M. Hartlines (Eds.). *AMA Winter Educators' Conference: Marketing Theory and Applications*. 8, 185.
- Kotler, P. H. 1991. *Marketing Management: Analysis, Planning, and Control*. Englewood Cliff, NJ: Prentice-Hall.
- Loken, B. & Ward, J. 1990. Alternative Approaches to Understanding the Determinants of Typicality. *Journal of Consumer Research*. 17, 2, 111-126.

- Loken, B. & John, D. R. 1993. Diluting Brand Beliefs: When Do Brand Extensions Have a Negative Impact? *Journal of Marketing*. Accessed 27.03.2016.  
<http://search.proquest.com/docview/227767123?accountid=27304>
- Martin, I. M., Stewart, D. W. & Matta, S. 2005. Branding Strategies, Marketing Communication, and Perceived Brand Meaning: The Transfer of Purposive, Goal-Oriented Brand Meaning to Brand Extensions. *Academy of Marketing Science Journal*. Accessed 29.02.2016.  
<http://search.proquest.com/docview/224872151?accountid=27304>
- Mervis, C.B., Catlin, J. & Rosch, E. 1976. Relationships among Goodness-of-example, Category Norms, and Word-frequency. *Bulletin of the Psychonomic Society*. 7, 3, 283-284.
- Meyvis, T. & Janiszewski, C. 2004. When Are Broader Brands Stronger Brands? An Accessibility Perspective on the Success of Brand Extensions. *Journal of Consumer Research*. 31, 2, 346-357.
- Mitchell, A. A. & Olson, J. C. 1981. Are Product Attribute Beliefs the Only Mediator of Advertising Effects on Brand Attitude? *Journal of Marketing Research*. Accessed 29.03.2016. <http://search.proquest.com/docview/208836878?accountid=27304>
- Monga, A. B. & John, D. R. 2007. Cultural Differences in Brand Extension Evaluation: The Influence of Analytic versus Holistic Thinking. *Journal of Consumer Research*. 33, 4, 529-
- Muroma, M. & Saari, H. 1996. Fit as a determinant of success. *Marketing for Expanding Europe*. 1953-1963.
- Neisser, U. 1976. *Cognition and Reality*. San Francisco: W. H. Freeman and Company.
- Nkwocha, I. 2000. Consumer Evaluations of Brand Extensions: Durable Goods versus Non-durable Goods. Accessed 31.01.2016.  
<http://search.proquest.com.ezproxy.puv.fi/abicomplete/docview/304678807/83B3BF6AA8F46D7PQ/3?accountid=27304>
- Nkwocha, I., Bao, Y., Johnson, W. C. & Brotspies, H. V. 2005. Product Fit and Consumer Attitude towards Brand Extensions: THE Moderating Role of Product Involvement. *Journal of Marketing Theory and Practice*. Accessed 27.03.2016.  
<http://search.proquest.com/docview/212210909?accountid=27304>
- Nedungadi, P. & Hutchinson, J. 1985. The Prototypicality of Brands: Relationships with Brand Awareness, Preference and Usage. *Advances in Consumer Research*. Accessed 05.02.2016. <http://acrwebsite.org/volumes/6441/volumes/v12/NA-12>
- Ourusoff, A., Ozanian, M., Brown, P. B. & Starr, J. 1992. What's in a Name? What the World's Top Brands are Worth. *Financial World*. 161, 17, 32-49.

- Ozanne, J. L., Brucks, M. & Grewal, D. 1992. A Study of Information Search Behavior during the Categorization of New Products. *Journal of Consumer Research*. 18, 4, 452-463.
- Page, C. & Herr, P. M. 2002. An Investigation of the Processes by Which Product Design and Brand Strength Interact to Determine Initial Affect and Quality Judgments. *Journal of Consumer Psychology*. 12, 2, 133-147.
- Park, C. W., Jaworski, B. J. & MacInnis, D. J. 1986. Strategic Brand Concept-Image Management. *Journal of Marketing*. Accessed 06.02.2016.  
<http://search.proquest.com/docview/227737634?accountid=27304>
- Park, C. W., Milberg, S. & Lawson, R. 1991. Evaluation of Brand Extensions: The Role of Product Feature Similarity and Brand Concept Consistency. *Journal of Consumer Research*. Accessed 31.01.2016.  
[http://www.jstor.org/stable/2489554?seq=1#page\\_scan\\_tab\\_contents](http://www.jstor.org/stable/2489554?seq=1#page_scan_tab_contents)
- Pitta, D. A. & Katsanis, L. P. 1995. Understanding Brand Equity for Successful Brand Extension. *The Journal of Consumer Marketing*. Accessed 31.01.2016.  
<http://search.proquest.com/docview/220135981?accountid=27304>
- Priyadharsini, R. & Shyamasundar, K. 2013. A Systematic Approach to Evaluation of Brand Extension. *International Journal of Research in Business Management*. 1, 5, 11-16.
- Reast, J. D. 2005. Brand Trust and Brand Extension Acceptance: The Relationship. *The Journal of Product and Brand Management*. Accessed 28.03.2016.  
<http://search.proquest.com/docview/220594212?accountid=14797>
- Sheri, B., Keller, K. L. & Sanjay, S. 2000. Communication Strategies for Brand Extensions: Enhancing Perceived Fit by Establishing Explanatory Links. *Journal of Advertising*. Accessed 25.01.2016.  
<http://search.proquest.com/docview/236502698?accountid=27304>
- Smith, D. C. & Park, C. W. 1992. The Effects of Brand Extensions on Market Share and Advertising Efficiency. *Journal of Marketing Research*. Accessed 29.03.2016.  
<http://search.proquest.com/docview/235230866?accountid=27304>
- Sood, S. & Dreze, X. 2006. Brand Extensions of Experiential Goods: Movie Sequel Evaluations. *Journal of Consumer Research*. 33, 3, 352-360.
- Sujan, M. 1985. Consumer Knowledge: Effects on Evaluation Strategies Mediating Consumer Judgments. *Journal of Consumer Research (Pre-1986)*. Accessed 06.02.2016. <http://search.proquest.com/docview/223326020?accountid=27304>
- Sullivan, M. 1990. Measuring Image Spillovers in Umbrella-Branded Products. *The Journal of Business*. 63, 3, 309-329.
- Tauber, E. M. 1981. Brand Franchise Extension: New Product Benefits from Existing Brand Names. *Business Horizons*. 24, 2, 36-41.

- Vazquez, R., del Rio, A. B. & Iglesias, V. 2002. Consumer-based Brand Equity: Development and Validation of a Measurement Instrument. *Journal of Marketing Management*, 18, 1/2, 27-48.
- Völckner, F. & Sattler, H. 2006. Drivers of Brand Extension Success. *Journal of Marketing*. Accessed 02.02.2016.  
<http://bear.warrington.ufl.edu/weitz/mar7786/Articles/Volckner%202006.pdf>
- Vukasovič, T. 2012. Launching of a New Product with the Brand Extension Strategy. Accessed 25.03.2016. [http://issbs.si/press/ISBN/978-961-6813-10-5/papers/ML12\\_039.pdf](http://issbs.si/press/ISBN/978-961-6813-10-5/papers/ML12_039.pdf)
- Wernerfelt, B. 1988. Umbrella Branding as a Signal of New Product Quality: An Example of Signalling by Posting a Bond. *The Rand Journal of Economics*. Accessed 27.03.2016. <http://search.proquest.com/docview/236503228?accountid=27304>
- Xie, Y. H. 2008. Consumer Innovativeness and Consumer Acceptance of Brand Extensions. *The Journal of Product and Brand Management*. Accessed 27.03.2016. doi:<http://dx.doi.org/10.1108/10610420810887581>
- Zaichkowsky, J. L. 1985. Measuring the Involvement Construct. *Journal of Consumer Research*. 12, 3, 341-352.
- Zaltman, G. 1997. Rethinking Marketing Research: Putting People Back In. *Journal of Marketing Research*. Accessed 31.03.2016.  
<http://search.proquest.com/docview/235231373?accountid=27304>

## APPENDIX 1

### Questionnaire for Pretest 1 (English Version)

This survey is designed to develop a list of product categories for the research study.

Please indicate your level of familiarity for each product category by placing a check (●) on the space that best fits your belief (1 = Very Unfamiliar and 7 = Very Familiar)

	Very Unfamiliar					Very Familiar	
	1	2	3	4	5	6	7
Mobile Phone	1	2	3	4	5	6	7
Camera	1	2	3	4	5	6	7
Personal Computer	1	2	3	4	5	6	7
Colorful TV	1	2	3	4	5	6	7
Wrist Watch	1	2	3	4	5	6	7
Sunglasses	1	2	3	4	5	6	7
Shampoo	1	2	3	4	5	6	7
Sports Shoes	1	2	3	4	5	6	7
Battery	1	2	3	4	5	6	7
Lotion	1	2	3	4	5	6	7

**Questionnaire for Pretest 1 (Chinese Version)**

非常感谢您的积极参与!

下面是 10 种产品类型，请分别对每种产品选出你的熟悉程度：

	非常不熟悉					非常熟悉	
手机	1	2	3	4	5	6	7
相机	1	2	3	4	5	6	7
电脑	1	2	3	4	5	6	7
彩电	1	2	3	4	5	6	7
手表	1	2	3	4	5	6	7
太阳镜	1	2	3	4	5	6	7
洗发水	1	2	3	4	5	6	7
运动鞋	1	2	3	4	5	6	7
电池	1	2	3	4	5	6	7
洗涤剂	1	2	3	4	5	6	7



2. Below are the same list of brand names. For each brand name, please indicate the extent to which you perceive its overall quality on a scale of 1 to 7.

	Very Low Quality				Very High Quality		
Apple	1	2	3	4	5	6	7
Huawei	1	2	3	4	5	6	7
Nokia	1	2	3	4	5	6	7
Xiaomi	1	2	3	4	5	6	7
Meizu	1	2	3	4	5	6	7
Lenovo	1	2	3	4	5	6	7
Oppo	1	2	3	4	5	6	7
Vivo	1	2	3	4	5	6	7
BBK	1	2	3	4	5	6	7
Motorola	1	2	3	4	5	6	7

## Questionnaire for Pretest 2 (Chinese Version)

非常感谢您的积极参与!

1. 下面是 10 种手机品牌，请分别对每种产品选出你的熟悉程度：

	非常不熟悉						非常熟悉
苹果	1	2	3	4	5	6	7
华为	1	2	3	4	5	6	7
诺基亚	1	2	3	4	5	6	7
小米	1	2	3	4	5	6	7
魅族	1	2	3	4	5	6	7
联想	1	2	3	4	5	6	7
Oppo	1	2	3	4	5	6	7
Vivo	1	2	3	4	5	6	7
步步高	1	2	3	4	5	6	7
摩托罗拉	1	2	3	4	5	6	7

2. 下面是 10 种手机品牌，请分别对每种品牌的整体质量进行评价：

	非常差						非常好
苹果	1	2	3	4	5	6	7
华为	1	2	3	4	5	6	7
诺基亚	1	2	3	4	5	6	7
小米	1	2	3	4	5	6	7
魅族	1	2	3	4	5	6	7
联想	1	2	3	4	5	6	7
Oppo	1	2	3	4	5	6	7
Vivo	1	2	3	4	5	6	7
步步高	1	2	3	4	5	6	7
摩托罗拉	1	2	3	4	5	6	7

### **APPENDIX 3**

#### **Questionnaire for Pretest 3 (English Version)**

What comes to your mind when you think about brand Apple? Please list all the attributes or words representing the brand concept of brand Apple. (For example: When I think of Brand Benz, these attributes come to my mind: luxurious, high quality, high-end, high-tech, comfortable, user friendly, etc.)

#### **Questionnaire for Pretest 3 (Chinese Version)**

当你联想到品牌 Apple 苹果时，什么出现在你的脑海里？请列出所有属性或词语代表苹果的品牌理念(例如，当我想到奔驰，这些属性出现在我的脑海里：奢侈，高品质，高科技，舒适，人性化等等)。

## APPENDIX 4

### Questionnaire for Main Study (English Version)

Thanks very much for your participation.

1. Prior to taking this survey, please indicate your level of familiarity with the following products.

	Very Unfamiliar					Very Familiar	
	1	2	3	4	5	6	7
Mobile Phone	1	2	3	4	5	6	7
Camera	1	2	3	4	5	6	7
Sports Shoes	1	2	3	4	5	6	7

2. For brand Apple, please indicate your level of familiarity and rating of its overall quality.

	Very Unfamiliar					Very Familiar	
	1	2	3	4	5	6	7
Level of familiarity:	1	2	3	4	5	6	7

	Very Low Quality			Very High Quality			
	1	2	3	4	5	6	7
Rating of overall quality:	1	2	3	4	5	6	7

3. Imagine that Apple company launches the **cameras** as extension products, please indicate your level of agreement with the following evaluations.

	Strongly Disagree					Strongly Agree	
	1	2	3	4	5	6	7
The extension is a good idea.	1	2	3	4	5	6	7
I like this extension.	1	2	3	4	5	6	7
I am pleased with this extension.	1	2	3	4	5	6	7

4. Imagine that Apple company launches the **sports shoes** as extension products, please indicate your level of agreement with the following evaluations.

	Strongly Disagree					Strongly Agree	
The extension is a good idea.	1	2	3	4	5	6	7
I like this extension.	1	2	3	4	5	6	7
I am pleased with this extension.	1	2	3	4	5	6	7

5. Considering the possible extension--Apple camera, please indicate your level of agreement with the following statements.

	Strongly Disagree					Strongly Agree	
The product features of cameras are similar to that of mobile phones.	1	2	3	4	5	6	7
Apple company could probably do well at making cameras.	1	2	3	4	5	6	7
Cameras are consistent with Apple's brand concepts (e.g. high technology, innovation, and user-friendly).	1	2	3	4	5	6	7

6. Considering the possible extension--Apple sports shoes, please indicate your level of agreement with the following statements.

	Strongly Disagree					Strongly Agree	
The product features of cameras are similar to that of mobile phones.	1	2	3	4	5	6	7

Apple company could probably do well at making cameras.      1      2      3      4      5      6      7

Cameras are consistent with Apple's brand concepts (e.g. high technology, innovation, and user-friendly).      1      2      3      4      5      6      7

7. For each possible extension product, please indicate your intent to purchase/how likely you would be to buy assuming you were planning a purchase in that product category.

	Very Unlikely			Very Likely			
	1	2	3	4	5	6	7
Apple Camera	1	2	3	4	5	6	7
Apple Sport Shoes	1	2	3	4	5	6	7

8. Please indicate your gender:

Male \_\_\_\_\_ Female \_\_\_\_\_

9. Please indicate your age group:

0-15 \_\_\_\_\_ 16-25 \_\_\_\_\_ 26-35 \_\_\_\_\_  
36-45 \_\_\_\_\_ > 46 \_\_\_\_\_

10. Please indicate your major:

Business \_\_\_\_\_ Engineering \_\_\_\_\_ Arts \_\_\_\_\_ Science \_\_\_\_\_  
Medical Science \_\_\_\_\_ Other \_\_\_\_\_

11. Please indicate your nationality: \_\_\_\_\_

## Questionnaire for Main Study (Chinese Version)

非常感谢您的积极参与!

1. 在进行本次调查前，请对下面三种产品类型选出你的熟悉程度:

	非常不熟悉				非常熟悉			
手机	1	2	3	4	5	6	7	
相机	1	2	3	4	5	6	7	
运动鞋	1	2	3	4	5	6	7	

2. 对于品牌苹果 Apple:

	非常不熟悉				非常熟悉			
我的熟悉程度:	1	2	3	4	5	6	7	
	非常差				非常好			
我认为该品牌整体质量:	1	2	3	4	5	6	7	

3. 假设苹果 Apple 公司推广苹果相机，请对此假设产品进行评价:

	非常不同意				非常同意			
我认为苹果公司推出相机是个很好的想法	1	2	3	4	5	6	7	
我喜欢苹果公司推出相机	1	2	3	4	5	6	7	
我对苹果公司推出相机这个策略满意	1	2	3	4	5	6	7	

4. 假设苹果 Apple 公司推广苹果运动鞋，请对此假设产品进行评价:

	非常不同意				非常同意		
我认为苹果公司推出 运动鞋是个很好的想法	1	2	3	4	5	6	7
我喜欢苹果公司推出运动鞋	1	2	3	4	5	6	7
我对苹果公司推出 运动鞋这个策略满意	1	2	3	4	5	6	7

5. 对于假设的产品--苹果 Apple 相机，你是否同意以下观点：

	非常不同意				非常同意		
相机的产品特征和苹果公 司现有产品（手机等）相似	1	2	3	4	5	6	7
苹果公司有能力很好 地生产相机	1	2	3	4	5	6	7
相机与 Apple 苹果的品牌 理念一致或相符（e.g. 科技，创新，人性化， 用户友好型等等）	1	2	3	4	5	6	7

6. 对于假设的产品--苹果 Apple 运动鞋，你是否同意以下观点：

	非常不同意				非常同意		
运动鞋的产品特征和苹果公 司现有产品（手机等）相似	1	2	3	4	5	6	7
苹果公司有能力很好 地生产运动鞋	1	2	3	4	5	6	7

运动鞋与 Apple 苹果的品牌

理念一致或相符 (e.g.

科技, 创新, 人性化,

用户友好型等等)

1      2      3      4      5      6      7

7. 假设以下两种产品在商店出售, 并且你正打算购买此类型产品, 你有多大可能性会购买?

非常不可能

非常可能

苹果相机

1      2      3      4      5      6      7

苹果运动鞋

1      2      3      4      5      6      7

8. 您的性别:

男 \_\_\_\_\_ 女 \_\_\_\_\_

9. 您的年龄:

0-15 \_\_\_\_\_ 16-25 \_\_\_\_\_ 26-35 \_\_\_\_\_ 36-45 \_\_\_\_\_ > 46 \_\_\_\_\_

10. 您的专业:

商科 \_\_\_\_\_ 工科 \_\_\_\_\_ 文科 \_\_\_\_\_ 理科 \_\_\_\_\_ 医科 \_\_\_\_\_ 其他 \_\_\_\_\_