

Three wrongs make a right

The effect of repeated incongruent brand extensions on the brand and evaluation of future brand extensions

ABSTRACT: Although the increased importance of brand extensions in the marketplace have been followed by a proliferation of research on the subject, there is limited knowledge to guide companies who aim for several wide expansions into distant categories, to own a broad brand meaning and achieve strong salience. The purpose of this thesis is to assess whether a number of brand extensions incongruent to the original category can affect consumers' perception of future extensions of poor product fit and whether this is moderated by the firm's level of reputation. A quantitative experimental study, in which the number of previous brand extensions of poor fit was manipulated as well as the level of reputation, allowed the authors to measure the effect on the new brand extension evaluation, as well as perceived fit and other brand metrics. The evaluation of the latest brand extension of poor fit was found to be affected positively by the number of previous extensions into incongruent categories, with no moderating effect by the level of reputation. Hence, the introduction of a brand extension of perceived poor fit can be more positively received if its company has a history of incongruent expansion and pursuing incongruent extensions may even be a strategy to increase brand strength.

Keywords: Incongruent, brand, extensions, sequential, fit

MASTER THESIS

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1 Introduction

When do firms and their brands go from being a symbol of failure to being viewed as an innovator, as a company with multi-disciplinary skills, expected to succeed regardless of its next venture? When do brands start to own associations, such as creativity and the ability to adapt to new categories, as its core competencies in the minds of consumers? Where is the starting point?

At the time of this sentence being written, the world's most valuable company is Apple. In ten years the niche brand in the market for personal computers known as Apple Computers, dropped the latter word from its name and became the market leader in smartphones and tablets, today generating four fifths of its 36 billion dollar revenue from those new categories.¹ This brand once represented the odd choice in computers for regular consumers, but journeyed into portable music players with the iPod, then selling and renting of digital content through iTunes, as well as the mobile categories mentioned, and stands today as a given brand with consumers in the consideration set for all categories, including TVs and watches, where Apple is yet only rumored to be entering.²

Other classic examples of companies with a weaker association to a specific category than the association of an overall brand with the ability to produce quality goods in several incongruent categories include renowned firms such as 3M, Yamaha, Virgin, Canon, Heinz, P&G, Mitsubishi, Fisher-Price and GE. All have traditionally been viewed as companies owning a perceived expertise as a core brand element rather than associations tied to a certain category, although not always consumer facing.³ Amazon, Google are other modern day examples, but the concept of a brand whose main capability is the adaptation into several categories can also be extended to the area of celebrities as brands. Those brands may build their reputation in the category of being an actor/actress, before moving into writing, directing, venturing into music or even selling pasta sauces under their name.⁴

Brand extensions, including category extensions such as the examples mentioned above, are a key way for brands to grow, broadening their meaning and enjoying the possibility of sales expansion while minimizing risk.⁵ As it's been stated many times before, the risk of failure when launching new products is substantial, with some researchers claiming only 2 or even 1 out of every 10 new

¹ <http://www.apple.com/pr/library/2012/07/24Apple-Reports-Third-Quarter-Results.html>
<http://images.apple.com/pr/pdf/q3fy12datasum.pdf> [Retrieved 2013-05-01]

² <http://techcrunch.com/2012/12/27/rumor-apple-building-bluetooth-smart-watch/> [Retrieved 2013-05-01]

³ Keller, K.L. (2008). Strategic Brand Management: Building, Measuring, and Managing Brand Equity. New Jersey: Prentice Hall, p 491.

⁴ Keller (2008), p 21.

⁵ Keller (2008), p 499.

products launched to be considered successful, making the case for leveraging the existing brand in the form of an extension.^{6,7,8}

Most of the previous research literature on brand extensions, as well as most of the actual product launches in the market, has been dedicated to the expansion into neighboring categories. The distance from the parent brand's original category is kept at a minimum - again in the quest to minimize risk - by having a good product fit between the product categories.⁹

However, many firms have successfully ventured into remote or incongruent categories, as exemplified above. The authors of this study are therefore keen to uncover whether a first step into a very different category, which might draw on skeptical reactions from consumers, may after a few other extensions that also may seem odd, change the perception of consumers. In other words, we aim to understand whether *the act of extending into distant categories in itself* may transform the perception of the brand into being centered on its ability to adapt and how that may increase the acceptance of future extensions.

We pose the question of whether going for unfitting, "out-of-reach" or even somewhat bizarre brand extensions, such as "Jell-O shoelaces" or "Tide frozen entrées", may create a more positive attitude towards the brand. We also pose the question of whether a brand can then approach a set goal category, by venturing first into several other categories where it does not apparently belong, and by such behavior developing a better general fit for "all" categories. Consequently, by making the brand bigger through an expansion into more categories, we suspect a company can grow, not only in terms of absolute sales, but also by broadening its brand meaning and increase in salience, permitting for subsequent extensions.

1.1 Problem formulation and expected academic contribution

The research field of brand extensions has grown rapidly in the last few decades, following the growing role that extensions have played on the bottom line of successful firms. Previously, most of this research has focused on either the financial rationale for brand extensions, the development of a model to design optimal brand extensions or the uncovering of the psychological processes that govern consumer's evaluation of brand extensions.¹⁰ The fact remains however that there are still

⁶ Keller (2008), p 494.

⁷ Aaker, D. A., & Keller, K. L. (1990). Consumer evaluations of brand extensions. *The Journal of Marketing*, p 27.

⁸ Dahlén, M., & Lange, F. (2003). Optimal marknadskommunikation. *Malmö: Liber*, p 194

⁹ Aaker & Keller (1990), p 27.

¹⁰ Roux, E., & Lorange, F. (1993). Brand extension research: A review. *European Advances in Consumer Research*, 1, p 493. Roux and Lorange provide a great introduction and summary of the most protrusive work on brand extensions from Osgood in 1963 to Aaker and Keller in 1992.

many examples of failed extensions prevalent in the marketplace. These failures occur despite the fact that much of the previous research has centered on the different success factors and/or on how new extensions may be influenced by earlier successful or unsuccessful extensions. The authors of this paper believe that a somewhat overlooked area of extensions, incongruence, holds the key to new insights and that the success of incongruent extensions hasn't been fully explained.¹¹

We believe we can contribute to this field with novel research by focusing on the role that an increased number of incongruent (poor fit) extensions may have on the overall evaluation of the next extension, as well as the attitudes towards the parent brand. Moreover, we aim to examine how this effect in turn may be moderated by the initial perception of the parent brand's reputation.

As mentioned in our introduction, most of the previous research has also been based on the assumption that a degree of congruency needs to exist between the brand's original category and the category to which it wants to extend in order to succeed. Such were the findings of Aaker and Keller on the evaluation of brand extensions were they found successful evaluations to be a function of product fit, a notion that is carried on in their subsequent work on the effect of sequential introductions.¹² Their study was however limited by having rather moderately incongruent extensions, while also only looking at extensions within a category, or sub-categories, and the authors also state that "other aspects of credibility" or corporate reputation may come into play.¹³ Furthermore, only the effect of two versus one intervening brand extensions was tested and, the success or failure of the previous extension was a key factor. In this paper we aim to eliminate the aspect of previous success, as well as improve sampling, which in these previous experiments had clear skews.¹⁴

The role that incongruent product fit or "poor fit" between categories may have has on the other hand not received much attention. While moderate incongruence has been the focus of Aaker and Keller, less has been spent on highly incongruent pairings. Meyers-Levy, Joan and Curran found that moderate incongruent brand names resulted in higher evaluation of the extension than congruent or highly incongruent matches.¹⁵ In later research Meyers-Levy and Tybout found that moderately incongruent fit between products and their associated category leads to a more favorable evaluation,

¹¹ Montoya-Weiss, M. M. and Calantone, R. (1994), "Determinants of New product Performance: A Review and Meta-Analysis", *Journal of Product Innovation Management*, 11 (November), p. 398.

¹² Aaker & Keller (1990), 27-41; as well as Aaker, D.A. & Keller, K.L. "The effects of Sequential Introduction of Brand Extensions", *Journal of Marketing Research* 29, Feb 1992, p 50.

¹³ Aaker & Keller (1992), p 49.

¹⁴ Aaker & Keller (1992), p 40: Aaker and Keller's study tested university employees, with skews against the general population. For example, 90% of the sample were women.

¹⁵ Meyers-Levy, Louie, Curren. "How does the congruity of brand names affect evaluations of brand name extensions?." *Journal of Applied Psychology* 79.1 (1994): 46-53.

driven by a stimulation of cognitive processing by the incongruence.¹⁶ **The authors of this thesis therefore see an uncovered white space in exploring the effects of using highly incongruent extensions or extensions of poor fit. Furthermore, the contribution will add to the broader corpus of brand extension research by expanding the sample to mirror that of the general population.**

Meyvis and Janiszewski's findings indicated that parent brands which are perceived to be "broad" (e.g. brands that offer a portfolio of diverse products) may have an advantage over more narrow brands, as the former's extensions may, while diffusing the brand, also increase its acceptance in other categories, as the brand's benefit associations gain relative strength over category associations.¹⁷ Also, Andrews and Smith found the effect of product fit on the extension evaluation to be indirect and mediated by the certainty consumers had of the firm's skills and ability to produce the new extension, something also suggested by Aaker and Keller.¹⁸ Additionally, previous research indicates that the reputation of the parent brand may also be an important factor on the success of the extension, but little is known how this affects the role of incongruent extensions.¹⁹ **The authors of this thesis aim to understand how incongruent extensions may play a role in changing the perception of a parent brand, as well as the moderating effect the company's reputation at the on-set might have.**

Combined with the above areas of white space, there's limited insight into the role that previous, or as they're sometimes called, intervening extensions may have on the evaluation of future extensions and less so what the effect multiple or repeated intervening extensions may have. Kim and Sullivan²⁰ argued that consumers with more parent-brand experience might infer an association of high quality and be more likely to try the extension, whereas Aaker and Keller found that multiple previous extensions had different effects than that of a single extension (then again they also included the factor of failed or success for the intervening extensions)²¹. Although focusing on what the effect of advertising may have, Lane found that several exposures to an incongruent extension improved

¹⁶ Meyers-Levy, Tybout. "Schema congruity as a basis for product evaluation." *Journal of Consumer research* (1989): 39-54.

¹⁷ Meyvis, T. Janiszewski, C. "When Are Broader Brands Stronger Brands? An Accessibility Perspective on the Success of Brand Extensions" *Journal of Consumer Research*; Sep 2004; 31, 2 pg. 346-357

¹⁸ Andrews, Smith, "Rethinking the Effect of Perceived Fit on Customers' Evaluations of New Products", *Journal of the Academy of Marketing Science* 23, no 1 (1995): 4-14*; Aaker, Keller, 1992.

¹⁹ Hem, L. E., de Chernatony, L., & Iversen, N. M. (2003). Factors influencing successful brand extensions. *Journal of Marketing Management*, 19(7-8), p 783.

²⁰ Kim, B. Sullivan, M.W. "The Effect of Brand Experience on Extension Choice Probabilities: An Empirical Analysis" working paper, University of Chicago Graduate School of Business, 1995.

²¹ Aaker & Keller (1992), p 47.

product fit with consumers and resulted in more favorable evaluations, as the “repeated consideration of benefit brand associations skewed thoughts toward positive perceptions of fit”.²²

Based on the above the authors want this thesis to contribute in the understanding of what the effect of repeated intervening incongruent brand extensions may have on the parent brand and the evaluation of future brand extensions.

Limited research has also been made on the concept of what the effects the mere venture of an extension as a signal might have on the parent brand and on evaluation of future extensions, with the signaling effects of brand extensions with low fit even more scarcely mentioned. This study aims to alleviate this imbalance by answering whether or not a brand can increase its “overall fitness” by doing extensions even further from the target category. The general aim is to tie the academic findings into practical implications on how marketers can use extensions both as a pre-emptive tool when extending into different product categories, but also on how to act once a brand has already successfully or unsuccessfully extended into other categories. **By exploring the effects of previous brand extensions on general brand suitability in a goal category from a signaling aspect, rather than how a brand extension can be used to sequentially approach goal categories and how this affects product and brand evaluation, this thesis should be able to explore previously uncharted areas of brand extension research.**

1.2 Purpose

The purpose of the study is to deepen and broaden the academic knowledge within the area of brand extensions in a marketing setting, more specifically what the signaling effects of brand extensions with poor product fit may be and how they affect the evaluation of future extensions as well as the attitudes towards the parent brand, and also how this effect might be different depending on the company’s previous level or reputation.

The aim is to get a statistically significant result, indicating that previous extensions with poor fit against the brand’s original category will affect the evaluation of new extensions, as well as concluding whether reputation is a moderator, by examining different combinations of brand extensions and reputation and investigating the consumers’ responses to each combination.

The following research questions will facilitate as guiding our exploration within our area of research:

²² Lane, V. R. "The impact of ad repetition and ad content on consumer perceptions of incongruent extensions." *The Journal of Marketing* (2000): 80-91.

- How will new brand extensions be evaluated when previous extensions from the same firm have been of poor fit? Does the evaluation depend on the number of previous extensions that have been made?
- How will the established requisite for a successful extension, perceived product fit, be affected for the new extension, by the brand's previous extensions of poor fit?
- How will the evaluation of the new extension and the perception of the parent brand be affected by the company's history of intervening extensions of poor fit? Or in other words, how are the above areas affected by the parent brand's initial reputation?

By answering the above questions, the authors hope to extend the academic research area of brand extensions theory and provide practical insights for marketers.

1.3 Demarcation

Our study will be limited by several practical restrictions. Mainly, we will focus on the use of a corporate brand that is non-branded and fictional, to avoid any associations to well-known brands. Furthermore we will include low-involvement products and only include pairings of categories that are of high incongruity. (The extensions will also naturally only be category extensions and no reference to any form of vertical extension is made).²³ Likewise, no effect of competing brands will be explored. In addition, the perceived quality of the extension will be held as a fixed factor and no reference to the success or failure of the previous extensions will be made, in difference to Aaker and Keller as well as other previous studies.²⁴

Our experiment aims to test the effect of repeated intervening extensions by exposing one group of respondents to one previous extension, another to three previous extensions, and a third control group to no intervening extensions at all. Although in order to fully evaluate the effects of an increased number of previous extensions, a group with more than three extensions or a discrete scale could be included. However, the scope of our thesis is naturally limited by time and financial constraints, and as such, three levels of previous extensions were deemed sufficient to obtain relevant results.

²³ Aaker, D. A. "Should you take your brand to where the action is?." *Harvard business review* 75.5 (1997): 135: Aaker makes a strong point that vertical extensions are "not merely justified but is actually essential to survival" In spite of this and the advantages they bring in terms of economies of scale, brand equity we are excluding this aspect of brand extensions within our study.

²⁴ Aaker & Keller (1992), p 47.

In difference to most previous studies within the field of brand extensions, we will not limit our sampling to people in our own network or the student body of SSE, but rather produce a random sample against an internet panel, with its core audience reflecting US consumers.

In our experiment, respondents will be exposed to different stimuli, in the form of written texts. These will introduce the brand's history and the new extension, and depending on test cell, also the previous extensions. In a realistic setting consumers are likely to be exposed to brand extensions on several occasions, i.e. through advertising, w-o-m or test use, which means that consumers' will have more information regarding the extension on which to base an eventual purchase or evaluation. Consequently, there is a risk that the external validity is affected.²⁵ However, previous research indicate that attitudes have proven a relatively robust measure as it tends to remain relatively stable over time and, as such, proving single exposure studies to be well suited for research.²⁶

While several aspects of brand extensions have been proven to affect consumer evaluation, our work was further delimited to include a number of specific, previously academically utilized measures in order to facilitate both the respondents answering the research questions as well as analysis of the results and assuring reliability.

Finally, our study will deal only with specific product categories; a car brand that extends into the clothing category, via other categories of toys, digital cameras and food products. This suggests that the research findings may not be applicable on other categories or a realistic progression of a company, but the benefit of using the extreme incongruity is that any positive conclusions can be clearly indicative of the potential benefits for marketers.

1.4 Thesis outline

In order to guide the reader through this thesis it has been divided into five main chapters. This chapter introduces the reader to the topic and the specific areas of research that will be examined throughout the paper, while the next chapter defines the theoretical frame of reference used throughout the thesis, as well as developing our hypothesis to be tested.

In the third chapter the methodology of our research is described, detailing our pre-study as well as the execution of our main experiment. Included is also an evaluation of different aspects of reliability and validity, for the reader to examine the robustness of our scientific approach.

²⁵ Klink, R.R. and Smith, D. C. (2001) "Threats to the external validity of brand extensions research," *Journal of marketing research*, 38 (3), p 326.

²⁶ Barnard, N. R., & Ehrenberg, A. S. (1990). "Robust measures of consumer brand beliefs," *Journal of Marketing Research*, p 480.

In chapter four the results of the quantitative analysis are presented, followed by a final chapter in which the results are analyzed and discussed in a broader perspective. In this discussion chapter, the conclusions of our research are presented alongside practical implications for marketers and a discussion of limitations of our study, as well as suggestions for future research.

Lastly, our thesis includes a list of references as well as several appendices with complete results from analysis, stimulus used and our full questionnaires.

2 Theoretical background and hypothesis

Previous research has found that consumers evaluate brand extensions based on a number of different factors. By re-examining this research, a framework for predicting how future extensions will be received and whether or not they will be successful can be established, laying the groundwork for our hypothesis and previously unanswered research questions.²⁷

2.1 Brand equity

Lange and Dahlén define brands as being the communicative core of a product, representing the company and/or the product's identity by the means of associations and attributes, through which consumers can identify different offerings on the market.²⁸ A brand's positioning is defined as its aim of placement on the market in regards to competition, customers and category.²⁹ Brands help companies provide product and services that have no substitutes in the market place, once consumers perceive the brand to have unique benefits, limiting the effect from competition.^{30,31} A highly differentiated brand can also add a perceived added value to existing customers, increasing brand loyalty.³²

In the end, a brand serves a single purpose of increasing monetary value to its owner, by providing an increase in revenue generated by a greater margin, volume and repeat purchases than that of a non-branded product.³³ The added benefit of strong brand equity is the limitation of negative outcomes following a service failure or other mistakes made by the brand owner. The aforementioned reasons, the long-term gains, explain why companies invest heavily over long periods of time in building brand equity that is very much fragile.³⁴ Yet another benefit from a market efficiency perspective is that consumers can decrease the cost for information search and make quicker purchase decisions.³⁵

2.1.1 Customer based brand equity

Keller defines brand equity as the “differential effect that brand knowledge has on consumer response to the marketing of that brand”, while according to Aaker brand equity is defined as “a set of brand assets and liabilities linked to a brand, its name and symbol, that add to or subtract from the

²⁷ Keller (2008), p 667.

²⁸ Dahlén & Lange (2003), p 188, p 191.

²⁹ Dahlén & Lange (2003), p 188.

³⁰ Dahlén & Lange (2003), p 193.

³¹ Keller (2008) p 660.

³² Keller (2008), p 665.

³³ Aaker (1996); Keller (2008); Simon & Sullivan (1993).

³⁴ Aaker (1996); Kapferer, J. N. (2012). *The new strategic brand management: Advanced insights and strategic thinking*. Kogan Page.

³⁵ Dahlén, Lange, 2003, p 192, p 196.

value provided by a product or service to a firm and/or that firm's customers".³⁶ Both definitions are viable depending on perspective; Aaker is somewhat more product-centered and speaks of value, whereas Keller's view is built upon the collective perceptions of consumers (in which value is perceived), arguing that the creation of brand knowledge within consumers' minds is the key way of building brand equity. We aim to use Keller's view for several of our brand metrics to gauge the effect of our experiment, including his model for brand knowledge (Figure 1), which is built along the dimensions of brand awareness and brand image. The latter consisting of brand associations (attributes, benefits and attitudes) that should be as strong, favorable and unique as possible to increase brand equity. The overall attitude towards the novel brand extension, a valuable dimension of brand equity, will serve as a measure of the overarching evaluation towards the extension.³⁷

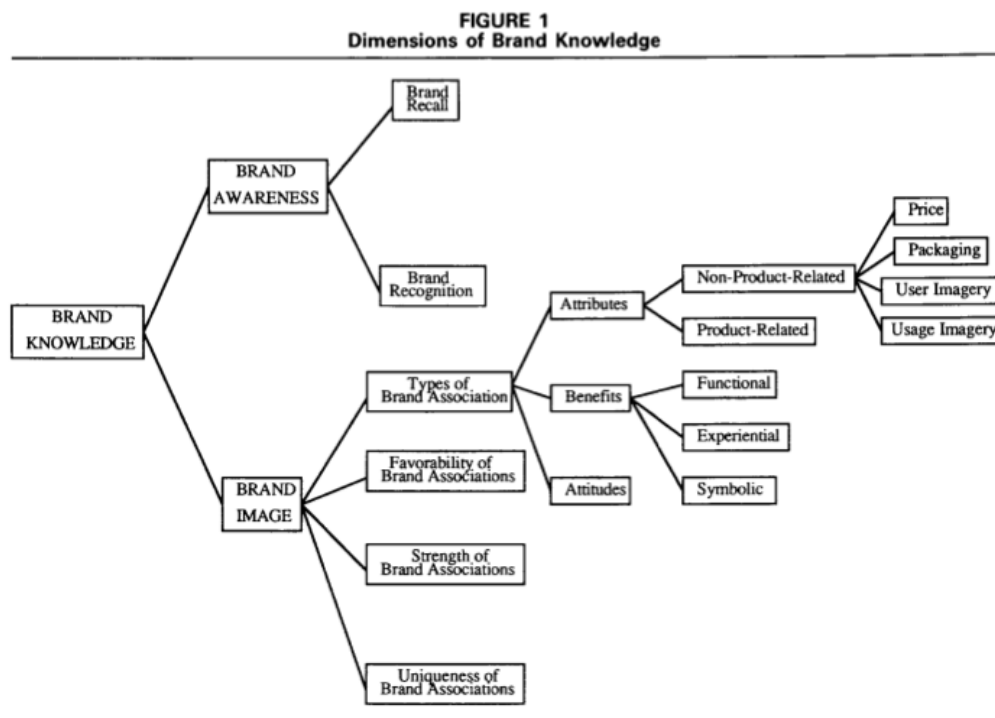


Figure 1: Dimensions of brand knowledge from Keller's model of consumer based brand equity³⁸

³⁶ Keller (2008), p 48-53; Aaker (1991); Also Dahlén & Lange (2003), p 196-201.

³⁷ Keller (2008): Attitudes are according to Keller a reflection of the consumers' overarching evaluation of an offering, including the functional and perceived benefits, its attributes. Likeability is seen as a measure of the effect on the consumers from all communication or past experiences with the brand.

³⁸ Keller, K. L. (1993): "Conceptualizing, measuring, and managing customer-based brand equity." The Journal of Marketing, 1-22.

2.2 Brand extensions

Brands can serve as a strategy for growth through the use of brand extensions, the creation of new products under an existing brand name.³⁹ Being able to introduce new products is a vital part to a firm's long-term success and the firm can choose to do this either by launching a completely new brand, but also by leveraging an existing brand or launching a sub-brand of that parent brand.⁴⁰ In fact for most firms the questions of extensions is that of "when, how and where, not if they are to be made" as the net present value of a strong brand includes the future opportunities to leverage it beyond the current product offering.⁴¹ In 1988 almost half of new FMCG products in the States were brand extensions, a sign of the prohibitive cost of entering a category offering the two options of either buying a brand or extending.⁴²

Farquhar classifies brand extensions into i) line extensions, new products within the same category, usually introducing new flavors or varieties and ii) category extensions, launching new products in a category novel to the parent brand.⁴³ Although line extensions are much more common than category extensions, this thesis focuses on the latter class, which when launched successfully have the potential to reap bigger rewards.⁴⁴

2.2.1 Advantages of brand extensions

Keller mentions two groups of advantages from brand extensions: Effects that further help facilitate acceptance, improving the evaluation of new products, and the effects on parent brand image.⁴⁵ The advantages in bold below are addressed in this thesis:

<u>Facilitate New Product Acceptance</u>	<u>Feedback to Parent Brand and Company</u>
▪ Brand image improved ▪ Perceived risk reduced ▪ Easier to get distribution/trials ▪ Increased efficiency of marketing programs ▪ Avoid cost of developing new brand ▪ Packaging and labeling efficiencies ▪ Permit consumer variety-seeking	▪ Brand meaning clarified / broadened ▪ Parent brand image enhanced ▪ New customers to brand family ▪ Increased market/category coverage ▪ Permit subsequent extensions ▪ Revitalize brand

Table 1: Keller's list of advantages of brand extensions.⁴⁶

³⁹ Keller (2008), p 490.

⁴⁰ Keller (2008), p 491.

⁴¹ Keller (2008), p 494

⁴² Tauber, E. M. (1988). "Brand leverage: strategy for growth in a cost-control world." *Journal of Advertising Research*, 28(4), 26-30.

⁴³ Farquhar, P.H. (1989), "Managing brand equity", *Marketing Research*, Vol. 1, pp 24-33.

⁴⁴ Keller (2008), p 491.

⁴⁵ Keller (2008), p 496.

⁴⁶ Keller (2008).

Brand image improved: Knowledge about the parent brand and its previous products will feed into the evaluation of the new extension, depending on its relevance to the new category. This inference and formation of expectance based on existing parent brand associations may result in a more favorable brand image for the new product compared to completely new products that are not extensions.⁴⁷

Perceived risk reduced: Knowledge about the parent brand also guides consumers by reducing the risk of an unknown brand producing an unsatisfactory product, where previous research found the connection to a known family brand to be the most important factor on whether consumers would try a new extension.⁴⁸

Consumer variety: With line extensions, more flavors and varieties of the original product can satisfy consumers without them leaving the brand family. Likewise with category extensions the share-of-wallet for the parent brand can be maximized while serving consumers in a wider span of needs in their lives.⁴⁹

Brand meaning clarified and/or broadened: Extensions can play a role in clarifying the brand's meaning, further helping consumers' understand in what categories it belongs or what the span of its product line is. They can then also help broaden the meaning, avoiding too narrow of a market definition or "Marketing Myopia" that risks the brand missing opportunities outside of its limited definition, while being more susceptible to competitors as dependency on existing business increases.⁵⁰ Dahlén/Lange refer to this as being a "flexible brand" that can grow into other categories as long as positive core associations are held intact.⁵¹

Enhance parent brand image: Extensions may create new associations or improve the strength and favorability of existing ones for the parent brand, including communicating benefits that speak for the parent brand's entire line of products.⁵² Keller and Aaker also state that a general perception of the parent brand may be improved by successful extensions as they may drive an increase in the "expertise, trustworthiness and likeability of the company".⁵³

⁴⁷ Kim & Sullivan (1995).

⁴⁸ Claycamp, H. J., & Liddy, L. E. (1969). Prediction of new product performance: An analytical approach. *Journal of Marketing Research*, 414-420.

⁴⁹ Keller (2008), p 499

⁵⁰ Levitt, T. (1960). Marketing myopia. *Harvard business review*, 38(4), 24-47.

⁵¹ Dahlén & Lange (2003), p 192.

⁵² Keller (2008), p 501

⁵³ Keller & Aaker (1992).

Increase of market coverage: Innovations in the form of line extensions are a key strategy for brands in creating attention and interest around the parent brand, and may according to Keller benefit the family brand as a whole.⁵⁴

Permit subsequent extensions: Successful extensions may work as a stepping-stone, serving as a basis for future extensions.

On the other side of the advantages mentioned above lie a series of disadvantages or risks when launching brand extensions. We will not list all here, but will mention a few as they relate to our study: There's the risk of confusing consumers by overwhelming choice⁵⁵, or feature fatigue⁵⁶ and consumers may also be perceiving extension launches as opportunistic or inappropriate for the brand.⁵⁷ There's also the risk of a failed brand extension harming the parent brand image, where product failures, in terms of their performance, have been found to hurt parent brand image more than market failures.⁵⁸ Finally, a successful extension may, while broadening the brand meaning, also contribute to diminishing the parent brand's category identification with the original category, which may decrease awareness for the brand in that category.⁵⁹

2.3 Consumers' evaluation of brand extensions

When consumers evaluate new brand extensions several factors come into play as they infer their knowledge about the parent brand, the new extension, as well as their associations of both categories.⁶⁰ The ultimate goal is to have the consumer use their brand knowledge, to intuitively "perceive the new brand extension to be *better than competing brands* in the category".⁶¹

2.3.1 The role of product fit

Keller states that the following conditions must hold true to result in consumers' approval of a brand extension: That there's some level of awareness for the parent brand with positive associations and that some of them are evoked by the new extension, while negative associations from the parent brand are not transferred and are not created by the extension. The closer the extension is to the

⁵⁴ Keller (2008), p 501

⁵⁵ Keller (2008), p 502 (Originally Schwartz 2004*; Shanahan 2001*)

⁵⁶ Keller (2008), p 504-505 (Originally Thompson/Rust/Hamilton*, Goffin/Northcott/Mitchell*)

⁵⁷ Keller (2008), p 504 (Originally Criistol/Sealey*)

⁵⁸ Keller (2008), p 506.

⁵⁹ Keller (2008), p 507 (Originally Morrin 1999*)

⁶⁰ Aaker & Keller (1992), p 36; and Erickson, G. M., Johansson, J. K., & Chao, P. (1984). Image variables in multi-attribute product evaluations: country-of-origin effects. *Journal of Consumer Research*, 694-699.

⁶¹ Tauber (1988).

parent brand, the more likely that similarly strong, favorable and unique associations from the core brand are evoked by the extension, creating positive extension equity as defined earlier.⁶²

In Aaker and Keller's study of how consumers evaluate brand extensions, *product fit* - the perceived fit between the original and extended categories - was found to be a key factor for evaluations to be favorable, with the *perceived quality of the extension* being the goal measure. The more closely related consumers view an extension to be to a parent brand, the more likely the chance of attitude towards parent brand being transferred to the extension and a favorable evaluation of the extension, regardless of the perceived quality of the parent brand.⁶³ If the similarity is low this might affect likelihood of transfer, as consumers need to perform a more detailed evaluation of the extension, relying on salient brand associations of the extension, rather than drawing a line of similarity to an existing category.⁶⁴ More novel research after this study has further indicated fit to be the singlehandedly most influential factor in determining extensions to be successful or not.⁶⁵

Aaker and Keller's model and the role of product fit, was itself built on previous research that found perceived fit to positively affect consumers' attitude towards the brand extension.⁶⁶ Aaker and Keller's way of determining fit was dependent on how well products can be considered to be substitutable, complementary and whether or not a producer benefits from having produced the first product when extending into the new product category (transfer of skills).⁶⁷ The first two measures focus on the consumer perspective and consider the concept of substitutes or complements in actual product use. Products are seen as complementary if both can successfully be consumed together in order to satisfy a particular need, whereas products are considered substitutes if they have a common application in a certain usage situation so that one product can replace the other and still satisfy the same need. The final measure focuses on the production and the firm's manufacturing abilities and how well company specific skills can be transferred from one area of production to another.⁶⁸ (Since Aaker and Keller however, fit has been perceived and described in many different ways. Hoyer and MacInnis determine the degree of product fit from how similar the product

⁶² Keller (2008), p 512.

⁶³ Aaker, Keller (1990).

⁶⁴ Boush, D. M., & Loken, B. (1991). A process-tracing study of brand extension evaluation. *Journal of Marketing research*, 16-28.

⁶⁵ Dahlén & Lange (2009), p 262.

⁶⁶ Tauber (1988).

⁶⁷ Aaker, Keller, 1990.

⁶⁸ Aaker, Keller, 1990.

associations, usage goals or benefits of use between the parent brand and the extension products are.⁶⁹⁾

Although product fit may play a role the evaluation of brand extensions, we believe the above conclusions to be in contrast to the fact of many existing incongruent extensions that are successful. Del Monte, Betty Crocker, P&G and other brands without a clear *product meaning*, may stand for product quality, all being examples of a “neutral” parent brand where there’s no distinct “fit” to consider, but perhaps an evolutionary fitness instead.

Aaker and Keller suggest this themselves, that “a broader product line has the potential to improve perceptions of both fit and credibility for a somewhat dissimilar proposed extension”.⁷⁰ Also, Andrews and Smith looked at the moderating effect of a well-known brand, which seemed to decrease the importance of fit. The research found product fit to not be a direct function on the evaluation of a brand extension, contrary to Aaker and Keller’s previous conclusions, but instead mediated by customer certainty: “When the effect of customer certainty is considered, the direct effect of fit disappears (...) mediated by consumers’ sense of certainty that a firm could provide a proposed new product”.⁷¹

This suggests that consumers’ assessment of product fit is one way of minimizing risk and gain certainty that the firm is able to deliver brand extensions of good quality, but we believe that it’s not the only way, and doesn’t have to be focused only on pure product fit. In other words, that “extension fit is more than just the number of common (...) brand associations between the parent brand and the extension product category”⁷², that extensions may belong to each other in a broader sense and make sense to consumers by the use of explanatory links to create coherence.⁷³ Joiner and Loken argued for an “inclusion effect” where consumers might use attributes drawn from a specific category of a brand extension to apply it to a general *brand category* (the example being the attributes of Sony TV transferred to the general category of Sony products).⁷⁴ Based on this, we suggest that a pattern will emerge and “make sense” to consumers, as more extensions are exposed

⁶⁹ Hoyer, W. D., & MacInnis, D. J. (2004). Consumer behavior, 3rd. p 98.

⁷⁰ Aaker & Keller (1992), p 38.

⁷¹ Andrews & Smith, (1995).

⁷² Keller (2008), p 526 (Originally Bijmolt, T. H., Wedel, M., Pieters, R. G., & DeSarbo, W. S. (1998). Judgments of brand similarity. *International Journal of Research in Marketing*, 15(3), 249-268.*; Schmitt, B. H., & Dube, L. (1992). Contextualized representations of brand extensions: are feature lists or frames the basic components of consumer cognition?. *Marketing Letters*, 3(2), 115-126.*)

⁷³ Keller (2008), p 526 (Originally Bridges, S., Keller, K. L., & Sood, S. (2000). Communication strategies for brand extensions: enhancing perceived fit by establishing explanatory links, *Journal of Advertising*, 1-11.*.)

⁷⁴ Joiner, Loken, “The Inclusion Effect and Category-Based Induction: Theory and Application to Brand Categories”, *Journal of Consumer Psychology* 7, no 2 (1998): 101-129.

to them, where an idea of what the brand meaning of the firm is. In other words, that the “transfer” of the firm emerges; increasing certainty and credibility that the company has the skills and know-how to extend into “poor” product fit categories, the more extensions the brand seems to have had in the past.

We suspect then that intervening brand extensions into new product categories with low fit can affect the fit of new extensions, as the general fit of what the firm “does” makes more sense the more incongruent previous extensions are presented - suggesting that this might allow a brand to approach a target category by extending sequentially into categories with low fit and allowing it to increase their general level of fit to “any” category.

H 1: An increased number of intervening brand extensions of poor fit will result in a **higher perceived fit** between the new brand extension and the original category.

Marketing signals are the most important part of the CBBE model, where the brand continuously sends out signals of what it stands for and what it can do for its customers.⁷⁵ These signals should communicate unique, strong and favorable associations of the brand, and the assumption has often been that being consistent in these signals is important, to strengthen the positioning in consumers minds.⁷⁶ Keller speaks of a high degree of consistency to generate “the highest level of awareness and strongest and most favorable associations”, while Aaker has consistency over time as one his 10 guidelines for building strong brands.⁷⁷ Still, although there might be risks on brand equity that inconsistency brings, they also offer a possibility for growth in our opinion, where incongruent extensions *together* can create a consistent concept.

2.3.2 Sequential introductions of brand extensions

Aaker and Keller’s further investigated how a brand can improve the evaluation of an extension as measured in *perceived quality*, by the sequential introduction of brand extensions approaching various remote target categories. The intervening extensions varied slightly from the parent brand, but shared attributes with both the proposed extension and parent brand. When there was a discrepancy between the perceived quality of the parent brand and that of previous extensions, evaluations of proposed extensions were found to be influenced by the perceived quality of the core

⁷⁵ Dahlén, Lange, 2003, p 203.

⁷⁶ Aaker, 1996, p 218-226: A 1973 study of nearly 5000 best known brands, 8 in 10 were more than 50 years old with 10% more than 100 years old. Clearly, some companies have done an outstanding job in managing their brands and the key to success, according to Aaker, is consistency.

⁷⁷ Keller (2008), p 639.

brand, as well as by the similarity, number and success of previous extensions.⁷⁸ The perceived quality of the previous extensions was in this case presented as successes or failures: A successful previous extension increased evaluations of the core brand as well as the new extension, while an unsuccessful previous extension did not cause any harm to the perception of the core brand. The similarities between previous extensions were not found to have an impact and multiple previous extensions had different effects than that of a single extension.

As a brand's equity is built by the marketing activities that create a perception of the brand image with consumers⁷⁹, we believe similarly that previous extensions can serve to build the brand equity and perception of the firm as being able to serve multiple categories.⁸⁰ Intervening extensions may feed into the evaluation of a brand extension by forming associations with *one versus many product categories*, but also by defining the brand meaning to the consumer, as well as signaling the quality by means of social proof, as the market has seemingly accepted the firm's previous products.⁸¹

Aaker and Keller also argued that source credibility, defined as the expertise and trustworthiness a firm possesses that consumers believe can deliver products and services that satisfy, is an important factor when evaluating brand extensions.⁸² Intervening extensions and their perceived quality are then believed to affect the perceived credibility of a firm, but also on the perceived product fit with the firm, thereby resulting in higher evaluations of a new extension.

Aaker and Keller's findings also seem closely related to the overall increase in brand experience (in itself an increase in the number of exposures and interactions with the brand), where the more parent brand experience a consumer has, the more likely they are to try a new brand extension, with the expectation that the quality is high, as found in the research of Kim and Sullivan.⁸³

2.3.3 Broader brands and the role of incongruity

Park, Milberg and Lawson expanded the idea of product fit by examining, unlike previous research that only examined the impact of product feature similarity, the roles of both product fit and brand concept consistency. With the latter, the extension plays a role as consumers evaluate the "product's ability to accommodate the brand concept".⁸⁴ Examples are the differences between functional fit aspects, with Timex expanding into stopwatches and calculators; and brand concept, where Rolex

⁷⁸ Aaker & Keller (1992), p 35.

⁷⁹ Keller (2008).

⁸⁰ Aaker & Keller (1992).

⁸¹ Aaker & Keller (1992), p 37

⁸² Aaker & Keller (1992), p 37

⁸³ Kim & Sullivan (1995).

⁸⁴ 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*, 185-193.

(luxury high status) was extendible to jewelry and McDonalds (food, folks and fun) extendible to other service industries. The conclusion was that consumers take both the similarity of the new product to the existing category and the degree of *brand concept consistency* into consideration, and that they may build their perception of the brand in the long-term by having “acquired a number of specific attributes based on the individual members of the brand category”⁸⁵

We know that consumers use categorical knowledge of brands to simplify and structure their marketing environment,⁸⁶ but may extensions also help consumers in categorizing brand concepts, by changing their perception through feedback effects on the parent brand? Brand knowledge is most likely built when consumers gain information about the extension that’s equally revealing about the parent brand, where positive evaluations results in favorable feedback effects on the brand.⁸⁷

The research of Meyvis and Janiszewski showed that, while there are risks with being perceived as being too broad for brands, there’s also a clear advantage. Building on the concept of benefit associations that are tied to the positioning of the parent brand, and non-benefit associations tied to its category or categories, they argued that the two forms of associations are not equally accessible for consumers with consistent category associations being generally more easily retrievable. In this way, broader brands can then have an advantage over more narrow brands, by having less strong category associations that do not interfere as much, allowing global benefit associations tied to the actual brand to gain relative strength and cut through to consumers, increasing its acceptance into other future categories.⁸⁸ Diversity of past extensions may create a diffuse brand but with the advantage of consumers accepting any future brand extensions into distant or incongruent categories more easily.

Similarly, Boush and Loken’s research at first also suggested that broader brands with more diffuse associations suffer from a disadvantage against those with strong product or category associations when extending into categories similar to existing ones.⁸⁹ However, they also found that similarity in terms of attributes shared by parent brand and the extension category may come into play, finding that very different brand extensions were evaluated more positively the more broad the parent

⁸⁵ Loken, B. and Roedder John, D. "Diluting brand beliefs: when do brand extensions have a negative impact?." *The Journal of Marketing* (1993): 71-84.

⁸⁶ Keller (2008), p 523-524; Plus Sujan, 1990; Myers-Levy, Tybout, 1989.

⁸⁷ Keller (2008), p 513-514.

⁸⁸ Meyvis & Janiszewski (2004).

⁸⁹ Boush & Loken (1991); also Ries, A. and J. Trout. *Positioning: The Battle for Your Mind*, McGraw-Hill, New York, 1981.

brand was than that of narrow parent brands, whereas very similar extensions were more favorably evaluated when extended from narrow brands.⁹⁰

Finally, John, Loken and Joiner explored how brand extensions, with some of their attributes naturally being inconsistent with those of the parent brand as they are extensions, bring with them the risk of diluting or changing the perceptions of the parent brand.⁹¹ They did find however that flagship products are more resistant to change and less vulnerable” because of the overall strength of the associative network that characterizes flagship products.”⁹²

The above findings should suggest that brands that do several extensions of poor fit could benefit from weaker category associations that interfere less with relatively stronger benefit associations, and that any negative effect of inconsistency can also open up for a positive development, by loosening up the perception of concept of the parent brand. As the number of previous extensions increases, we believe that the consumers’ perception of the brand will move, from a “one-category” brand having done a one-off extension of poor fit (for any variety of reasons), towards a brand that *is in the business of doing incongruent extensions*, or in other words a broad brand.

H 2A: An increased number of intervening brand extensions of poor fit will result in a **higher overall evaluation of the new brand extension**.

H 2B: An increased number of intervening brand extensions of poor fit will result in a more positive **attitude towards the new brand extension**.

2.3.4 Perceived quality

The perceived quality of a brand is a key part of the Customer Brand Based Equity pyramid.⁹³ Defined as the “consistency and correlation between what the consumers expect and what they receive”⁹⁴, it is also a key contributor to consumers’ overall attitude towards the brand, closely related to credibility.⁹⁵ Aaker and Keller used the perceived quality of the extension as the main way of estimating the success of the extension, as well as the perceived quality of the parent brand or company; where the perception of good fit between the parent brand’s original category and the

⁹⁰ Boush & Loken (1991).

⁹¹ John, Loken, Joiner. "The negative impact of extensions: can flagship products be diluted?." *The Journal of Marketing* (1998): 19-32.

⁹² Ibid.

⁹³ Keller (2008), p 60.

⁹⁴ Fenger, Carl. 2010. The Future of Co-branding – A Study of Cross-border Brand Alliances. Master thesis, Copenhagen Business School. p 22.

⁹⁵ Keller (2008), p 75; Mullins, Walker Jr, Boyd Jr, Larréché, 2005, *Marketing Management: A Strategic Decision-Making Approach*, 5th Edition, McGraw-Hill.

extension product, as well as a perception of high quality for the parent brand resulted in more favorable extension evaluations.⁹⁶ We aim to complement our main measure of evaluation of the extension with perceived quality of the extension, the parent brand as well as the original category of the brand, where we expect all three measures to be positively influenced by the number of previous brand extensions. This as we assume that a change in perception of the parent brand will lead from viewing the company as being opportunistic or of poor quality to producing high quality, behind the fact that several “poor fit”-extensions have been launched, signaling some confirmation of success, or as a social proof of minimal risk.

H 3A: An increased number of intervening brand extensions will result in a **higher perceived quality of the new brand extension**.

H 3B: An increased number of intervening brand extensions will result in a **higher perceived quality of the parent brand**.

H 3C: An increased number of intervening brand extensions will result in a **higher perceived quality of the original category**.

2.4 Brand interest and corporate ability

What consumers know about a company can influence their beliefs about and attitudes toward any new products manufactured by that company.⁹⁷ Additionally, a brand that manages to link itself to products in several diverse categories can absorb the associations of the intangible attributes and attitudes that span the different categories.⁹⁸ For example; a high-quality corporate image association creates a consumer perception that a company makes products of a high quality, whereas an innovative corporate image association creates the perception of a company that develops new and unique marketing programs.⁹⁹

Corporate ability is a measure used to describe several different aspects of a corporation’s capacity to improve the quality of existing products and services as well as the competence in introducing new products and services successfully.¹⁰⁰ Previous studies have shown that brand ability affects a number of different areas in marketing practice, influencing the success of both new marketing activities but also new products. It has been pointed out that perceived corporate ability is one, if not

⁹⁶ Keller (2008), p 525; Aaker, Keller, 1990.

⁹⁷ Brown, T. J., & Dacin, P. A. (1997). The company and the product: corporate associations and consumer product responses. *The Journal of Marketing*, p 68.

⁹⁸ Keller (2008), p 455-456.

⁹⁹ Ibid.

¹⁰⁰ Luo, Xueming and C. B. Bhattacharya. "Corporate Social Responsibility, Customer Satisfaction, and Market Value." *Journal of Marketing* 70, 4 (2006): p 2.

the most important aspect of attaining a sustainable competitive advantage, affecting market value of an entire company.¹⁰¹

As we aim to approach this field with the perspective of Keller's CBBE model, ability is used here as an overarching concept as it is perceived by consumers, to measure a number of different corporate aspects. (However, specific aspects of corporate image and ability are reflected in more detail in the following sections in terms of its image of innovativeness, perceived quality and desperation.)

Our central belief is that consumers' perception of the parent brand and its capabilities, motives and aspiration behind its new brand extension of poor fit will be influenced and changed as the number of intervening extensions of similar incongruence in fit increases, as consumers' understanding of the company changes. Because of this we believe that the perceived ability of the company may increase as the number of intervening extensions increases, as this, although no mentioning of success or failures of those extensions are mentioned, helps consumers build certainty.

H 4A: An increased number of intervening brand extensions of poor fit will result in a **higher perceived ability of the parent brand.**

Next to signaling the brands' overall ability, we also believe that the unconventional and creative choices of extension categories will communicate that the brand is unpredictable and thereby interesting. Several incongruent extensions may stimulate cognitive processing and raise interest with consumers, in the same way Meyers-Levy and Tybout found that moderately incongruence lead to more favorable evaluation.¹⁰²

H 4B: An increased number of intervening brand extensions of poor fit will result in a **higher brand interest in the parent brand.**

2.4.1 Perceived difficulty

Aaker and Keller's research also pointed to that consumers might judge a high quality brand's extension based on the perceived difficulty to produce it.¹⁰³ The easiness of making the extension would then be influencing the extension evaluation negatively, behind the suspicion that the new product may be too expensive and/or that the product is incongruent with the high quality of the brand.¹⁰⁴ Kardes and Allen found that the quality of a brand extension was more difficult to judge by

¹⁰¹ Dahlén, M. Rosengren, S. and Törn, F. (2008), "Advertising Creativity Matters,". Journal of Advertising Research, 48(3), p 394.

¹⁰² Meyers-Levy, (1989): 39-54.

¹⁰³ Aaker & Keller (1990).

¹⁰⁴ Ibid.

consumers when the extension was perceived as difficult to make. However, it also offered the extension a larger chance of differentiating itself in the category.¹⁰⁵

Does a sequence of difficult brand extensions play to the contrary of this negative effect with consumers, by building a reputation and gaining trust that the firm is not aiming for easy ways to command a premium price? We suggest that the perceived difficulty might also be a driver behind a more positive brand extension evaluation, when brands have performed several previous extensions of poor fit compared to only one. The perceived difficulty of making the new brand extension should therefore be higher as consumers discern previous extensions not to be opportunistic but evidence of the company's skill.

H 4B: An increased number of intervening brand extensions of poor fit will result in a **higher perceived difficulty of making the new brand extension**.

2.4.2 Innovativeness

Innovation and innovativeness are today common terms in marketing, although entail an ambiguous definition. (Consumer innovativeness, used in order to categorize consumers into adopter category groups such as innovators, early adopters, early majority, will be disregarded in this paper, which instead focuses on firm innovation and innovativeness.¹⁰⁶) While the two terms are often used interchangeably, they are defined in two different ways: Innovation refers to the outcome of a company's activities, e.g. the produced goods or services whereas innovativeness refers to a company's openness to new ideas and their ability to work on new solutions.¹⁰⁷ Furthermore, firm innovativeness is an association created by conveying an enduring capability, affecting the whole firm, rather than being comparable to a one-time recipe for success, where consumers observe a firm's innovativeness, not just through new products as they are introduced, but at a larger scale and over a longer period of time.¹⁰⁸

The influence of perceived firm innovativeness plays a crucial role in the success of innovative efforts according as found by Kunz, Schmitt and Meyer and we believe it may play a role in the evaluation of extensions of incongruent fit as well.¹⁰⁹ Additionally, a brand that manages to link itself to products in

¹⁰⁵ Kardes, F. R., & Allen, C. T. (1991). Perceived variability and inferences about brand extensions. *Advances in Consumer Research*, 18(1), 392-398.

¹⁰⁶ Goldsmith, R. E., & Hofacker, C. F. (1991). Measuring consumer innovativeness. *Journal of the Academy of Marketing Science*, 19(3), p 209.

¹⁰⁷ Crawford, M., & Di Benedetto, A. (2003). *New products management* (7th Ed.), p.137.

¹⁰⁸ Kunz, W., Schmitt, B., & Meyer, A. (2011). "How does perceived firm innovativeness affect the consumer?" *Journal of Business Research*, 64(8), p 816.

¹⁰⁹ Kunz, Schmitt & Meyer (2011), p 821.

several diverse categories can absorb the associations of the intangible attributes and attitudes that span the different categories.¹¹⁰

As new product launches affect perceived firm innovativeness, we believe that an the number of intervening extensions help consumers shift the perception of the brand from a suspicion of opportunistic launches into far-away categories, to a brand that is creative enough to try out several incongruent areas.

H 4C: An increased number of intervening brand extensions will result in a **higher perceived innovation of the parent brand**.

2.4.3 Desperation

The long-term creation of the perception of innovativeness above can be seen as an antonym to the concept of desperation, which instead influences evaluations negatively if efforts are seen as a short-term or as a frantic move by a firm that cannot deliver in existing categories. Although not thoroughly developed in academic literature, the concept of desperation can be understood from the perspective of the signaling effect of marketing efforts by a firms and the effect they have on the consumer, where a brand's equity is built upon the activities that change consumers' perception of the brand image.¹¹¹

Kirmani and Wright found that when consumers believe that the success of a product is reliant on product quality, a high display of effort from the firm encourages the consumer to expect a high quality product. The perception that a company spends more than other brands, or just a significant amount relative to the company's size, is perceived as making a significant effort to stand behind its product.¹¹²

In later studies the above correlation was examined again, but where indications that the efforts of a firm were not serious were included, identifying four different scenarios where consumers were skeptical of quality:

1. The effort was perceived as serious, but the company was perceived as being so big that it didn't have anything to lose in terms of advertising resources.
2. The effort was perceived to be too excessive and consumers perceived the firm to be desperate rather than credible.
3. The consumer is somehow made aware that the advertising budget is not related to long-term sales or a commitment by the company, or is for some reason

¹¹⁰ Keller (2008), p 455-456.

¹¹¹ Keller (2008), p 457.

¹¹² Kirmani, A., & Wright, P. (1989). Money talks: Perceived advertising expense and expected product quality. *Journal of consumer research*, p 344.

skeptical towards the advertising effort and quality connection for the specific product from that company.

4. The effort is perceived as an attempt to only create initial trial and not repeat purchase. E.g. a one-off with the sole purpose of milking the consumer for money rather than creating a lasting business opportunity/product.¹¹³

Häggarth and Rickardt extended this desperation concept even further in their thesis, where in collaboration with Dahlén they introduced actual direct measures of desperation, finding that low marketing efforts lead to companies being perceived as more desperate.¹¹⁴

We hypothesize then that while launching one seemingly incongruent product is seen as desperate, which is likely to fall under scenario 4 above, launching several may instead indicate that the company is in it for the long run and that the perception of other desirable brand associations will be more positive:

H 4D: An increased number of intervening brand extensions will result in a **lower perceived desperation of the parent brand.**

2.5 Word-of-mouth

The last part of the purchase cycle lies at the consumer's willingness to share his or her brand experience by word-of-mouth, passing on information regarding a brand or product to another consumer. The concept of word-of-mouth is meant to measure what the effects of consumers' opinions may have on other consumers' first experience with the brand.¹¹⁵

While the actual word-of-mouth of consumers may have different valence in different settings; e.g. positive, neutral or negative, the desire for brands is of course to create positive w-o-m, by satisfying its consumers.¹¹⁶ The relevance of the concept has been highlighted in numerous papers over the years with different definitions, but we will include Reichheld's definition of NPS, or Net Promoter Score, as a measure of word-of-mouth effects within our study. This as it's viewed as a strong indicator not only of the willingness to recommend, but also reflecting the satisfaction, loyalty and attitude towards the brand, with consumers willing to put their own reputation at risk when recommending.¹¹⁷

¹¹³ Kirmani & Wright (1989), p 345.

¹¹⁴ Rickardt, J. Häggarth, U. 2011, "Event som Marknadskommunikation – Din Guide till Eventgalaxen", Thesis at Stockholm School of Economics, p 27.

¹¹⁵ Dichter, E. "How word-of-mouth advertising works", *Harvard Business Review* 44.6 (1966): p147. 147-160.

¹¹⁶ Anderson, 1998. Customer satisfaction and word of mouth. *Journal of service research*, 1(1), p 6, p 5-17.

¹¹⁷ Reichheld, 2003. The one number you need to grow. *Harvard business review*, 81(12), p 49, p 46-55.

Because of a changed perception of the parent brand between one and three intervening brand extensions, based on consumers readjusting their understanding of the brand's ability, intention and meaning, we suspect that more intervening extensions of poor fit is beneficial for word-of-mouth.

H 5: An increased number of intervening brand extensions will result in a **higher propensity to recommend** (word-of-mouth intention).

2.6 Reputation and credibility of a corporate brand

Reputation is a commonly referred-to concept in both practical marketing and academic literature. In a highly competitive market the need of raising the barriers to market entry and strengthen customer retention, as well as increasing the likeliness of new customer acquisition is of great importance.¹¹⁸ Despite its growing significance, there has been relatively little consensus on how to properly measure reputation in itself, and it has often been categorized as merely a building block in brand equity. That categorization might make sense, as a brand serves its most fundamental purpose as an identifier of the manufacturer or service provider, thereby i) signaling quality and ii) supplying a traceable source, minimizing risk for the consumer who can rely on the company's reputation.¹¹⁹ A brand can then further increase ties with consumers and strengthen its brand loyalty, by continuously providing the expected brand value promised to consumers, further building its reputation.¹²⁰

With no clear definition of reputation in the field of marketing, but with "a general agreement that it is important", we give a few examples of how to describe it, showing that it is used throughout several disciplines:¹²¹

- A signal about future actions and behavior, a pledge that justifies and promotes expectations of a principal regarding the actions of an agent in the field of principle and agent theory¹²²
- A kind of goodwill in accounting¹²³
- A potential market entry barrier in the field of management.¹²⁴
- The estimation of the consistency over time of an attribute of an entity (firm or product).¹²⁵

¹¹⁸ Schwaiger, M. (2004). Components and parameters of corporate reputation-an empirical study. *Schmalenbach Business Review*, 56, p. 47.

¹¹⁹ Dahlén & Lange (2003), p 193.

¹²⁰ Keller (2008).

¹²¹ Sobol, M. G., Farrelly, G. E., & Taper, J. S. (1992). *Shaping the corporate image: An analytical guide for executive decision makers*. New York: Quorum Books. p 19.

¹²² Milgrom, Paul, and John Roberts. "Predation, reputation, and entry deterrence." *Journal of economic theory* 27.2 (1982): p 283.

¹²³ Hall, R. (1992). The strategic analysis of intangible resources. *Strategic management journal*, 13(2), p 128.

¹²⁴ Fombrun, C. J. (2001). Corporate reputation—its measurement and management. *Thesis*, 18(4), p 23.

The last description is closest to the field of marketing, and can be summarized as being the result of a corporate branding or the result of satisfying consumer experiences with a company's products.¹²⁶ In all cases though, reputation is inferred from the firm's past actions.¹²⁷ As stated above, we aim to use the perspective of the CBBE-model, suggesting that our view of reputation is more consumer-centric, that it is the firm's past actions as perceived and evaluated by the consumer.

Schwaiger splits corporate reputation into two dimensions, a cognitive component ("competence") and an affective one ("sympathy"). The cognitive component is identified to rely on factors such as performance and global reach, whereas the affective component is based on the emotions that respondents have towards a company.¹²⁸

Connecting the concept of reputation with existing brand extension literature, we know that stronger brands tend to provide greater leverage for extensions than weaker brands.¹²⁹ This is related to findings implying that brands with high-perceived reputation can provide consumers with better risk relief and consequently encourage more positive evaluations than brands with low reputation.¹³⁰ Hem, de Chernatony and Iversen found that extensions into categories more similar to the original brand tend to be more readily accepted, but also that the reputation of the original brand is an important factor influencing the success of the extension.¹³¹ Tauber speaks of seven different strategies for category extensions including i) the introduction of products capitalizing on "the firm's perceived expertise" and ii) the introduction of products reflecting "the brand's distinct benefit, attribute or feature".¹³² The first mentioned strategy shows the strength of using existing brand equity when seeking product acceptance of a new product, where a company with a known expertise, a reputation for its know how, can use this as a positive association. The second strategy can be both positive and negative – tying a distinct attribute or feature to the brand can be negative for the specific new category where the distinct trait might be less desirable, such as Goodyear Chewing Gum.

In terms of credibility, consumers tend to see brands with perceived high quality as also being more credible and trustworthy and are consequently more inclined to give such brands the benefit of the

¹²⁵ Herbig, P., & Milewicz, J. (1993). The relationship of reputation and credibility to brand success. *Journal of Consumer Marketing*, 10(3), 18-24.

¹²⁶ Simon, H. (1985). *Goodwill und Marketingstrategie*. Gabler. p 37.

¹²⁷ Weigelt, K., & Camerer, C. (1988). Reputation and corporate strategy: A review of recent theory and applications. *Strategic Management Journal*, 9(5), p 443-454.

¹²⁸ Schwaiger (2004), p 47.

¹²⁹ Aaker & Keller (1992), p 45.

¹³⁰ Hem, de Chernatony & Iversen (2003), p 9.

¹³¹ Hem, de Chernatony & Iversen (2003), p 3.

¹³² Tauber (1988).

doubt.¹³³ Similarly, Andrews and Smith found corporate credibility to be a valuable association when introducing brand extensions, in terms of expertise and trustworthiness.¹³⁴ Aaker and Keller state that consumers may see high-quality brands as being more trustworthy, credible and being of higher expertise, influencing their willingness to give the benefit of a doubt to the brand's extension.¹³⁵ Credibility is one of two key signals in Erdem and Swait's model for consumers' evaluation of brands, with clarity being the other, both showing a clear effect on consumers perception of the quality, risk and cost of information when evaluating extensions.¹³⁶ Source credibility and its two dimensions of expertise and trustworthiness, has finally also been shown to affect the actual effect of persuasive communication.¹³⁷

Reputation can also be the result of previously launched and favorably evaluated brand extensions, and might be an important factor to measure when expanding, as a company broadens its brand and establishes a reputation of introducing high quality products, creating a proven track record. Corporate brands can "lack specific product associations because of the breadth of products attached to their name (...) but their established reputation for introducing high-quality products and standing behind them may be an important risk-reducer for consumers", something that may also affords them to lack, or underperform, in specific product associations or attributes in future extensions.¹³⁸

We expect then that the effect of an increase in the number of previous extensions on the evaluation of a new extension and on other measures will be moderated by the perceived reputation of the brand, coming into play as consumers evaluate the new extension. A brand with high reputation is thought to be able to gain leverage and additionally increase its level of product fit, improve the evaluation of the extension and show a stronger effect overall, as opposed to the low reputation brand where the effect is believed to be more smaller.

H 6: High reputation firms will gain relatively more in favorable ratings than firms of low reputation when the number of previous brand extensions increases from 1 to 3. In other words: **Reputation will have a moderating effect on the effect of increasing the number of previous brand extensions of poor fit.**

¹³³ Keller (2008), p 527.

¹³⁴ Smith, Andrews, (1995).

¹³⁵ Keller (2008), p 527, see also Aaker, Keller, 1992.

¹³⁶ Erdem, T., & Swait, J. (2004). Brand credibility, brand consideration, and choice. *Journal of Consumer Research*, 31(1), p 191.

¹³⁷ Aaker & Keller (1992), p 37.

¹³⁸ Keller (2008), p 408.

3 Methodology

This section aims to describe how the study was designed and executed with the goal to provide sufficient support for a repetition of the study. We begin with a segment describing how the choice of scientific approach and products and brands were taken under consideration. This is followed by a detailed description of the pre-study as well as the main study with regards to execution, sample, stimuli and results. Finally, the concluding segment tries to evaluate the validity and reliability.

3.1 Choice of scientific scope and research approach

While general research regarding product and brand extensions is plentiful, the signaling effects of brand extensions are somewhat neglected. Consequently an explorative scientific approach was considered appropriate in order to both broaden and deepen previous research. Most of the theories derive from brand extension research but are built upon using novel research.

The main research study, as well as our pre test study, use a quantitative method with surveys and statistical analyses of the survey results. The quantitative method was chosen as most of the previous research in the area is based on the same method. As such, by using previously tested methods of surveying similar subjects the reliability of the current study is strengthened.

The quantitative method provides ample data for analysis but lacks the flexibility of the qualitative approach which answers can be followed up upon, leading to a better understanding of what exactly the driving forces behind consumers' responses. While these aspects may have provided an even deeper understanding of the subject the qualitative approach was rejected as the subject of the paper was determined to be better suited for a quantitative study, primarily based on the notion that the effects of brand extensions emanate from internal processing of which the consumer may be oblivious. When using a qualitative approach the interviewer and the questions easily influence this internal processing, in other words, the respondent is conditioned into post processing the information rather than answering directly.

On the other hand, a quantitative approach allows for different stimuli in different cells to be examined. In such a study separate groups of consumers can be exposed to separate sets of previous brand extensions, allowing the respondents to answering the questions directly and without being coerced into a specific mindset. Ideally, such responses will be the direct consequence of the internal processing and provide an unbiased sample for analysis.

3.2 Products and brands

The different cells of the study included a different number of previous extensions. Each extension came from a specific product category. The categories chosen were: Groceries, toys, cars, computers,

and clothing, chosen as they all shared a low level of internal fit. The internal fit was examined through the pre-test that preceded the main study with its methodology and results described in the next section.

As for the brands used, they were anonymous or “blanked”. The decision to blank brand names was chosen for several reasons: As soon as a brand has some level of awareness potential, brand knowledge can influence the experiment negatively, with associations from outside of our controlled environment coming into play, as previous research has shown consumers to evaluate products and brands based on previous information.¹³⁹ This would include not only the existing associations of reputation and innovation, but also the differences in knowledge about past extensions between respondents, as well as the fact that our proposed extensions had not existed in reality by any known brands that we might have picked.¹⁴⁰ Therefore, before any kind of advertising or other product information is available for the participants, a blanked baseline provides the cleanest test of product and brand evaluation, avoiding the influence of existing brand or product knowledge, leading to relatively unbiased information in the answers.¹⁴¹

3.3 Pre-test

In order to identify suitable product examples for the main study a pre-test was conducted, with a two-folded purpose:

i) The first sought to identify how consumers evaluate the reputation of two different companies after reading two descriptions of fictional brands lacking names.

The concept of corporate reputation was examined by formulating two different texts loaded with positive and negative cues, with cues derived from earlier academic research in the field of reputation. Such research has shown that consumers construct reputation on the basis of information about firms’ positions within their fields. In other words, firms transmit market and accounting signals that indicate performance, institutional signals indicating conformity to social norms, and strategy signals indicating strategic postures that consumers are able to evaluate and use to form an opinion regarding corporate reputation.¹⁴² To simplify this somewhat; reputation can be seen as an outcome of a process in which firms signal their key characteristics to consumers with the

¹³⁹ Keller (2008), p 511.

¹⁴⁰ Gürhan-Canli, Z., & Batra, R. (2004). When corporate image affects product evaluations: the moderating role of perceived risk. *Journal of Marketing Research*, p 197.

¹⁴¹ Keller (2008), p 511.

¹⁴² Fombrun, Shanley (1990), pp. 233 – 234; Fombrun, Charles J, van Riel, Cees (1998), *The Reputational Landscape*, in: *Corporate Reputation Review*, Vol. 1, pp. 5 – 14.

intent to maximize their social status.¹⁴³ (Several researchers argue that reputation is the result of satisfying consumer experiences with a company's products.¹⁴⁴ In this case, reputation is inferred from the firm's past actions.¹⁴⁵) As this pre-study precedes any interaction with any of the participating brands or products the pre-study was designed not to survey any such aspects of reputation and instead focused on the signaling aspects.

One text was formulated to contain a number of positive reputation cues whereas the second included several negative cues in order to differentiate the two as much as possible.

The basis for the different measures relies on the work of Schwaiger, who split corporate reputation into two dimensions, a cognitive component (competence) and an affective one (sympathy).¹⁴⁶ Although Schwaiger uses 27 different measures to evaluate corporate reputation this number was reduced to 11 in the pre-test survey. The specific questions can be found in the appendices.

ii) The second sought to evaluate product fit between a number of product categories in order to identify pairs of categories with relatively low fit between themselves. Next to the general fit and overall similarity, our pre-test aimed to evaluate pairs with incongruent fit, with fit as defined by Aaker & Keller taking the three aspects of complementarity, substitutionality and transfer of skills (as described in our section treating the theoretical background above).¹⁴⁷

3.3.1 Pre-test execution

The pre-test was conducted by using the online survey tool SurveyMonkey. The recruitment was based on a convenience sample, collected by a link that was passed on to people in the authors' network. As the purpose of the pre-test was to get a confirmation of existing concepts a convenience sample was deemed sufficient and used due to its accessibility. A total of 41 respondents started the survey, of which 25 finished it in its entirety, indicating a completion rate of over 60%. The consumers' answers were evaluated by using 7-point Likert scales.

3.3.2 Pre-test results

In order to reduce the large number of variables used to evaluate the underlying reputation dimension, reliability analyses of the respondents' answers were used. The analysis in the high reputation case proved to be suitable for indexing, with a Cronbach's alpha value of 0.87. In the case

¹⁴³ Spence, A. Michael (1974), Market Signaling: Informational Transfer in Hiring and Related Screening Processes, p 107.

¹⁴⁴ Simon (1985), p. 37.

¹⁴⁵ Weigelt, Camerer (1988), Reputation and Corporate Strategy: A Review of Recent Theory and Applications, in: Strategic Management Journal, Vol. 9, p. 443.

¹⁴⁶ Schwaiger (2004).

¹⁴⁷ Aaker & Keller (1990).

with low reputation answers Cronbach's alpha was estimated at 0.81. As both tests concluded that the answers regarding the two corporations had high internal correlations an index was constructed. The means of the indices were calculated at 5.5 and 2.5 respectively, indicating statistically significant differences at a 99% confidence level.

As for the product fit questions, Cronbach's alpha (per 3 question combination) ranged between 0.65-0.93. Despite isolated combinations falling below a desired 0.7-level the overall direction of the measures were deemed fit to pass and indices were formed for these questions as well. Consequently, indexed means of product groups were compared to each other.

In previous brand extension research it has been observed that product fit has an influence of the evaluation of product and brand extension.¹⁴⁸ Therefore, in order for the main experiment to be uncontaminated by internal product fit between different categories in the case of several products being presented together, it was necessary to identify groups of product with low internal fit.

An ANOVA-analysis would have been preferred for such an analysis, but as the number of respondents was low ($n < 30$) a Wilcoxon signed rank test was used instead. The analyses showed that the categories groceries, toys, cars, computers, and clothing all shared a low level of internal fit at $p < .01$. As a result, these measures were selected for use in the main survey.

3.4 Main test

Our main study had a mixed 2x3 design (0, 1 or 3 extensions and *High* or *Low* reputation as within-subject factor) that was constructed with a consideration to maintain internal validity within each cell of respondents. This meant that all groups were presented with similar surveys, including introductory text and questions, in all aspects except for the part that distinguished the six different groups, the previous number of extensions and the reputation. As such, all respondents were exposed to the same instructions and questions, in the same order.

The different groups and the number of respondents in each are described below:

		<i>Previous number of extensions of poor fit</i>		
		0	1	3
<i>Reputation of company</i>	High	A	B	C
	Low	D	E	F

¹⁴⁸ Aaker & Keller (1990)

As a reinforcement technique the respondents were told that though normally they might form attitudes and make decisions regarding new products using more information than currently provided, the participating companies were interested in what consumers think about their products when given less information.¹⁴⁹

For each cell's scenario, subjects were exposed to a press release description and were told that the purpose of the study was to gather information prior to launching a new product. In order to avoid respondent uncertainty during the processing, two different items were introduced in order to reinforce the independence of the survey. At first the respondents were reassured that their responses were anonymous and that the survey sought to evaluate "true opinions, where there are no right or wrong answers.", furthermore the authors reassured the respondents that "we do not have any stake in the success or failure of these products."

3.4.1 Main test execution

The main test was also conducted by using the online survey tool SurveyMonkey and the recruitment was sourced through SurveyMonkey's panel database. A total of 300 respondents started the survey, with a completion rate of 100%. The responses were evaluated along 7-point Likert scales. These were chosen as the Likert scale has a neutral point (4) and the same amount of positive and negative possibilities (3 each; 1-3, 5-7), and the authors' found support for giving people a choice for a neutral evaluation to be beneficial, as it does not force the respondents to take give an opinion when they have none.¹⁵⁰

In order to ensure that the survey was understandable by regular consumers and that it measured the relevant variables, a smaller sample was sent out to selected individuals. The answers from this sample were not used in the research, as it included individuals with insight into the area of marketing and research, and consequently considered biased.

3.4.2 Main test sample

A large number of previous research articles are subject to the negative skew following the sampling of university students or employees.¹⁵¹ While such samples have several advantages, cost and

¹⁴⁹ Aaker & Keller (1990)

¹⁵⁰ Boolsen, M.W. (2007). Kvalitativa analyser. Forskningsprocess, människa, samhälle. *Malmö: Gleerups*, P 232.

¹⁵¹ See for example Aaker, Keller, 1992.

convenience perhaps being the two most prominent, research has shown that such surveys may not properly reflect the response patterns of other consumers.¹⁵²

In order to increase validity and to better mirror the intentions of actual consumers, participants were randomly selected from the supplier SurveyMonkey's panel database. The database consists of opt-in email participants whom have previously agreed to participate in online marketing research studies, a normal practice among online marketing research firms that then use a targeted approach to sampling versus general random method because of efficiency and costs.¹⁵³ This should, all things considered equal, have provided us with a close to representative set of the US population, or at least of men and women, ages 18 and above.

From this sample respondents were randomly directed to one of the six cells and their respective surveys. In total, 300 consumers participated in the study, making a cell size of approximately 50 respondents. The breakdown of the respondents showed a 51/49 female-male ratio and an age range spanning from 18 to 60+ years, distributed as follows:

Age	Frequency	Share of total
18-29	42	13.7%
30-44	60	19.6%
44-60	103	33.7%
> 60	101	33.0%

The number of respondents (n) for each cell and grouping of cells were as in the following tables:

Group	N
A	48
B	53
C	55
D	49
E	51
F	50

Table 2: Sample size per cell.

Group	N
ABC	156
DEF	150

Table 3: Sample size of groups with "high" and "low" reputation respectively.

¹⁵² Cunningham, William H.; Anderson Jr., W. Thomas; Murphy, John H. *Journal of Business*. Jul74, Vol. 47 Issue 3, p 399; Also - Basil, M. "Standpoint: The use of student samples in communication research" *Journal of Broadcasting & Electronic Media*. Volume 40, Issue 3, 1996, p 30.

¹⁵³ Ambler, T., & Hollier, E. A. (2004). The waste in advertising is the part that works. *Journal of advertising research*, 44(4), p 375.

Group	N
AD	97
BE	104
CF	105

Table 4: Sample size of groups with 0, 1 and 3 previous brand extensions respectively.

3.4.3 Main test stimuli

The survey was introduced as having the intention of gauging consumer interest regarding the introduction of a new product from an existing manufacturer. The respondents read through a shorter text (our stimuli) and were then asked to answer as spontaneously as possible and were assured that their responses were anonymous.

The introductory text presented to respondents included the actual cell-specific stimuli, in which a background brief of a company being of high or low reputation was described, as well as having introduced 0, 1 or 3 previous brand extensions in the past. In order to preserve reliability the exact texts regarding reputation were used as in the pre-study followed directly by an additional line mentioning the intervening product extensions only briefly.

Following this, the parent brand's fictional director of marketing presented a new extension as plainly as possible through a launch statement - this description was the same in all cells.

In order to reinforce the perceived number of extensions a short text preceded the questionnaire in which the terminology of the questions was clarified. "Brand" was described as the producer of a (per group) different number of named category extensions, and the "product" was explained to be the newly introduced brand of clothing.

3.4.4 Main test measures

In order to measure the effect of repeated intervening extensions or poor fit and to answer the specific hypothesis, our post exposure survey included the following measures, of which most are established by previous research for proper reliability.

Product fit was evaluated using the three different questions in accordance to Aaker and Keller's established measure.¹⁵⁴

Aaker and Keller's measure of product fit

¹⁵⁴ Aaker & Keller (1990) p 30.

- **Substitution:** *"To which extent do you consider products from the follow categories to work as substitutes in a certain, specific usage situation? I e how well can one product replace the other?"*
- **Complement:** *"To which extent do you consider products from the follow categories to complement each other in a certain, specific usage situation? I e how likely are you to use them together?"*
- **Transfer:** *"How well do you think a company known for their ability to make one product can produce the other? I e would the people, facilities, and skills used in developing, refining, and making the original product be helpful if the manufacturer were to make the other?"*

The evaluation of the new brand extension was measured in several ways: The measures regarding quality, which were used as the main measure of evaluation by Aaker and Keller, as well as the ones regarding attitude towards the extension, were all replicated from the same study.¹⁵⁵ These measures were however complemented with more direct questions regarding the evaluation: *"How would you evaluate the new clothing brand relative to existing brands in the same category?"*

The measure of perceived difficulty, how hard consumers perceived it to be to design and make the new product by the brand was also included, as although Aaker and Keller found no significant impact in their study we believed it might be linked to the constructs of ability and innovativeness.¹⁵⁶

Quality of the parent brand and its original category are constructs not replicated from other relevant studies, included as the author's wanted to track the change in perception of the parent brand.

Brand ability was assessed by using three statements previously used by Dahlén, Rosengren and Törn: "The brand is smart", "The brand is likely to develop valuable products in the future" and "The brand is good at solving consumers' problems".¹⁵⁷ **Brand interest** was also operationalized by measures used by Dahlén, Rosengren and Törn, "I find the brand interesting" and "I want to buy the brand"; as well as the general measure of brand attitude "What is your overall opinion of the brand".¹⁵⁸

¹⁵⁵ Aaker & Keller (1990) p 30.

¹⁵⁶ Ibid.

¹⁵⁷ Dahlén, Rosengren & Törn (2008) p 394.

¹⁵⁸ Dahlén, Rosengren & Törn (2008) p 395.

Perceived brand innovativeness was measured through a single statement that the respondents were asked to agree with: “The brand is innovative”.¹⁵⁹

Desperation was operationalized using measures developed by Rickardt & Häggarth, who in turn based their research on previous findings by Kirmani in research not directly related to the understanding of brand extensions: “I feel the company is acting desperate”, “I feel the company needs more customers”, “I feel the company is not very successful”.¹⁶⁰

Word-of-Mouth was measured both by Reichheld’s Net Promoter Score question - “How likely is it that you would recommend this product?” - but was also complemented by using the question: “I will speak to others regarding the product”.¹⁶¹

The dimensions were all examined using 7-point Likert scales as measures. The full list of questions and response alternatives can be found in the appendices.

3.4.5 Main test results

In order to best answer the hypotheses the results were broken down and grouped. Each cell was part of several groupings that allowed for us to test the effect of the number of intervening extensions and reputation respectively. (See table 5)

In order to discern whether or not differences between the groups were present, T-tests were conducted between the different cell means at a significance level of 90%.

As the main research questions relate to the differences between one and three previous extensions, these will be presented first. After the comparison of means, the hypothesis regarding the eventual moderating effect of reputation was tested by the use of a MANOVA as well as using T-tests between the subgroups, testing the effect within the groupings by number of extensions.

Finally, additional analyses was conducted in order to discern what effect having introduced one or three previous extensions has, as opposed to having introduced no previous extensions, on consumer evaluations.

3.5 Validity and reliability

The validity measure is used to gauge in what extent a survey manages to actually measure the intended variables, in what extent the survey is adjusted to minimize and exclude random

¹⁵⁹ Kunz, Schmitt, Meyer (2011), p 819.

¹⁶⁰ Kirmani (1990), Rickardt & Häggarth (2011).

¹⁶¹ Reichheld (2003).

measurement errors and to ascertain that the measures themselves are without systematic measurement errors.¹⁶²

Validity can be divided into several underlying dimensions where for example internal validity is the measure of how the manipulation of the independent is what affects the dependent variable. To simplify, internal validity determines whether the observed effects are a consequence of other variables than the manipulation.¹⁶³ External validity, on the other hand, is a measure of how well the cause-and-effect relationships of the results can be generalized and used in other contexts. E.g. is the observed effect only applicable in the current setting or can it be applied elsewhere – and, if so, to what extent? That is; in what populations, settings, times, independent variables and dependent variables can similar results be expected?¹⁶⁴

The reliability measure concerns how well similar results can be obtained by repeating the same experiment, thus indicating how *reliable* the results are. The goal is to be able to repeat the study and obtain similar results through repeated analyses of the questions, with the exception of only minor variations. The measure can be considered to determine random measurement error or bias, e.g. something that creates a permanent deviation from the observed values and the real value. Reasons and causes for such errors can be faulty or incongruent methods of collection of data, a vague or inarticulate questionnaire, indistinct response alternatives or similar errors.¹⁶⁵ Furthermore the respondents' condition can in itself affect reliability through lack of motivation and/or cognitive ability.¹⁶⁶

3.5.1 Reliability of the measures

Reliability was mainly controlled for by using several similar questions to measure the same dimension. Indices were afterwards constructed by combining results, weighing each of the variables evenly. In order to evaluate if indices were relevant to use, a measure of fit using Cronbach's Alpha was used in the cases with 3 variables and Pearson correlation tests in the cases with 2 variables.

The following variable sets were combined into indices:

Q1 Substitutability, Q2 Complementarity, Q3 Transfer	Alpha=0.783
Q10 Brand is smart,	
Q11 Brand is likely to develop valuable future products,	

¹⁶² Söderlund, M. (2005). *Mätningar och mått: i marknadsundersökarens värld*. Liber ekonomi, p 149.

¹⁶³ Malhotra, N. K. (2010). *Marketing research: An applied orientation*. Pearson Education, p 289

¹⁶⁴ Söderlund (2005), p 134-135.

¹⁶⁵ Söderlund (2005), p 134-135.

¹⁶⁶ Söderlund (2005), p 127.

Q12 Brand is a good problem solver	Alpha=0.935
Q23 Company is acting desperate,	
Q24 Company needs more customers.	
Q25 Company is not very successful	Alpha=0.843
Q8 Likeliness to speak to others regarding this product,	
Q9 Likeliness to recommend the product to others	Pearson=0.78 (0.01)
Q15 I would want to buy the brand,	
Q16 I find the brand interesting	Pearson=0.82 (0.01)
Q26 I am very positive towards the company brand,	
Q27 I associate positive things with the company brand	Pearson=0.84 (0.01)

The authors sought to further reinforce the reliability of the study by having the questionnaire pre-checked. While the answers were closed rather than open, it was still necessary to ensure that the respondents understood the response options as well as the wording and order of the questions.

3.5.2 Validity of the studies

A pre-test was conducted to insure that the questions in the survey were clear and to remove any possible parsing or interpretation errors. However, as the survey was conducted through an online survey tool, the possibility to control the situation and eventual distractions during the completion of the survey is limited.

As previously mentioned, another important aspect of validity is to ensure that the measures used in the survey actually measure what they were intended to. In most research, as well as this paper, this is achieved by using multiple item questions to measure the same areas of research. However, the number of items must also be weighed against the length of the survey. A lengthy survey with too many questions run the risk of tiring respondents, and forcing a hurried response, which in turn can lead to results skewing towards the middle.¹⁶⁷

As for the different groups, the survey was designed to ensure validity by presenting the groups of respondents with surveys that only differed in the number of previous brand extensions. The introduction texts, instructions, questions as well as the order of the questions were kept fixed for all groups.

Also, the questions which were regarded to be the better measures of the consumers' perception of the brand were asked in the first section of the survey in order to measure the most critical variables

¹⁶⁷ Söderlund (2005), p 127.

as soon as possible after the exposure to the stimuli. This implementation also limits influence from other questions on the main variables. The results from the study were collected during a short period of time, three business days, which limits external influences on the answers.

Finally, the external validity was strengthened by the use of control two groups. The control groups saw no previous extensions and consequently any affect on product fit or the other measures should have been eliminated. Conversely, the four other groups should give an indication on whether the experiment has affected the respondents' perceived product fit.

3.5.3 Reliability and validity synthesis

Several previously mentioned actions were completed to ensure the reliability of the studies. During the introduction of the different stimuli, all respondents were given identical instructions in order to minimize the risk of interference due to interviewer effects.

Another measure was to simplify the questions and to reduce the number of possible responses per question. The analysis ended up with a total of 15 questions and an all in all total of 28 variables as some questions allowed for matrix type answers, adding variables but not questions to the total. The measures used were in all cases previously proven in other contexts and consequently well suited for the studies. Together, this led to a completion rate of 100%, which is considered extremely high for such type of studies.

In some cases, where applicable, several similar questions were used to measure the same variable in the study. For these batteries, Cronbach's alpha tests have been used in order to evaluate whether the variables were suitable for indexing.

The validity increases as several measures were undertaken to ensure its robustness. The pre-test ensured that the questions were understandable and relevant, aimed to limit the systematic errors and raise validity. Furthermore, the fact that the surveys were completed using actual consumers instead of a student or convenience sample affects the validity positively.

However, validity is negatively affected by the fact that the surveys were answered in an online setting which offers limited control of the environment and state of mind of the respondents during the response phase. It is also impossible to know if the respondent answered the survey alone or if the answers are to be regarded as a result of discussion among several respondents or a joint effort of several respondents. Also no pre-test was administered in order to examine whether or not consumers found the three extension scenarios different.

Nevertheless, previous research has also proven that online surveys, despite their drawbacks, are often superior to traditional methods of gathering consumer data.¹⁶⁸ As a conclusion, the researchers' consensus is that the validity and reliability of the studies can be considered to be adequate.

Finally, the survey includes 310 responses, with a minimum of 50 for each of the six cells. Despite the obvious advantages of an increase in the number of respondents, 50 was deemed a sufficient amount per group in relation to time and financial constraints of gathering more extensive.

3.6 Tools for analysis

The online survey tool SurveyMonkey was used for the online questionnaire. From SurveyMonkey, the recorded responses were exported to Microsoft Excel and after this imported to IBM PASW Statistics 20. As the study was made up by 6 different cells, group variables were created to denote the different experiment groups. Before analyzing the data, the file was edited in order to facilitate the analysis. All variables were recoded into numeric variables in order to obtain relevant variable means from the 7-point Likert scales.

Variables intended to evaluate the same measures were indexed. In these cases, the reliability was assessed by use of Cronbach's alpha. The cut-off-point for reliability was set at $>.7$.

A MANOVA analysis was used to ascertain significant differences in multi tests and then broken down in mean comparisons using T-tests. The main analyses of the variables were based on the MANOVA and the mean comparisons. The hypotheses were tested using T-test mean comparisons with a 90% level of significance.

¹⁶⁸ Evans, J. R., & Mathur, A. (2005). The value of online surveys. *Internet Research*, 15(2), 195-219.

4 Empirical evidence

4.1 Summary of results

In our experiment, the effect of three intervening extensions of poor fit was significantly positive compared to that of one intervening extension on all measures regarding the evaluation of the new extension.

No significance difference was found in the perceived fit and no significance was found in the moderating effect of reputation.

Still, additional analysis does show a significant pattern in the effect of increasing intervening extensions, from a decrease when moving from zero to one extension, to an increase when having launched three intervening extensions over one.

4.2 Main effects of increasing previous brand extensions with poor fit

Table 5 - Groups BE and CF means

Results between groups with 1 vs. 3 previous brand extensions

<i>Student t-test</i>		<i>1 previous extension (BE)</i>	<i>3 previous extensions (CF)</i>	<i>Difference</i>	<i>Significance</i>
1	Perceived fit	2,86	3,03	0,17	n.s.
2A	Extension evaluation	3,30	3,63	0,33	SIG
2B	Extension attitude	2,80	3,21	0,41	SIG
3A	Perceived quality of company	3,28	3,78	0,50	SIG
3B	Perceived quality of extension	3,03	3,36	0,33	SIG
3C	Perceived quality or original category	3,53	3,91	0,39	SIG
4A	Ability	2,89	3,14	0,26	n.s.
4B	Brand interest	2,98	3,52	0,54	SIG
4C	Perceived difficulty	4,75	5,13	0,38	SIG
4D	Innovative	3,10	3,67	0,57	SIG
4E	Desperation	4,50	4,17	-0,34	n.s.
5	Word of Mouth	2,87	3,26	0,40	SIG
<i>N</i>		104	105		

H 1: An increased number of intervening brand extensions of poor fit will result in a **higher perceived fit** between the new brand extension and the original category.

REJECTED

More than one previous brand extension did not result in a significant higher perceived fit between the new brand extension and the company's original category.

H2A: An increased number of intervening brand extensions of poor fit will result in a **higher overall evaluation of the new brand extension**.

ACCEPTED

Consumers who learned of the company's previous three extensions with poor product fit rated the new brand extension higher than those who learned only of one previous brand extension.

H2B: An increased number of intervening brand extensions of poor fit will result in a **more positive attitude towards the new brand extension**.

ACCEPTED

Our study found consumers who had learned of the company's previous three extensions with poor product fit to have a higher attitude towards the new brand extension than those who learned only of one previous brand extension.

H 3A: An increased number of intervening brand extensions will result in a **higher perceived quality of the new brand extension**.

ACCEPTED

H 3B: An increased number of intervening brand extensions will result in a **higher perceived quality of the parent brand**.

ACCEPTED

H 3C: An increased number of intervening brand extensions will result in a **higher perceived quality of the original category**.

ACCEPTED

Consumers who learned of the company's previous three extensions with poor product fit rated the new brand extension's quality to be higher than those who learned only of one previous extension. The perceived quality of the parent brand and its original category were also both found to be significantly higher when the new brand extension was preceded by three extensions of poor fit.

H 4A: An increased number of intervening brand extensions of poor fit will result in a **higher perceived ability of the parent brand**.

REJECTED

H 4B: An increased number of intervening brand extensions of poor fit will result in a **higher brand interest in the parent brand**.

ACCEPTED

H 4C: An increased number of intervening brand extensions of poor fit will result in a **higher perceived difficulty of making the new brand extension**.

ACCEPTED

The perceived difficulty of producing the new brand extension was found to be significantly higher when three previous brand extensions had been made than when only one previous brand extension had been introduced.

H 4D: An increased number of intervening brand extensions will result in a **higher perceived innovation of the parent brand**.

ACCEPTED

Innovativeness saw significant improvement when three previous extensions of poor fit had been introduced.

H 4E: An increased number of intervening brand extensions will result in a **lower perceived desperation of the parent brand**.

REJECTED

Desperation was not found to be significantly lower (positive direction) when three previous extensions had intervened.

H 5: An increased number of intervening brand extensions will result in a **higher propensity to recommend** (word-of-mouth intention).

ACCEPTED

Word-of-mouth saw significant improvement when three previous extensions of poor fit intervened.

4.3 The moderating effect of reputation

	Intercept		rep		ext		rep * ext	
	F	Sig.	F	Sig.	F	Sig.	F	Sig.
Pillai's Trace	824,393	,000	3,371	,000	,825	,750	,633	,949
Wilks' Lambda	824,393	,000	3,371	,000	,828	,745	,633	,949
Hotelling's Trace	824,393	,000	3,371	,000	,831	,741	,633	,949
Roy's Largest Root	824,393	,000	3,371	,000	1,298	,192	,916	,555

Table 6 MANOVA results

H 6: High reputation firms will gain relatively more in favorable ratings than firms of low reputation when the number of previous brand extensions increases from 1 to 3. **Reputation will have a moderating affect on the effect of increasing the number of previous brand extensions of poor fit.**

REJECTED

The results from all four of the MANOVA tests found reputation to have no significant moderating effect on the number of extensions.

Table 7: Group B and C means

Results between groups with high reputation, 1 vs. 3 previous brand extensions

Student t-test		1 previous extension (B)	3 previous extensions (C)	Difference	Significance
1	Perceived fit	2,92	3,21	0,30	n.s.
2A	Extension evaluation	3,43	3,85	0,42	SIG
2B	Extension attitude	2,89	3,40	0,51	SIG
3A	Perceived quality of company	3,85	4,31	0,46	n.s.
3B	Perceived quality of extension	3,21	3,62	0,41	n.s.
3C	Perceived quality or original category	4,04	4,36	0,33	n.s.
4A	Ability	3,14	3,50	0,36	n.s.
4B	Brand interest	3,23	3,82	0,59	SIG
4C	Perceived difficulty	4,81	5,04	0,23	n.s.
4D	Innovative	3,40	4,16	0,77	SIG
4E	Desperation	4,06	3,99	-0,08	n.s.
5	Word of Mouth	2,89	3,54	0,65	SIG
N		53	55		

Table 8 - Group E and F means

Results between groups with high reputation, 1 vs. 3 previous brand extensions

<i>Student t-test</i>		<i>1 previous extension (E)</i>	<i>3 previous extensions (F)</i>	<i>Difference</i>	<i>Significance</i>
1	Perceived fit	2,80	2,83	0,03	n.s.
2A	Extension evaluation	3,16	3,38	0,22	n.s.
2B	Extension attitude	2,71	3,00	0,29	n.s.
3A	Perceived quality of company	2,72	3,20	0,48	n.s.
3B	Perceived quality of extension	2,85	3,08	0,23	n.s.
3C	Perceived quality or original category	3,02	3,42	0,40	n.s.
4A	Ability	2,64	2,76	0,12	n.s.
4B	Brand interest	2,74	3,20	0,46	n.s.
4C	Perceived difficulty	4,69	5,24	0,55	n.s.
4D	Innovative	2,81	3,14	0,33	n.s.
4E	Desperation	4,95	4,36	-0,59	SIG
5	Word of Mouth	2,85	2,97	0,12	n.s.
	<i>N</i>	51	50		

4.4 Additional analysis – revisiting the rejected hypotheses

Although the means show no statistical significances for a number of hypotheses, the general pattern between 0, 1 and 3 previous extensions seems to be consistent. The group that was exposed to a single previous extension seems to be providing more negative evaluations than the group who saw no previous extensions. Furthermore, the group that was exposed to three previous extensions seems to be evaluating the dimensions of new and old products as well as parent brand more favorably than both previous groups (e.g. 0 and 1 previous extension).

In order to discern whether or not these patterns were random or whether they were an indication that the differences in means may be quantifiable in large sample groups (and consequently reversing the outcome of the rejected hypotheses) a sign test was conducted.

The number of possible outcomes in terms of mean differences can be estimated $2^3=8$. This implies that the probability of a certain outcome will be 12.5% (derived through $p=1,00/(2^3)$). E.g. the chance of 1 previous extension being more poorly evaluated than none, and three receiving more positive evaluations than both 0 and 1 previous extension, is one in eight.

Looking at the means, the different outcomes in mean differences can be summarized in the following sign table:

Sign	BE-AD	CF-BE	CF-AD
A	<0	>0	>0
B	>0	>0	>0
C	>0	<0	<0
D	<0	>0	<0

Applying this on the table of means produces the following:

Table 9

		AD	BE	CF	BE-AD	CF-BE	CF-AD	SIGN
1	Perceived fit	3.08	2.86	3.03	-0.22	0.17	-0.05	D
2A	Extension evaluation	3.54	3.3	3.63	-0.24	0.33	0.09	A
2B	Extension attitude	3.01	2.8	3.21	-0.21	0.41	0.2	A
3A	Perceived quality of company	3.52	3.28	3.78	-0.23	0.5	0.27	A
3B	Perceived quality of extension	3.33	3.03	3.36	-0.3	0.33	0.03	A

3C	Perceived quality of original category	3.71	3.53	3.91	-0.18	0.39	0.2	A
4A	Ability	3.1	2.89	3.14	-0.22	0.26	0.04	A
4B	Brand interest	2.96	2.84	3.2	-0.11	0.36	0.25	A
4C	Perceived difficulty	4.74	4.75	5.13	0.01	0.38	0.39	B
4D	Innovative	3.36	3.1	3.67	-0.25	0.57	0.31	A
4E	Desperation	4.35	4.5	4.17	0.16	-0.34	-0.18	C
5	Word of Mouth	3.17	2.87	3.26	-0.3	0.4	0.1	A

The total number of trials (possible cases, one per variable) is 12. The number of cases where the results match the desired pattern (in this case A) is 9. This means that in 9 out of 12 cases the results match the 1/8 probability. Using the binomial distribution the probability of such an event occurring randomly is estimated to less than 0.000001 percent, in other words a significance of 99%. Consequently, the pattern in the data seems unlikely to be truly random. As such, it is possible that the rejection of the t-test hypotheses is a product of the low number of respondents, rather than a non-fundamental difference in means.

5 Discussion

Our research clearly shows that consumers evaluate brand extensions more positively the more previous brand extensions of poor fit have been made. This is in line with Aaker and Keller's findings from their research regarding sequential introductions of brand introductions and implies that even though new extensions are of poor fit with the original brand, brands can benefit from introducing several new extensions once the first has been launched.

While the product fit measure increased as the number of extensions grew, the increase for the differences between one and three previous extensions was not found to be significant. This outcome is likely reliant on several factors, but we attribute it mainly to the fact that categories of intentionally low fit, or incongruity, were chosen, as they are the focus of our study and it would be difficult to test the effect they have on future extensions with better congruity. In that sense it may come as no surprise that consumers still see the categories of Clothing and Cars as still distinctly different. However, the authors expected an eventual difference in product fit that would serve as a strong indicator and reason to accept the hypothesis. (If brands with very poor internal fit were considered to approach each other as more extensions were introduced, the connection seemed more likely to also hold true for brands with better product fit.) Nevertheless, it is possible that the low initial fit overshadowed the signaling effects of several extensions and thus failed to produce a significant difference between the groups, where a less incongruent pairing might have resulted in a significant outcome.

The more notable result from our study comes from the fact of product fit not being a key part in the favorable evaluation of the new extensions, something contrary to Aaker and Keller's findings. Our product fit measures were drawn from Aaker and Keller research, where they established product fit to have a significant impact on evaluations of brand extensions, but Boush and Loken also found that new extensions will not be evaluated favorably when there's low similarity between it and the original category.¹⁶⁹ They attribute this to the fact that those associations will not be seen as relevant to judging the extension.¹⁷⁰ In this study however, it is shown that product fit has a relatively *low* impact on product evaluations, as the overall evaluation of the new brand extensions (as well as extension quality and attitude) are significantly higher the more intervening extensions have been introduced, whereas the level of product fit remain the same.

¹⁶⁹ Aaker & Keller (1990); Boush & Loken (1991).

¹⁷⁰ Farquhar, P. H., Herr, P. M., & Fazio, R. H. (1990). A relational model for category extensions of brands. *Advances in Consumer Research*, 17(1), 856-860.

It is our conclusion then that product fit may not always be of high importance, but rather that the aforementioned theory of brand concept consistency may have played a part.¹⁷¹ This as the increase of intervening and incongruent extensions may change the perception of the brand from being an opportunistic firm seeking a one-off extension out of its reach, to a firm whose brand meaning is to seek out creative extensions, something that's supported by the significant increase in innovation, difficulty and word-of-mouth.

In Aaker and Keller's study on sequential introductions, they exposed participants to explicitly successful or unsuccessful intervening extensions and we do suspect that this may have helped shape consumer evaluations of new brand extensions in our study as well.¹⁷² Although controlled for, we suspect that the pure increase in intervening extensions might cause consumers to infer them to be successful; that a brand that has previously extended into new categories is seen as having proven by the social proof that at least some consumers are likely to have purchased these earlier products.

Even though brand reputation in previous research has been shown to have a moderating effect on new product extensions, no such effects were present in the conducted experiment.¹⁷³ Instead, both high and low reputation groups showed similar results when related to all variables as a whole.

Finally, our additional analysis in section 4.4 show that an underlying pattern when taking all variables into consideration exists. Scores turned consistently worse when having launched only one previous extensions going from zero, but turn again to then be consistently higher again when having launched an additional two more extensions, moving from 1 to 3, with some being better at three extensions than none. With a high significance level we can clearly conclude that one intervening highly incongruent extension into a far away category may be poorly received, but that three extensions might improve consumers acceptance and perception of the firm.

5.1 Implications for marketers

While one incongruent extension may be harmful to the extending brand, increasing the number of extensions seem to mitigate this factor, and even reverse it entirely. Romeo's research pointed towards parent brands not being affected by unsuccessful extensions, while John, Joiner and Loken found that the perception of the quality of the parent brand did not decrease either.¹⁷⁴ This, together

¹⁷¹ C Whan Park, Sandra Milber, Robert Lawson, "Evaluation of Brand Extensions: The Role of Product Level Similarity and Brand Concept Consistency", *Journal of Consumer Research* 18, (Sept 1991) 185-193

¹⁷² Aaker & Keller (1992).

¹⁷³ Hem, de Chernatony & Iversen (2003); Aaker & Keller (1992).

¹⁷⁴ Jean B Romeo, "The Effect of Negative Information on the Evaluation of Brand Extensions and the Family Brand", *Advances in Consumer Research*, Vol 18; John and Loken (1993).

our results, would imply then that the downside is limited, making the case to pursue the launching of distant extensions, in particular if the brand is only known for a single flagship-like product.¹⁷⁵ The case for extending with less care than the choice of not extending at all can also be made when taking into consideration the risk of future extendibility challenges for brands that “consumers see as prototypical for a product category”.¹⁷⁶

Another interesting result with practical implications for marketers is the fact that the reputation of the brands launching the new extensions seems to be unrelated to the beneficial effects of launching new extensions. Initially the belief was that high reputation brands had more to gain from extending into new categories, whereas low reputation would be perceived only as more desperate. This implies that marketers involved with low reputation brands may use extensions, however far-fetched in connection to their main category, as a tool to improve the perception of both product and parent brand perceived quality. Additionally, high reputation brand marketers may extend safely into seemingly outrageous categories without fearing consumer repercussions.

5.2 Critique of the study

For one, the design of the study included an exposure to the parent brand in an un-natural form, based on purely text introductions, an anonymous brand, without much actual product description, advertising or promotional messages. This may lead to limited processing in the consumers’ mind, and consequently not enough indication that their perception has changed. Altogether, the respondents were given very scarce information regarding the extensions and the parent brand. This implies that the findings are likely to be generalized mainly in other low involvement decisions.

Previous research has shown that logos and other brand elements can help to drive desirable parent brand associations.¹⁷⁷ As such, a more realistic setting with more embellished ads where the elements would be more prominent may have produced clearer results, for example in the form of a proper print ad. The former also holds true for the manipulation, which was conducted rather covertly in the survey descriptions. A special paragraph was used to enforce the message but image ads exposing the previous extensions physical appearance could have produced even stronger effects.

¹⁷⁵ John, Loken, Joiner, 1998*, “The Negative Impact of Extensions- Can Flagship Products Be Diluted” *“The results of three experimental investigations indicate that beliefs about flagship products are less vulnerable to dilution than beliefs about the parent brand name in general.”*

¹⁷⁶ Keller (2008), p 528: Brands risk not being able to break out of strong associations of the category, with the long-term danger of even becoming the term used for the entire category as awareness peaks such as Jeep, Frigidaire or Aspirin.

¹⁷⁷ Keller (2008), p 522.

In addition, the study was based on one single exposure in an online setting, which also offered relatively low control of the respondents' situation. This might not have influenced the respondents enough in order for differences in opinion to register in their responses. Previous research using actual print advertisements can be used with great aptitude, which may have been beneficial in this study as well. On the same note, several exposures can also be used to further imprint the signaling message and may have made it easier to accept the extension incongruity.

However, as several other variables *did* show significant results in the evaluation of one and three previous extensions, there are strong indications that the main issue with the results lies in the magnitude of the study, i.e. sample size. The results from our sign test provides further proof that this may be correct; while the means show no significant differences, the aggregated data implies that the results should be quantifiable in larger respondent groups, which may lead to significant differences as the number of respondents grows.

5.3 Areas of future research

The conducted experiment has shown that brands are, in several dimensions, affected positively by launching new extensions. In this case, having launched three extensions is seen as more favorable than having launched only one extension. Nevertheless, it remains uncertain whether or not this positive effect can be further quantifiable when increasing the number of previously launched extensions above three. Would a brand that has launched five previous brand extensions outperform those who have launched three? Or at least outperform one that has not launched *any* previous extensions? The latter question seems to be indicated by the results of our study but is of interest for future research that would do well to carry forth the results and magnify them by using an even bigger number of extensions.

Another interesting area of research to pursue would be to deep dive into the underlying behavioral and attitudinal changes that affect the evaluation of both the brand and the new extension products positively. While initial thoughts on this was outlined in the discussion, it remains to be tested on empirical grounds in which exact dimensions the consumers' perceptions are affected.

The results of the conducted research herein implies that innovation and perceived difficulty of manufacturing the product are important factors in forming the mindset of the consumers. If these factors were modified and tried anew, would the same positive effects previous, low fit, extensions remain?

Looking at how perceived quality increased for both parent brand and the new product, it would also be of interest to understand how a new launch in a category with poor fit influences the perception

of the previously launched products. As the results from this experiment indicates that reaching out to new categories, even when the new and preexisting product fit is poor, has a undoubtedly positive influence on both products, perhaps it can also have the same effect on previous extensions. If this were to be the case, it would imply that marketers who have previously launched unsuccessful products might simply continue to expand the brand as a measure to improve the consumers' perception of previous launches.

Furthermore, it would also be interesting to examine whether the results of the conducted experiment would also hold true for a brand that launches new products (of poor fit) in liaison with other companies (co-branding) rather than just under its own brand (brand extension). Can a company be seen as a better general partner after creating several low fit partnerships?

Finally, several aspects of the concluded research showed a clear positive pattern as number of extensions grew, but the differences in means were not enough to produce statistically significant results. However, the similarity and pattern of the results are unlikely to be random, as proved by our binomial test, indicating an underlying pattern but where our number of respondents may have been insufficient. Consequently, a large-scale study replicating our research would be an addition to the research area in question.

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7 Appendices

7.1 Research design model

Table 10

		<i>Previous number of extensions of poor fit</i>		
		0	1	3
<i>Reputation of company</i>	High	A	B	C
	Low	D	E	F

Table 11

		<i>Previous number of extensions of poor fit</i>		
		0	1	3
<i>Reputation of company</i>	High	48	53	55
	Low	49	51	50

7.2 Pre-test survey questions

1. X is a respected competitor in its market.
2. As far as I know, X is known worldwide.
3. I believe that X performs at a premium level.
4. The products/services offered by X are of high quality.
5. I think that X's products / services offer good value for money.
6. The products/services X offers are good.
7. X seems to be a reliable partner for customers.
8. In my opinion X tends to be an innovator in their industry.
9. X is an economically stable company
10. I have the feeling that X is not only concerned about the profit
11. X is concerned about the preservation of the environment

7.3 Pre-study results

Table 11 Pre-study reputation confirmation result:

	N	Mean	Std. Deviation
High reputation	39	5.5361	.90280
Low reputation	23	2.5138	.86052

Table 12 Pre-study category fit results:

	N	Mean	Std. Deviation
computers_toys_total	26	4,6154	1,33564
cars_toys_total	26	3,3333	1,58044
clothing_toys_total	25	2,1600	1,26242
cellphones_toys_total	26	3,8077	1,46416
groceries_toys_total	26	1,6667	1,17000
cameras_toys_total	25	3,5600	1,39350
cars_computers_total	25	3,9067	1,11189
clothing_computers_total	24	1,8472	1,33688
cellphones_computers_total	23	5,7826	1,19599
groceries_computers_total	23	1,7826	1,19599
cameras_computers_total	25	4,8267	1,12266
clothing_cars_total	23	1,6667	,81650
cellphones_cars_total	25	3,0400	1,29214
groceries_cars_total	24	1,9583	1,12208
cameras_cars_total	25	2,8800	1,41382
cellphones_clothing_total	26	1,9487	1,29166
groceries_clothing_total	24	1,5972	,87355
cameras_clothing_total	26	2,1154	1,29252
groceries_cellphones_total	25	1,8133	1,28409
cameras_cellphones_total	26	4,6154	1,40061
cameras_groceries_total	25	1,9600	1,37208

7.4 Main test stimuli

High reputation:

The company is a well-known actor within the car industry. Founded in 1895 the company is one of the oldest, still active, companies within its industry. With subsidiaries and offices worldwide, the company has become known for its professional staff and competitive prices, but also for its environmental and social responsibility. After over a decade of leading the development within several of their fields of expertise, the company has become synonymous with visionary thinking and healthy economic growth.

Low reputation:

The company is newly founded foreign actor within the car industry. After a series of ventures in other markets the venture capitalist owners have now turned their eyes on the US. Earlier in the year the company was involved in several scandals regarding a landfill pollution issue in Michigan and allegations of tax evasion. Lately there have been allegations that the company has failed to fulfill promises made in their latest ad campaign but after hiring a new management they are now hoping to get back on track regaining their customers trust.

0 extensions:

Now, the company is venturing into new territory by launching a unique and innovative line of clothing under the same brand. "We are very proud of our new products. After some consideration we decided that this was an exciting new market for us to move into. We hope to show that the clothing industry has much to learn from us", says the global director of marketing at the company.

1 extension:

This company, previously known for making cars, has in the last decade ventured into new territory by launching first a series of toys under the same brand.

3 extensions:

This company, previously known for making cars, has in the last decade ventured into new territory by launching first a series of toys under the same brand. After a few years it also started to manufacture food products, before heading into the camera industry last year with a launch of digital cameras, all under the same brand.

7.5 Main test survey questions

1. To which extent do you consider products from the company's product categories, cars and clothes, to work as substitutes in a certain, specific usage situation? I.e. how well can one product replace the other?
2. To which extent do you consider products from the company's product categories (cars and clothing) to complement each other in a certain, specific usage situation? I.e. how likely are you to use them together?
3. How well do you think a company, known for its ability to make cars, would be able to produce a product in the clothing category? I.e. would the company's skills used in manufacturing cars be helpful to make the new product?
4. To what extent would you expect a new product such as this (clothes) to be introduced by this company?
5. To what extent would you be interested in new products from this company in the future, as they continue to launch into new categories?
6. How well do you agree with the following statements:
 - a. If I was planning to purchase clothes I would want to try the brand
 - b. If I was planning to purchase clothes I'd be likely to purchase the product
7. How likely would you be to:
 - a. Speak to others regarding this product
 - b. Recommend the product to others
8. How well do you agree with the following statements:
 - a. The brand is smart
 - b. The brand is likely to develop valuable products in the future
 - c. The brand is good at solving consumers' problems
 - d. The brand is a brand that I like
 - e. The brand is innovative
9. How well do you agree with the following statements:
 - a. I would want to buy the brand
 - b. I find the brand interesting
10. How do you perceive the overall quality of the following?
 - a. The company
 - b. The new clothing line
 - c. The company's line of cars
11. To what extent do you think it's difficult to design and make the new product?
12. Overall, I am very positive to the clothing brand
13. How would you evaluate the new clothing brand relative to existing brands in the same category?
14. How well do you agree with the following statements?
 - a. I feel the company is acting desperate
 - b. I feel the company needs more customers
 - c. I feel the company is not very successful
 - d. All together, I am very positive towards the company brand
 - e. All together, I associate positive things with the company brand
15. In how many product categories do you perceive that the car company has launched products?

7.6 Main test results

7.6.1 Means groups BE and CF – 1 versus 3 previous brand extensions

Table 13 - Groups BE and CF

Results between groups with 1 vs 3 previous brand extensions

	<i>Student t-test</i>	<i>1 previous extension (BE)</i>	<i>3 previous extensions (CF)</i>	<i>Difference</i>	<i>Significance</i>
1	Extension evaluation	3,30	3,63	0,33	SIG
2	Extension attitude	2,80	3,21	0,41	SIG
3	Perceived fit	2,86	3,03	0,17	n.s.
4	Perceived difficulty	4,75	5,13	0,38	SIG
5	Perceived quality of company	3,28	3,78	0,50	SIG
6	Perceived quality of extension	3,03	3,36	0,33	SIG
7	Perceived quality or original category	3,53	3,91	0,39	SIG
j	Innovative	3,10	3,67	0,57	SIG
k	Ability	2,89	3,14	0,26	n.s.
l	Desperation	4,50	4,17	-0,34	n.s.
m	Attitude towards parent brand	3,18	3,46	0,28	n.s.
o	Intent to purchase	2,71	2,89	0,18	n.s.
p	Brand interest	2,98	3,52	0,54	SIG
q	Word of Mouth	2,87	3,26	0,40	SIG
	<i>N</i>	104	105		

Table 14 - Groups B and C

Results between groups with high reputation, 1 vs 3 previous brand extensions

	<i>Student t-test</i>	<i>1 previous extension (B)</i>	<i>3 previous extensions (C)</i>	<i>Difference</i>	<i>Significance</i>
1	Extension evaluation	3,43	3,85	0,42	SIG
2	Extension attitude	2,89	3,40	0,51	SIG
3	Perceived fit	2,92	3,21	0,30	n.s.
4	Perceived difficulty	4,81	5,04	0,23	n.s.
5	Perceived quality of company	3,85	4,31	0,46	n.s.
6	Perceived quality of extension	3,21	3,62	0,41	n.s.
7	Perceived quality or original category	4,04	4,36	0,33	n.s.
j	Innovative	3,40	4,16	0,77	SIG
k	Ability	3,14	3,50	0,36	n.s.
l	Desperation	4,06	3,99	-0,08	n.s.
m	Attitude towards parent brand	3,53	3,71	0,18	n.s.
o	Intent to purchase	2,94	3,11	0,17	n.s.
p	Brand interest	3,23	3,82	0,59	SIG
q	Word of Mouth	2,89	3,54	0,65	SIG
	<i>N</i>	53	55		

Table 15 - Groups E and F

Results between groups with low reputation, 1 vs 3 previous brand extensions

<i>Student t-test</i>		<i>1 previous extension (E)</i>	<i>3 previous extensions (F)</i>	<i>Difference</i>	<i>Significance</i>
1	Extension evaluation	3,16	3,38	0,22	n.s.
2	Extension attitude	2,71	3,00	0,29	n.s.
3	Perceived fit	2,80	2,83	0,03	n.s.
4	Perceived difficulty	4,69	5,24	0,55	n.s.
5	Perceived quality of company	2,72	3,20	0,48	n.s.
6	Perceived quality of extension	2,85	3,08	0,23	n.s.
7	Perceived quality or original category	3,02	3,42	0,40	n.s.
j	Innovative	2,81	3,14	0,33	n.s.
k	Ability	2,64	2,76	0,12	n.s.
l	Desperation	4,95	4,36	-0,59	SIG
m	Attitude towards parent brand	2,81	3,19	0,38	n.s.
o	Intent to purchase	2,47	2,64	0,17	n.s.
p	Brand interest	2,74	3,20	0,46	n.s.
q	Word of Mouth	2,85	2,97	0,12	n.s.
<i>N</i>		51	50		

7.6.2 Results between groups AD and BE – 0 versus 1 previous brand extensions

Table 16 - Groups AD and BE

Results between groups with 0 vs 1 previous brand extensions

<i>Student t-test</i>		<i>0 previous extension (AD)</i>	<i>1 previous extensions (BE)</i>	<i>Difference</i>	<i>Significance</i>
1	Extension evaluation	3,54	3,30	-0,24	n.s.
2	Extension attitude	3,01	2,80	-0,21	n.s.
3	Perceived fit	3,08	2,86	-0,22	n.s.
4	Perceived difficulty	4,74	4,75	0,01	n.s.
5	Perceived quality of company	3,52	3,28	-0,24	n.s.
6	Perceived quality of extension	3,33	3,03	-0,30	n.s.
7	Perceived quality or original category	3,71	3,53	-0,18	n.s.
j	Innovative	3,36	3,10	-0,26	n.s.
k	Ability	3,10	2,89	-0,21	n.s.
l	Desperation	4,35	4,50	0,15	n.s.
m	Attitude towards parent brand	3,34	3,18	-0,16	n.s.
o	Intent to purchase	2,71	2,71	0,00	n.s.
p	Brand interest	3,21	2,98	-0,23	n.s.
q	Word of Mouth	3,17	2,87	-0,30	n.s.
<i>N</i>		97	104		

Table 17 - Groups A and B

Results between groups with 0 vs 1 previous brand extensions with high reputation

		0 previous extension	1 previous extensions		
<i>Student t-test</i>		(A)	(B)	<i>Difference</i>	<i>Significance</i>
1	Extension evaluation	3,54	3,43	-0,11	n.s.
2	Extension attitude	3,17	2,89	-0,28	n.s.
3	Perceived fit	3,15	2,92	-0,23	n.s.
4	Perceived difficulty	4,79	4,81	0,02	n.s.
5	Perceived quality of company	4,08	3,85	-0,23	n.s.
6	Perceived quality of extension	3,50	3,21	-0,29	n.s.
7	Perceived quality or original category	4,21	4,04	-0,17	n.s.
j	Innovative	3,51	3,40	-0,11	n.s.
k	Ability	3,29	3,14	-0,15	n.s.
l	Desperation	4,03	4,06	0,03	n.s.
m	Attitude towards parent brand	3,66	3,53	-0,13	n.s.
o	Intent to purchase	2,79	2,94	0,15	n.s.
p	Brand interest	3,33	3,23	-0,11	n.s.
q	Word of Mouth	3,17	2,89	-0,29	n.s.
N		48	53		

Table 18 - Groups D and E

Results between groups with 0 vs 1 previous brand extensions with low reputation

		0 previous extension	1 previous extensions		
<i>Student t-test</i>		(D)	(E)	<i>Difference</i>	<i>Significance</i>
1	Extension evaluation	3,53	3,16	-0,37	n.s.
2	Extension attitude	2,86	2,71	-0,15	n.s.
3	Perceived fit	3,01	2,80	-0,21	n.s.
4	Perceived difficulty	4,69	4,69	-0,01	n.s.
5	Perceived quality of company	2,96	2,72	-0,24	n.s.
6	Perceived quality of extension	3,16	2,85	-0,31	n.s.
7	Perceived quality or original category	3,22	3,02	-0,21	n.s.
j	Innovative	3,20	2,81	-0,39	n.s.
k	Ability	2,92	2,64	-0,28	n.s.
l	Desperation	4,66	4,95	0,29	n.s.
m	Attitude towards parent brand	3,04	2,81	-0,23	n.s.
o	Intent to purchase	2,63	2,47	-0,16	n.s.
p	Brand interest	3,08	2,74	-0,35	n.s.
q	Word of Mouth	3,16	2,85	-0,31	n.s.
N		49	51		

7.6.3 Results between groups AD and CF – 0 versus 3 previous brand extensions

Table 19 - Groups AD and CF

Results between groups with 0 vs 3 previous brand extensions

		0 previous extension (AD)	3 previous extensions (CF)	Difference	Significance
	<i>Student t-test</i>				
1	Extension evaluation	3,54	3,63	0,09	n.s.
2	Extension attitude	3,01	3,21	0,20	n.s.
3	Perceived fit	3,08	3,03	-0,05	n.s.
4	Perceived difficulty	4,74	5,13	0,39	SIG
5	Perceived quality of company	3,52	3,78	0,26	n.s.
6	Perceived quality of extension	3,33	3,36	0,03	n.s.
7	Perceived quality or original category	3,71	3,91	0,20	n.s.
j	Innovative	3,36	3,67	0,31	n.s.
k	Ability	3,10	3,14	0,04	n.s.
l	Desperation	4,35	4,17	-0,18	n.s.
m	Attitude towards parent brand	3,34	3,46	0,12	n.s.
o	Intent to purchase	2,71	2,89	0,18	n.s.
p	Brand interest	3,21	3,52	0,31	n.s.
q	Word of Mouth	3,17	3,26	0,09	n.s.
	N	97	105		

Table 20 - Groups A and C

Results between groups with 0 vs 3 previous brand extensions with high reputation

		0 previous extension (A)	3 previous extensions (C)	Difference	Significance
	<i>Student t-test</i>				
1	Extension evaluation	3,54	3,85	0,31	n.s.
2	Extension attitude	3,17	3,40	0,23	n.s.
3	Perceived fit	3,15	3,21	0,07	n.s.
4	Perceived difficulty	4,79	5,04	0,24	n.s.
5	Perceived quality of company	4,08	4,31	0,23	n.s.
6	Perceived quality of extension	3,50	3,62	0,12	n.s.
7	Perceived quality or original category	4,21	4,36	0,16	n.s.
j	Innovative	3,51	4,16	0,65	SIG
k	Ability	3,29	3,50	0,22	n.s.
l	Desperation	4,03	3,99	-0,05	n.s.
m	Attitude towards parent brand	3,66	3,71	0,05	n.s.
o	Intent to purchase	2,79	3,11	0,32	n.s.
p	Brand interest	3,33	3,82	0,48	n.s.
q	Word of Mouth	3,17	3,54	0,36	n.s.
	N	48	55		

Table 21 - Groups D and F

Results between groups with 0 vs 3 previous brand extensions with low reputation

<i>Student t-test</i>		<i>0 previous extension (D)</i>	<i>3 previous extensions (F)</i>	<i>Difference</i>	<i>Significance</i>
1	Extension evaluation	3,53	3,38	-0,15	n.s.
2	Extension attitude	2,86	3,00	0,14	n.s.
3	Perceived fit	3,01	2,83	-0,18	n.s.
4	Perceived difficulty	4,69	5,24	0,55	SIG
5	Perceived quality of company	2,96	3,20	0,24	n.s.
6	Perceived quality of extension	3,16	3,08	-0,08	n.s.
7	Perceived quality or original category	3,22	3,42	0,20	n.s.
j	Innovative	3,20	3,14	-0,07	n.s.
k	Ability	2,92	2,76	-0,16	n.s.
l	Desperation	4,66	4,36	-0,30	n.s.
m	Attitude towards parent brand	3,04	3,19	0,15	n.s.
o	Intent to purchase	2,63	2,64	0,01	n.s.
p	Brand interest	3,08	3,20	0,12	n.s.
q	Word of Mouth	3,16	2,97	-0,19	n.s.
<i>N</i>		49	50		

7.6.4 MANOVA Analysis for test of moderator (1 versus 3 previous brand extensions)

Table 22 Full factorial

(Rep + Ext + Rep*Ext)

Effect		Value	F	Hypothesis df	Error df	Sig.	Noncent. Parameter	Observed Power ^b
Intercept	Pillai's Trace	,981	824,393	17,000	274,000	,000	14014,685	1,000
	Wilks' Lambda	,019	824,393	17,000	274,000	,000	14014,685	1,000
	Hotelling's Trace	51,148	824,393	17,000	274,000	,000	14014,685	1,000
	Roy's Largest Root	51,148	824,393	17,000	274,000	,000	14014,685	1,000
rep	Pillai's Trace	,173	3,371	17,000	274,000	,000	57,308	1,000
	Wilks' Lambda	,827	3,371	17,000	274,000	,000	57,308	1,000
	Hotelling's Trace	,209	3,371	17,000	274,000	,000	57,308	1,000
	Roy's Largest Root	,209	3,371	17,000	274,000	,000	57,308	1,000
ext	Pillai's Trace	,097	,825	34,000	550,000	,750	28,036	,895
	Wilks' Lambda	,905	,828	34,000	548,000	,745	28,145	,896
	Hotelling's Trace	,103	,831	34,000	546,000	,741	28,254	,898
	Roy's Largest Root	,080	1,298	17,000	275,000	,192	22,070	,902
rep * ext	Pillai's Trace	,075	,633	34,000	550,000	,949	21,512	,780
	Wilks' Lambda	,926	,633	34,000	548,000	,949	21,512	,780
	Hotelling's Trace	,079	,633	34,000	546,000	,949	21,511	,780
	Roy's Largest Root	,057	,916	17,000	275,000	,555	15,573	,757