



Downscale extensions: Consumer evaluation and feedback effects[☆]

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ARTICLE INFO

Article history:

Received 1 May 2011

Received in revised form 1 November 2011

Accepted 1 February 2012

Available online 20 August 2012

Keywords:

Vertical line extension

Luxury brand

Brand image

Feedback effect

ABSTRACT

This study analyzes consumers' evaluation and feedback effects of vertical downscale line extensions through an experiment with price (−25% v. −50%), brand concept (luxury v. prestige) and product category (cars v. fashion) conditions. ANOVA results indicate a significant interaction effect of the brand concept with the product category for the evaluation of the extensions. Consumers attribute lower value, hold less positive attitudes and express lower purchase intention towards the downscale extensions originating from a luxury car brand than from a luxury fashion brand. At the brand level, the size of the discount does not make much difference in the overall evaluation of the extension. Prestige brands are more sensitive to dilution effects resulting from the vertical extension than luxury brands. However, the larger discount increases the distance between the prestige brands and the extension, reducing the negative impact on brand image.

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1. Introduction

Extension is a popular growth strategy for both fast moving consumer goods (Ambler & Styles, 1997) and luxury brands (Dall'Olmo Riley, Lomax, & Blunden, 2004). The main premise of an extension strategy is the attempt to leverage the investment on the brand's equity by launching new products that share the same brand name. Managers can opt to extend the brand within its current product category through a line extension or into a completely new product category with a category extension (Aaker & Keller, 1990).

In practice, line extensions are more frequent than category extensions or new brand launches. A study by *Research International* shows that 18% of new product launches also involve the launch of a new brand, while 65% of new products are line extensions of an existing brand and 17% are category extensions (Les Échos, 2004). In contrast, academic research focuses mainly on category extensions (Nijssen, 1999) and to a large extent neglects line extensions. This imbalance between line and category extension research relates, in part, to the assumption that “it is the level of fit between the core brand and the extension, and not the type of extension, which is the most important concern” (Grime, Diamantopoulos, & Smith, 2002: 1417).

Indeed, extant research consistently identifies fit perceptions and brand associations as the main factors which consumers consider in the evaluation of brand extensions (Aaker & Keller, 1990; Völckner & Sattler, 2006), with feedback effects on the image of the parent brand (Loken & Roedder John, 1993; Roedder John, Loken, & Joiner, 1998). Fit between the core brand and the extension plays an important role also in the consumer evaluation of line extensions (Desai & Hoyer, 1993; Kim, Lavack, & Smith, 2001), since different cues, not only category membership, influence fit perceptions (Lei, Dawar, & Lemmink, 2008a).

The assumption of the crucial role of fit for either extension types finds overall support in the literature, but can erroneously lead to the conclusion that consumers always evaluate line extensions on the same criteria as category extensions and may lead to disregard other factors such as price. For example, line extensions often seek to target market segments which are willing to spend more or less money for a premium or for a basic version of the current product (Keller & Aaker, 1992; Sullivan, 1990). Within the vast literature on brand extensions, few researchers have explicitly studied the effect of price on consumers' attitudes towards brand extensions (Lei, de Ruyter, & Wetzels, 2008b; Musante, 2007; Taylor, 2002; Taylor & Bearden, 2002). Yet, price does take on special relevance in the case of a vertical line extension, whereby the brand stretches to a new product within the same category, but at a higher (upscale extension) or lower (downscale extension) price. For example, the decision to vertically extend a brand upscale has an impact on the price premium that consumers are willing to pay for the brand (Randall, Ulrich, & Reibstein, 1998).

On the other hand, in the case of a downscale vertical extension, consumers may associate a lower price with lower quality, with the ensuing risk of brand image dilution. Furthermore, the brand concept

[☆] The authors gratefully acknowledge the following sources of financial help: Government of Spain (“I+D+i”, Ref. ECO2009-08283) and Government of Aragon (“GENERES”, Ref. S-09). The authors would also like to thank Alexander Hoffmann and Anastasia Kalanokova for their help with collecting the data for this research.

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(functional v. luxury) has a compounding effect on the evaluation of a vertical line extension (Kim & Lavack, 1996; Kim et al., 2001; Kirmani, Sood, & Bridges, 1999). However, recent research suggests that a simple dichotomy between functionality and luxury may be inadequate, since luxury brands vary on a continuum of prestige and price (Reddy, Terblanche, Pitt, & Parent, 2009; Truong, McColl, & Kitchen, 2009), as well as status and conspicuousness (Truong, Simmons, McColl, & Kitchen, 2008; Vigneron & Johnson, 2004).

Overall, the relatively scant research on vertical line extensions does not consider how consumers evaluate downscale extensions of different magnitude for brands on the luxury/prestige/price continuum and the resulting effect on the corresponding parent brands' images. This paper addresses this gap in the literature and investigates the effect of downscale vertical line extensions of different magnitude on the evaluation of the extensions and on the brand images of car and fashion brands that, while differing in price ranges and prestige perceptions, are at the top end of the luxury/prestige/price continuum in the respective product category.

The results of this research contribute to the understanding of the effects of downscale vertical line extensions for different brand concepts, beyond the crude dichotomy between functionality and luxury. An additional and important contribution of this study is the discovery of a significant interaction effect between the brand concept and the product category, in the way consumers evaluate downscale vertical line extensions.

2. Literature review

This section presents the general literature on line extensions and examines the roles of brand concept and of price in affecting consumers' evaluations of (vertical) line extensions and the image of the parent brand after the extension. The section ends with a brief discussion of distancing techniques in the context of categorization theory.

2.1. Line extensions

By means of line extensions, companies resort to a familiar brand name to market new products in the same product category (Aaker & Keller, 1990; Reddy, Holak, & Bhat, 1994). Line extensions consist of either vertical extensions or horizontal extensions, depending on whether the new product implies a different price–quality relationship or not (Keller & Aaker, 1992; Kim & Lavack, 1996; Kirmani et al., 1999; Sullivan, 1990). Horizontal line extensions typically involve line stretching, with products that simply provide a new functional feature, whereas with vertical line extensions the brand aspires to enter into a new market segment through upscale (upward or step-up) or downscale (downward or step-down) changes in price and positioning (Michel & Salha, 2005). By means of upscale extensions, a superior version of the main product can target the premium sector of the market. On the other hand, downscale extensions often entail both a lower quality level and a lower price point that suits the necessities of the value market (Aaker, 1997; Kirmani et al., 1999; Liu, 2002).

Line extensions are not without risks. The risk of brand image dilution is especially strong for vertical extensions (Aaker, 1997; Michel & Salha, 2005) and will occur when consumers find a dissonance between the quality of the parent brand and the quality of the extension (Kim et al., 2001). If the company opts for a downscale extension, the core brand could acquire low quality associations (Aaker, 1997; Randall et al., 1998) which can also tarnish the other products under the brand's umbrella (Michel & Salha, 2005). As Randall et al. (1998) note, maintaining brand associations of prestige and exclusivity can be an impossible task, if the company launches vertical extensions targeting the low-end of the market, but not different enough from the original, more expensive products (Michel & Salha, 2005). In this

respect, Pitta and Katsanis (1995) claim that it is essential for companies to know what consumers think of both the core product and the new product to maintain the exclusivity of the brand.

Regarding upscale extensions, Munthre, Bick, and Abratt (2006) claim that this strategy may help revitalize a brand, whenever the positioning and the credibility of the new product are adequate and the extension is neither first-to-market nor late-to-market. Although upscale extensions can build positive brand associations (Randall et al., 1998), consumers might be suspicious of formerly inexpensive brands that promise to deliver functional and emotional benefits in premium segments (Aaker, 1997; Speed, 1998).

When it comes to the extension evaluation processes, the attitude toward a brand name transfers to both category and line extensions through stimulus generalization processes that depend on perceptions of fit between the new product and the brand (Till & Priluck, 2000). The brand extension literature shows that the higher the fit, the higher will be the transference of beliefs and attitudes from the brand to the extension, which improves both the extension attitude (Boush & Loken, 1991; Klink & Smith, 2001; Völckner & Sattler, 2006) and the parent brand's image (Loken & Roedder John, 1993; Roedder John et al., 1998). Brands that stretch too widely can lead to the loss of brand meaning and may cannibalize the sales of other products in the brand portfolio (Kim & Lavack, 1996; Liu, 2002). Therefore, line extensions require developing a new identity that reduces the risk of cannibalization and, in the case of vertical stretching, positions the new product in the desirable price–quality level, while maintaining some degree of coherence with the higher or lower price–quality image of the parent brand (Michel & Salha, 2005). For this reason, many companies resort to second brand names or descriptors as a means to distinguish cheaper extensions (Farquhar, Hann, Herr, & Ijiri, 1992), as in the case of Marriott Hotels launching the downscale extension Courtyard Inn by Marriott.

2.2. Brand concept

Early research on brand extensions highlights the importance of considering the distinction between functional and prestige brands (e.g. Broniarczyk & Alba, 1994; McWilliam, 1993; Park, Milberg, & Lawson, 1991; Pitta & Katsanis, 1995; Sharp, 1993). For both functional and prestige brands, consumers evaluate extensions more positively when there is concept consistency and product feature similarity with the parent brand (Park et al., 1991). At the same time the more abstract, symbolic association of prestige brands may stretch further across different products than functional associations (McWilliam, 1993; Park et al., 1991; Sharp, 1993). However, Broniarczyk and Alba (1994) note that the distinction between functionality and prestige is too broad and that what counts is the relevance of the brand specific associations in the extension context. For instance, in the context of vertical line extensions, the downscale extension of a brand whose core associations are status and high price may be problematic and may tarnish the image of the parent brand (Pitta & Katsanis, 1995).

Kim and Lavack (1996) provide empirical evidence for the potentially negative effects of vertical line extensions on the post-extension evaluation of the parent brand, showing that downscale extensions of luxury brands are more damaging than downscale extensions of functional brands.

Kirmani et al. (1999) find both positive and negative evaluations of vertical extensions, depending on the type of consumer (user v. non-user), on the extension's direction (upscale v. downscale), and on the brand concept (functional v. luxury). The results show that users of functional brands evaluate both upscale and downscale extensions more favorably than non-users. However, users of luxury brands evaluate upscale extensions more favorably, and downscale extensions less favorably than non-users, because of the users' desire to maintain brand exclusivity. Overall, introducing a vertical line extension with a 40% discount on the initial price leads to more negative

evaluations for the luxury brand than for the functional brand. Finally, Kirmani et al. suggest the use of a sub-branding strategy for downscale extensions of luxury brands, in order to prevent parent brand dilution.

Kim et al. (2001) show that, regardless of the brand concept (functional or luxury) and regardless of the direction of extension (upscale or downscale), the introduction of vertical line extensions has a negative impact on the parent brand. Kim et al. explain this finding by means of the bookkeeping model of categorization theory (Weber & Crocker, 1983), whereby consumers' beliefs change incrementally with any new piece of information and any inconsistent information about a new brand extension (e.g. the reduction in price and quality) results in the dilution of the corresponding belief about the parent brand (see also Loken & Roedder John, 1993).

Kim et al. (2001) also note that distancing techniques appear to be effective in reducing the dilution of the core brand image, particularly in the case of a downscale extension of a luxury brand (see Section 2.4 for a discussion of distancing techniques). However, the opposite result occurs with regard to the consumer evaluation of the downscale extension of luxury and of functional brands, whereby distancing lowers the evaluation of the extension product. The trade-off of distancing in the case of downscale extensions suggests that the use of this technique should depend upon the strategic goals of the company: whether maintenance of the core brand or the long-term success of the vertical extension is more important to the future profitability of the firm.

Finally, according to Randall et al. (1998), at the same price point consumers will prefer new products from brands that already provide higher quality products.

2.3. Price

While, by definition, vertical line extension studies consider the effect of a lower or higher price on the extension evaluation and on the post-extension image of the core brand, few studies examine in depth the role and importance of price.

Taylor (2002) and Taylor and Bearden (2002) note that in the case of new products conceptually dissimilar or not pertinent to the core brand, price is an important diagnostic element in consumers' evaluations of brand extensions, since in this case core brand associations are not only less relevant to the extension but also are less diagnostic of its quality. On the other hand, when an extension is conceptually similar or pertinent to the core brand, perceptions and associations about the core brand have a high degree of relevance to the extension and are therefore more influential than price on the evaluation of the extension.

By definition, vertical line extensions are conceptually similar or pertinent to the core brand, since they involve the extension to products within the same product category, at different price-quality points. Consistently, according to Michel and Salha (2005), the main factors determining vertical extension evaluation will be the brand concept and the congruency between the price of the extension product and the price-quality image of the parent brand, relative to the competition. Consumers will accept a vertical extension which is consistent with the core associations of the parent brand, in terms of its price and quality positioning.

Michel and Salha (2005) also note that by signaling to the consumer that the new extension product is in an all together different market segment from the existing products can avoid the possible loss of coherence between the vertical extension and the quality-price perception of the core brand. A substantially lower or higher price for the extension product can provide this kind of signal. At the same time, however, one of the core brand associations must transfer and must be relevant in the new extension context. For a luxury brand, the core association of quality might transfer more easily than the association with status to a product segment at a substantially lower price. Mercedes' vertical extension into Class A cars is an example of this

strategy: the parent brand maintains consistency with the cheaper model and avoids dilution by focusing on its quality associations (rather than its status), while the much lower price of the new car allows Mercedes to expand its market to a younger customer segment.

In contrast, when it comes to assessing the evaluation of the vertical extension, rather than the effect on the core brand, Musante (2007: 60) argues that "the greater the difference between the brand's traditional price range and the price positioning of the new product the less the perceived fit is." In the context of an upscale extension, Musante finds that a new product closer in price to the original offering achieves higher rating than a substantially more expensive alternative.

Finally, another important factor in a price context is the level of financial, performance and social risk which consumers associate with vertical extensions. Lei et al.'s (2008b) findings from two empirical studies in the hotel industry indicate that consumers perceive higher performance and financial risk in upscale extensions than in downscale extensions. On the other hand, the parent brand receives more positive evaluations after the introduction of an upscale extension than of a downscale extension. A limitation of Lei et al.'s study is the lack of consideration of social risk (DelVecchio & Smith, 2005; Liu & Choi, 2009). DelVecchio and Smith (2005: 188) explain that "social risk is present in a brand choice environment to the extent that consumers believe their peers may evaluate them negatively due to a purchase they make" and find that social risk perceptions make consumers more willing to pay a price premium for a brand extension. By inference, social risk helps to interpret Lei et al.'s (2008a) finding that the parent brand receives more positive evaluations after the introduction of an upscale extension than of a downscale extension. Particularly in the case of prestige brands, consumers may perceive that the purchase of a downscale line extension entails a high degree of social risk, especially for those products which are highly evident to peers.

Finally, consistent with earlier discussion, Lei et al. (2008a) highlight that the impact of extension direction (upscale or downscale) on the parent brand is stronger in close extensions than in far extensions. The authors explain this finding with reference to the sub-typing categorization model (e.g. Sujan & Bettman, 1989).

2.4. Distancing techniques and categorization theory

As the review of the literature in previous sections highlights, researchers agree that differentiating or distancing the extension from the parent brand often helps to resolve consumer perceptions of inconsistencies between the vertical extension and the core brand and reduces or eliminates the risk of brand image dilution (e.g. Farquhar et al., 1992; Kim et al., 2001; Michel & Salha, 2005 in Sections 2.1, 2.2 and 2.3). However, with regard to the effect of distancing techniques on consumers' evaluations of vertical line extensions, the results are less straightforward. For example, graphic or linguistic distancing techniques (e.g. the use of sub-branding) appear to have a negative effect on consumers' evaluations of downscale brand extensions, but a positive effect on upscale brand extension evaluations (Kim et al., 2001).

The sub-typing (typicality) model from categorization theory (Sujan & Bettman, 1989; Weber & Crocker, 1983) helps to explain the dynamics of distancing strategies of various kinds. As Gürhan-Canli and Maheswaran (1998:465) explain, "the sub-typing model suggests that atypical instances generally are considered exceptions and categorized as sub-types, with separate sets of beliefs associated with each subtype. Thus, the formation of a subcategory limits the impact of extreme incongruent information on the schema". In the instance of a vertical extension, increasing the distance between the extension and the core brand enhances the formation of a subcategory and limits the negative impact of incongruent information from the extension on the parent brand schema.

The sub-typing model explains the findings by Kim et al. (2001) and other researchers that graphical or linguistic distancing of the core brand from the extension reduces the negative impact on the core brand. However, there is the drawback that distancing a downscale line extension from the parent brand, hence reducing its typicality within the brand schema, may limit the transfer of positive associations from the core brand to the extension. Therefore the evaluation of a downscale extension is less favorable when the extension is further away from the core brand and more favorable when the extension is closer (Kim et al., 2001). On the other hand, as Kim et al. (2001) show, greater distancing (i.e. less typicality) may benefit the evaluation of an upscale extension, since it avoids the transfer of lesser quality perceptions from the core brand to the extension.

The effect of the magnitude of the price differential between a brand and its extension as a distancing technique in its own right is less clear. In the context of an upscale extension without graphic or linguistic distancing, Musante (2007) shows that a new product closer in price to the original offering achieves higher rating than a substantially more expensive alternative. In contrast, Michel and Salha (2005) suggest that a large price differential for the extension product may be in itself an effective distancing technique, helping to avoid the possible loss of coherence between the vertical extension and the quality–price perception of the core brand and positioning the new product in an all together different market segment. This suggestion is consistent with the sub-typing model, whereby consumers will perceive an extension with a price considerably higher or lower than other products as less typical of the parent brand and will be less likely to make any inference from the extension to the brand (see also Loken & Roedder John, 1993).

These contrasting results raise the question of how the price differential between the parent brand and its vertical line extension affect the evaluation of the extension and the post-extension image of the parent brand. Furthermore, it is possible that the magnitude of price differential may have a dissimilar effect for brands differing in quality–price and prestige associations.

3. Conceptual framework and aims of research

The review of the literature on vertical extensions reveals the complexity of this research area in terms of understanding the dynamics of how consumers evaluate upscale versus downscale vertical line extensions and the repercussions of such extensions on the image of the parent brands. There are several gaps in the extant research on vertical line extensions, particularly with regard to the effect of the size of price differential between the vertical extension and the parent brand, for different brand concepts.

While, by definition, vertical line extension studies consider the effect of a lower or higher price on the extension evaluation and on the post-extension image of the core brand, few empirical research papers (i.e. Lei et al., 2008b; Musante, 2007; Taylor, 2002; Taylor & Bearden, 2002) explicitly examine the effect of price on consumers' attitudes towards brand extensions or the effect of price on the post-extension image of the parent brand.

Furthermore, while some studies identify potential differences between functional and luxury brands with regard to consumers' evaluation of vertical line extensions (e.g. Kim & Lavack, 1996; Kim et al., 2001; Kirmani et al., 1999), recent research suggests that a simple dichotomy between functionality and luxury may be inadequate, since luxury brands vary on a continuum of prestige and price (Alleres, 1991; Reddy et al., 2009; Truong et al., 2009), as well as status and conspicuousness (Truong et al., 2008; Vigneron & Johnson, 2004). For example, Alleres (1991) distinguishes between inaccessible luxury, intermediate luxury and accessible luxury, while Truong et al. (2009) describe *masstige* brands as those which combine high prestige with reasonable price premiums and Reddy et al. (2009) differentiate between luxury brands and premium brands. For both luxury and

premium brands quality is important, but the price is lower and distribution is less selective for premium than for luxury brands. Truong et al. (2008) make similar distinctions on the basis of status and conspicuousness, which they consider as two separate dimensions of brand luxury (see also Vigneron & Johnson, 2004). Status indicates quality perceptions, luxury and class; consumers purchase brands high in status as self-reward or to signal wealth (O'Cass & Frost, 2004; Schermach, 1997). On the other hand, conspicuousness relates mainly to external aspects such as the public display of wealth (Amaldoss & Jain, 2005).

In the context of vertical extensions, the acknowledgment of a continuum of prestige, status and conspicuousness is important since, for brands at the top end of the spectrum, there is more room for downward positioning and less room for upscale extensions (a ceiling effect) than for brands lower down on the continuum (Kim & Lavack, 1996). On the other hand, for the latter there may be a floor effect, whereby there is less room for a downscale extension, because of the risk of devaluing the brand to the level of a functional one.

Overall, not only the effect of vertical line extensions of different magnitude is unclear, but also the interaction effects between price differential and brand concept. This research focuses on downscale extensions and investigates the differences in consumers' evaluations of such extensions between brands differing in prestige level and between different discount levels. The study also considers the effects of the brand concept and of the discount level on the images of the parent brands after the extension.

This study sets out to answer a number of research questions, rather than to test hypotheses, since it is unclear how the magnitude of the price differential between the parent brand and its downscale extension may affect the evaluation of the extension and the post-extension image of the parent brand, particularly in the case of brands differing in quality–price and prestige associations. Specifically: (i) how do consumers evaluate downscale vertical extensions of brands differing in prestige level? (ii) how do consumers evaluate the post-extension image of brands differing in prestige level? (iii) does the magnitude of discount make a difference in either the evaluation of the extension or the post-extension brand image? (iv) is there a floor effect for a brand lower down on the prestige spectrum whereby the brand image suffers from dilution more (and at a lower discount level) than for a brand higher in prestige?

4. Research design and method

The research design for this study employs a 2 (brand concept: luxury v. prestige) × 2 (downscale extension magnitude: –25% v. –50%) × 2 (product category: cars v. fashion shoes) between subject factorial experiment with real brands and hypothetical extensions.

The car and fashion shoe markets are appropriate settings for the study, because of the range of brands at different price and prestige level and also for comparability with previous studies. For instance, Kirmani et al. (1999) compare vertical extensions of luxury and functional car and clothing brands; similarly, Kim et al. (2001) compare cars and watches. Moreover, both cars and fashion products are public necessities (Bearden & Etzel, 1982) for which reference groups have a strong influence on the choice of brand or style. In terms of visibility, however, cars are more conspicuous than fashion (shoes) (e.g. Bourne, 1957).

The discount level of 50% reflects previous studies. For instance, Kirmani et al. (1999) use a 40% downward stretch and Lei et al. (2008b) consider a step down extension 50% lower in price than the parent brand. Kirmani et al. (1999) remark that a stretch level of this magnitude signals that the downscale extension does compete in a significantly different price tier than the existing range of products under the brand name (see Sections 4.1 and 4.2). The discount level of 25% offers a good comparison, signaling a closer downscale

extension in terms of quality and other characteristics (e.g. Taylor & Bearden, 2002).

4.1. Pre-test

Firstly, the study required the selection of two car brands and two fashion brands at the upper end of the market, but differing in prestige level and price ranges. A convenience sample of 50 postgraduate students (46 valid data) at a UK Business School participated in the pre-test. The use of university students in this type of research is common practice (e.g. Kim et al., 2001; Sheinin & Schmitt, 1994). Respondents assessed familiarity (FAM) and rated the luxury/prestige (LUX) of ten car brands (Alfa Romeo, Aston Martin, Audi, BMW, Ferrari, Maserati, Range Rover, Saab, Porsche, Volvo) and ten fashion brands (Abercrombie & Fitch, Diesel, French Connection, Givenchy, Gucci, Guess, Lanvin, Levi's, Louis Vuitton, Prada) through 7-point scales (1 = totally unfamiliar/7 = very familiar; 1 = not very prestigious/7 = very prestigious). The list of car brands originated from car magazines' classification of cars at the upper end of the market, mainly on the basis of price ranges above the median. The list of fashion brands stemmed from the examination of both online and offline retailers, to identify clothing brands at the upper end of the price-quality range.

From the pre-test, the car brands Porsche and Audi met the criteria for the study, since they did not show significant differences in terms of familiarity ($FAM_{Porsche} = 6.3$; $FAM_{Audi} = 6.5$; $p = 0.85$), but Porsche scored higher than Audi on the prestige question ($LUX_{Porsche} = 6.3$; $LUX_{Audi} = 5.6$; $p < 0.01$). Regarding the fashion brands, Prada and Diesel met the conditions of being familiar ($FAM_{Prada} = 6.1$; $FAM_{Diesel} = 6.2$; $p = 0.93$) with significant differences in the respective prestige image ($LUX_{Prada} = 6.6$; $LUX_{Diesel} = 5.3$; $p < 0.01$). The LUX images of both Porsche and Prada were higher (at a 99% confidence interval) than the average image for cars ($LUX_{cars} = 5.6$) and for fashion ($LUX_{fashion} = 5.3$), whereas the images of Audi and Diesel were equal

to the respective averages. All four brands met the requirement of achieving scores above the median (4) in the familiarity and prestige questions. On the basis of the differences in the LUX images and in the price ranges between Porsche/Audi and Prada/Diesel and following upon Truong et al.'s (2009) classification of luxury brand types, in the rest of this paper Porsche and Prada are the luxury brands and Audi and Diesel are the prestige brands in the respective product categories.

4.2. Measures and sampling

After the pre-test, the main study included twelve questionnaire versions differing in the brand and extension conditions. For each product category, there were two different types of questionnaires (A and B). The main purpose of questionnaire type A was to measure the initial, pre-extension images of the luxury and prestige brands, which functioned as controls against which to compare the post-extension image data coming from questionnaire type B. The utilization of control groups is common in the analysis of feedback effects of both brand (Loken & Roedder John, 1993; Roedder John et al., 1998) and line extensions (Lei et al., 2008a). In each of the eight versions of questionnaire B, consumers had to report the attitude towards the launch of a hypothetical 25% or of a 50% vertical down-scale extension for one of the four brands. Table 1 reports the scales for questionnaire type A and questionnaire type B.

For all questionnaires, the opening questions regarded consumer expertise with the product category (Mishra, Umesh, & Stem, 1993), brand familiarity (Milberg, Park, & McCarthy, 1997), parent brand market position (Lei et al., 2008b) and parent brand attitude (Musante, 2007). In questionnaire B, individuals then read the statement: "PORSCHÉ (or AUDI, or PRADA, or DIESEL) is considering the introduction of a new soft top car model (leather shoe), at a price of £X. This new model would be the first in a new line priced 25% (or 50%) below the current price range of £Y to £Z". Respondents thus noticed both the information on the price of the extension product

Table 1
Scales.

Measure	Questionnaire A	Questionnaire B	Source
Customer expertise	EXP1 – knowledge about cars in general EXP2 – inexperienced/experienced EXP3 – uninformed/informed		Mishra et al. (1993)
Brand familiarity	FAM – not familiar/familiar		Milberg et al. (1997)
Parent brand market position	BPO1 – budget/luxury BPO2 – functional/prestige		Lei et al. (2008b)
Parent brand attitude	BAT1 – unfavorable/favorable BAT2 – dislike/like BAT3 – unappealing/appealing		Musante (2007)
Fit of extension		FIT1 – bad fit/good fit FIT2 – not logical/very logical FIT3 – not appropriate/very appropriate	Keller and Aaker (1992)
General extension attitude		EAT1 – unfavorable/favorable EAT2 – dislike/like EAT3 – unappealing/appealing	Musante (2007); Kirmani et al. (1999)
Value perceptions of extension		VAL1 – good value for money VAL2 – good buy VAL3 – comparative value	Taylor and Bearden (2002); Lei et al. (2008b)
Market position of extension		EPO1 – budget/luxury EPO2 – functional/prestige	Lei et al. (2008b)
Purchase intention		INT1 – unlikely/likely INT2 – would not consider it/would consider it INT3 – not probable/very probable	O'Cass and Grace (2004); Lafferty (2007)
Brand image status	BIS1 – can indicate a person's social status BIS2 – symbol of achievement BIS3 – symbol of wealth		Truong et al. (2008)
Brand image conspicuousness	BIC1 – symbol of prestige BIC2 – attracts attention BIC3 – can be used to impress other people		
Attitude to luxury	LUX1 – I almost never buy luxury products LUX2 – today everyone should have access to luxury goods		Stegemann et al. (2007)

(EX), the size of the discount and the brand's current price range (EY to EZ) (Kirmani et al., 1999; Musante, 2007). A subsequent question on the market position of the extension assessed the appropriateness of the manipulation (Lei et al., 2008b). Next, interviewers also asked respondents to indicate the fit (Keller & Aaker, 1992), the attitude towards the extension (Kirmani et al., 1999; Musante, 2007), the value perceptions (Lei et al., 2008b; Taylor & Bearden, 2002) and the likelihood of purchasing the vertical extension (Lafferty, 2007; O'Cass & Grace, 2004). Moreover, in both questionnaires A and B, individuals assessed the image of the brands in terms of status and conspicuousness (Truong et al., 2008). Finally, all questionnaires included classification questions relating to attitude to luxury (Stegemann, Denize, & Miller, 2007), gender, age and annual household income. Except for demographic information, the questionnaires employed 7-point scales (at least two items) throughout.

Regarding the sampling procedure, the researchers administered all questionnaires in Greater London via a quota sampling method. The sample structure for each questionnaire matched approximately the UK statistics for the general population: an equal split between male and female; 75% aged 18 to 44, 25% 45+; and an equal split between four income groups. Table 2 shows the number of individuals who responded to each questionnaire, for a total of 239 cases for questionnaire A and 236 cases for questionnaire B, almost equally split between the car and fashion product categories, after deleting non-valid surveys.

5. Results

First, the researchers examined the psychometric properties of the variables and checked the effectiveness of experimental manipulations. Then, the analysis focused on the research questions by considering three main independent variables (brand concept, extension price, product category) and six dependent variables, relevant to the evaluation of the vertical extensions (VAL: value perceptions; EAT: overall extension attitude; INT: purchase intention) and feedback effects (BIS: brand image status; BIC: brand image conspicuousness; BI: overall brand image). The researchers built the overall brand image scale BI as the average of the status and conspicuousness scores (Cronbach's alpha = 0.93), in order to understand global feedback effects.

5.1. Validation of scales and manipulation checks

The statistical analysis started with the scale validation by means of exploratory and confirmatory factorial techniques with SPSS 15.0 and EQS 6.1 software. Table 3 shows that the scales are statistically reliable since Cronbach's Alpha, Composite Reliability Coefficient (CRC) and Extracted Variance (EVA) exceed the cutoff points of 0.7 (Alpha, CRC) and 0.5 (EVA) for all the factors (Cronbach, 1951; Hair, Anderson, Tatham, & Black, 1998). The only problematic scale is for the variable Attitude to Luxury, whose items exhibit a correlation almost null (corr. = -0.00; $p = 0.98$). Therefore, the following steps

Table 2
Questionnaires and sample sizes (valid data).

n	Brand	Cars	n	Brand	Fashion
<i>Questionnaire A</i>					
59	Porsche	No extension (control)	60	Prada	No extension (control)
60	Audi	No extension (control)	60	Diesel	No extension (control)
<i>Questionnaire B</i>					
30	Porsche	25% downscale extension	30	Prada	25% downscale extension
28	Porsche	50% downscale extension	30	Prada	50% downscale extension
28	Audi	25% downscale extension	30	Diesel	25% downscale extension
30	Audi	50% downscale extension	30	Diesel	50% downscale extension

Table 3
Reliability of the scales.

FACTOR	Cronbach α (>0.7)	CRC ^a (>0.7)	EVA ^b (>0.5)
Customer expertise	0.92	0.91	0.78
Brand position	0.80	0.79	0.66
Brand attitude	0.93	0.92	0.79
Fit	0.92	0.93	0.81
Extension attitude	0.95	0.95	0.86
Value perceptions	0.95	0.95	0.86
Extension position	0.88	0.89	0.81
Purchase intention	0.96	0.96	0.88
Status	0.86	0.86	0.67
Conspicuousness	0.90	0.90	0.74

^a CRC: composite reliability coefficient.

^b EVA: extracted variance analysis.

of the analysis consider the items concerning Attitude to Luxury (LUX1, LUX2) separately. Finally, discriminant validity is satisfactory in all cases, noting that the value of 1 does not fall within the confidence intervals of the correlations between factors (Hair et al., 1998).

The next step of the analysis aimed to verify the suitability of the main manipulations. Accordingly, the researchers verified that the four brands obtained a familiarity score above the median (4) in all questionnaires. Next, the researchers confirmed the appropriateness of the brand concept manipulation, via means tests and taking into account normality when choosing between either parametric (independent-samples *t*-test) or non-parametric (Mann-Whitney *U* Test) tests (Hair et al., 1998). Porsche achieved higher ratings than Audi in the status ($t = 3.23$; $p < 0.01$), conspicuousness ($Z = -3.65$; $p < 0.01$) and general brand image ($Z = -3.71$; $p < 0.01$) measures. Similarly, Prada scored higher than Diesel in terms of status ($t = 9.65$; $p < 0.01$), conspicuousness ($t = 8.20$; $p < 0.01$) and brand image ($t = 9.40$; $p < 0.01$), confirming the respective positions as luxury and as prestige brands. Furthermore, the parent brand market position (BPO) was higher than the market position of the extensions (EPO) for both car ($t = 8.85$; $p = 0.00$) and fashion ($t = 4.36$; $p = 0.00$) product categories, suggesting that consumers view the extensions as competing in a different quality-price segment than the parent brand (Lei et al., 2008b).

The analysis continued with ANOVA and additional means tests, after checking the necessary statistical assumptions (Field & Hole, 2003; Pallant, 2005). To control the effect of the items relating to attitude to luxury, which varied across cases, these tests employed the un-standardized residuals resulting from the estimation of linear regressions between the co-variables (LUX1, LUX2) and the dependent variables (Giles, 2002) of this study. The estimation of standard ANCOVAs was not appropriate since the measurement of co-variables must be done before the treatment (Pallant, 2005).

5.2. Evaluation of the extensions

Focusing on the first research question concerning consumers' evaluations of the vertical extensions, results of a first ANOVA do not identify any systematic influence of the magnitude of the downscale extension (-25% v. -50%) on consumer evaluations, but reveal a product category main effect. As the last column in Table 4 details, overall, consumers attribute a higher value to extensions originating from fashion ($VAL_{\text{fashion}} = 5.6$) than from car brands ($VAL_{\text{cars}} = 4.9$; $F = 13.07$; $p < 0.01$; partial eta sq = 0.05). Similarly, the extension attitude is higher for fashion ($EAT_{\text{fashion}} = 5.3$) than for cars ($EAT_{\text{cars}} = 4.5$; $F = 20.80$; $p < 0.01$; partial eta sq = 0.08) and the same pattern occurs when it comes to purchase intention ($INT_{\text{cars}} = 4.3$; $INT_{\text{fashion}} = 5.0$; $F = 7.88$; $p < 0.01$; partial eta sq = 0.03). According to Cohen (1988)'s guidelines (0.01 = small, 0.06 = moderate, 0.14 = large effect), partial eta squares values indicate a moderate to small effect of product category.

Table 4
Extension evaluation means.

		Luxury			Prestige			Overall ^a
		–25%	–50%	Total ^b	–25%	–50%	Total ^b	
Cars	VAL ^c	4.2	4.6	4.4	5.3	5.5	5.4	4.9
	EAT ^d	4.0	3.8	3.9	5.1	5.1	5.1	4.5
	INT ^e	3.8	3.7	3.8	4.8	4.7	4.8	4.3
Fashion	VAL ^c	5.8	6.1	5.9	5.0	5.5	5.3	5.6
	EAT ^d	5.6	5.5	5.6	4.9	5.2	5.1	5.3
	INT ^e	5.1	5.8	5.5	4.6	4.3	4.5	5.0

^a Overall: overall average for luxury and prestige brands.

^b Total: average for the –25% and –50% downscale extensions.

^c VAL: value perceptions.

^d EAT: extension attitude.

^e INT: purchase intention.

The results of the initial ANOVA also highlight that the overall main effect of brand concept (luxury v. prestige) is significant only in the case of extension attitude ($F=3.77$; $p=0.05$) with a weak effect size (partial eta sq = 0.02). However, there are significant interaction effects of product category (cars v. fashion) and brand concept (luxury v. prestige) for the three dependent variables ($p<0.01$). Hence, the influence of the product category condition appears to interrelate with the brand concept. Indeed, a close scrutiny of the data in Table 4 reveals that while the downscale extensions of the luxury fashion brand (Prada) always achieve higher ratings than the corresponding extensions of the luxury car brand (Porsche), the opposite does occur for prestige brands, with prestige car extensions scoring more highly than prestige fashion extensions. These are the first signs of an interaction effect between the product category and the brand concept which appears throughout the data, as the analysis in the following pages discusses.

Splitting the sample into groups according to product category (cars v. fashion) and conducting new ANOVAs to further explore the effect of the other variables (Pallant, 2005, p. 236) corroborates the above findings. Table 5 reports in detail the statistics resulting from the ANOVAs in each of the two product categories. The effect of the brand concept (luxury v. prestige) on the three extension evaluation measures is significant within both product categories. Furthermore, results indicate that the stronger main effect of the brand concept condition relates to the extension attitude variable for cars (partial eta sq = 0.17) and to the purchase intention for fashion (partial eta sq = 0.10). As the results of the first ANOVA had indicated, the magnitude of discount has no significant effect on the evaluation of extensions, neither alone or in conjunction with the brand concept.

Closer analysis of the means relating to the effect of the brand concept within each product category reveals that the evaluations of the downscale extensions of the luxury car brand Porsche result less positive than the equivalent downscale extension evaluations of the

prestige brand Audi, regardless of the discount level (–25% v. –50%) and also regardless of whether the dependent measure is value perceptions ($VAL_{Porsche}=4.4$; $VAL_{Audi}=5.4$; $p<0.01$), extension attitude ($EAT_{Porsche}=3.9$; $EAT_{Audi}=5.1$; $p<0.01$) or purchase intention ($INT_{Porsche}=3.8$; $INT_{Audi}=4.8$; $p<0.01$) (see Total columns for luxury and prestige cars in Table 4). On the contrary, consumers express a higher liking for the downscale extensions of the luxury brand Prada than for the prestige brand Diesel's downscale extensions for both discount levels and in all three measures: value perceptions ($VAL_{Prada}=5.9$; $VAL_{Diesel}=5.3$; $p<0.01$), extension attitude ($EAT_{Prada}=5.6$; $EAT_{Diesel}=5.1$; $p=0.01$) and purchase intention ($INT_{Prada}=5.5$; $INT_{Diesel}=4.5$; $p<0.01$).

The combination of these results once again highlights the interaction effect of the brand concept with the product category in affecting consumers' evaluation of vertical line extensions, at either discount level.

5.3. Feedback effect of downscale vertical extensions on brand image

The second research question relates to how consumers evaluate the post-extension image of brands differing in prestige level. In order to examine such feedback effects of vertical extensions on brand image, the researchers compared brand image status (BIS), brand image conspicuousness (BIC) and general brand image (BI) measurements before and after the extension.

Since questionnaire A measured the image of the four brands before the extension (as a control) and questionnaire B the brand images after the extension, firstly it was necessary to check the comparability of the two samples. Despite the efforts to ensure as much similarity as possible, there was a significant difference between the responses to questionnaires A and B in the overall parent brand attitude means for the four brands. This difference was of concern, in terms of the objective of comparing the initial and the post-extension brand images.

Therefore the researchers decided to conduct this part of the analysis on a homogeneous sub-sample with mean values for the brand attitude (BAT) measure between 5 and 7 (66.3% of total data). Indeed, means tests within this sub-sample showed that the parent brand attitudes in questionnaires A and B were not significantly different for both car ($t=-0.33$; $p=0.74$) and fashion ($Z=-0.34$; $p=0.74$), and no systematic pattern of differences arose across the samples. As a whole, brand attitude ($t=-0.75$; $p=0.45$), brand market position ($Z=-0.54$; $p=0.59$), brand familiarity ($Z=-0.01$; $p=0.99$), customer expertise ($t=1.47$; $p=0.14$) and attitude to luxury (LUX1: $t=0.74$; $p=0.46$; LUX2: $t=0.56$; $p=0.57$) provided similar ratings across questionnaires.

From this homogeneous sub-sample, the researchers could then more reliably compare the post-extension brand image data from questionnaire B with the pre-extension (control) data from questionnaire A, to determine the general effect of the extensions on brand

Table 5
Extension evaluation – summary of results from ANOVAs.

		Cars			Fashion		
		F	p-value	Partial eta squared	F	p-value	Partial eta squared
Value perceptions VAL	Brand concept ^a	11.71	0.00	0.10	11.62	0.00	0.09
	Discount ^b	0.21	0.65	0.00	2.92	0.09	0.02
	B × D ^c	0.05	0.83	0.00	0.01	0.95	0.00
Extension attitude EAT	Brand concept ^a	23.62	0.00	0.17	6.37	0.01	0.05
	Discount ^b	0.99	0.32	0.01	0.01	0.90	0.00
	B × D ^c	0.24	0.62	0.00	0.35	0.56	0.00
Purchase intention INT	Brand concept ^a	10.34	0.00	0.08	13.15	0.00	0.10
	Discount ^b	0.85	0.36	0.01	0.24	0.62	0.00
	B × D ^c	0.01	0.92	0.00	4.01	0.05	0.03

^a Brand concept: luxury v. prestige.

^b Discount: –25% v. –50%.

^c B × D: interaction between Brand concept and Discount.

image. Table 6 reports the means for the four brands on the status, conspicuousness and overall brand image measures for the sub-sample.

By conducting independent samples t-tests, results for each brand and product category clearly indicate that luxury brands are immune to vertical downscale extensions. Neither Porsche nor Prada suffers a dilution effect in the respective brand images (image status, image conspicuousness and general brand image), as a result of the downscale extensions ($p > 0.1$ in all cases). In contrast, when it comes to prestige brands, results are in line with previous research warning of potential dilution effects. Thus, Audi suffers a dilution effect in its image status ($BIS_{Control} = 5.1$; $BIS_{Post-ext.} = 4.5$; $t = -2.70$; $p < 0.1$), image conspicuousness ($BIC_{Control} = 5.3$; $BIC_{Post-extension} = 4.7$; $t = -2.74$; $p < 0.01$) and general brand image ($BI_{Control} = 5.2$; $BI_{Post-extension} = 4.6$; $t = -3.03$; $p < 0.1$). However, the Diesel brand seems to have a higher ability to accommodate vertical extensions since the only significant dilution appears for brand image status at 90% confidence level ($BIS_{Control} = 3.9$; $BIS_{Post-extension} = 3.5$; $t = -1.90$; $p < 0.1$). General dilution effects depend thus on both brand concept (luxury v. prestige) and product category.

5.4. Magnitude of discount

Finally, the analysis turns to the third research question, that is the study of the influence of the magnitude of downscale extension (-25% v. -50%) on the post-extension brand image. In this case the objective is not to compare the variation in brand image before and after the extension, but to study the effect of different discount rates on the post-extension status, conspicuousness and overall image of brands with different brand concepts (luxury v. prestige). The results in this section therefore relate exclusively to the data from questionnaire type B (subjects in the extension condition). For comparison, researchers conducted ANOVAs on both the total sample and on the sub-sample of respondents with a more positive overall brand attitude ($BAT \geq 5$ as in Table 6). Table 7 reports the details for cars and for fashion separately, since the results in Sections 5.2 and 5.3 reveal interaction effects between the brand concept and the product category.

Overall, ANOVAs' results in Table 7 show little variation between the total sample and the sub-sample and the main patterns recur across the samples. Not surprisingly, the brand concept (luxury/prestige) is the most significant and consistent factor in determining consumers' evaluations of status, conspicuousness and general brand image, particularly for fashion (with very large effect sizes between 0.30 and 0.42).

With regard to the main focus of analysis, namely the magnitude of discount, the influence of this variable changes depending on the specific image dimension and the product category. Overall, however,

Table 7 Post-extension brand image – summary of results from ANOVAs.

		Cars			Fashion		
		F	p-value	Partial eta squared	F	p-value	Partial eta squared
Status	Brand concept ^b	5.07	0.03	0.04	83.53	0.00	0.42
	Discount ^c	0.43	0.51	0.00	2.61	0.11	0.02
	B × D ^d	1.35	0.25	0.01	0.06	0.80	0.00
Conspicuousness	Brand concept ^b	3.95	0.05	0.03	66.72	0.00	0.36
	Discount ^c	3.48	0.06	0.03	5.39	0.02	0.04
	B × D ^d	0.93	0.34	0.01	4.78	0.03	0.04
Brand image	Brand concept ^b	5.24	0.02	0.04	83.52	0.00	0.42
	Discount ^c	1.97	0.16	0.02	4.32	0.04	0.04
	B × D ^d	1.31	0.25	0.01	1.66	0.20	0.01
Status (sub-sample ^a)	Brand concept ^b	7.79	0.01	0.10	40.72	0.00	0.33
	Discount ^c	0.00	0.96	0.00	2.70	0.10	0.03
	B × D ^d	3.39	0.07	0.05	0.06	0.80	0.00
Conspicuousness (sub-sample)	Brand concept ^b	4.70	0.03	0.07	35.19	0.00	0.30
	Discount ^c	1.51	0.22	0.02	2.94	0.09	0.03
	B × D ^d	1.09	0.30	0.02	2.08	0.15	0.02
Brand image (sub-sample)	Brand concept ^b	7.69	0.01	0.10	42.19	0.00	0.34
	Discount ^c	0.46	0.50	0.01	3.13	0.08	0.04
	B × D ^d	2.58	0.11	0.04	0.78	0.38	0.01

^a Sub-sample: brand attitude (BAT) ≥ 5.
^b Brand concept: luxury v. prestige.
^c Discount: -25% v. -50%.
^d B × D: interaction between Brand concept and Discount.

the statistical evidence in Table 7 fails to demonstrate a clear effect of the magnitude of discount on status, conspicuousness and brand image, with few significant or marginally significant results and very small effects, usually more evident for fashion than for cars, in either sample. This finding generally applies to both main effects and interactions.

To deal with the potential skews due to the strong relationship between the brand concept and the brand image dimensions, further t-tests (either parametric or non-parametric) focus on the influence of each specific discount level (-25% v. -50%) on each specific brand image measure. These tests generally support previous findings but provide much clearer evidence in relation to the potential interaction effects between the brand concept and the magnitude of discount. Tables 6 and 8 show the details of the means for the sub-sample and total sample, respectively.

The results from both the total sample (in Table 8) and the sub-sample (in Table 6) coincide, in that a downscale extension of

Table 6 Brand image means. Post-extension and control (brand attitude ≥ 5).

		Luxury			Prestige				
		Post-extension			Control				
		-25%	-50%	Total ^a	-25%	-50%	Total ^a		
Cars	BIS ^b	5.6	5.2	5.4	5.5	4.3	4.8	4.5	5.1
	BIC ^c	5.3	5.5	5.4	5.8	4.3	5.0	4.7	5.3
	BI ^d	5.5	5.3	5.4	5.6	4.3	4.9	4.6	5.2
	BIS ^b	5.0	5.3	5.1	5.2	3.3	3.7	3.5	3.9
Fashion	BIC ^c	5.8	5.7	5.8	5.6	3.9	4.6	4.3	4.5
	BI ^d	5.4	5.5	5.4	5.4	3.6	4.2	3.9	4.2

^a Total: average for the -25% and -50% downscale extensions.
^b BIS: brand image status.
^c BIC: brand image conspicuousness.
^d BI: brand image.

Table 8 Post-extension brand image means (total sample).

		Luxury			Prestige			Overall ^a
		Post-extension			Control			
		-25%	-50%	Total ^b	-25%	-50%	Total ^b	
Cars	BIS ^c	4.8	4.9	4.8	4.0	4.5	4.3	4.6
	BIC ^d	4.8	5.2	4.9	3.9	4.8	4.4	4.7
	BI ^e	4.8	5.0	4.9	4.0	4.7	4.3	4.6
	BIS ^c	5.0	5.2	5.1	3.1	3.4	3.2	4.2
Fashion	BIC ^d	5.8	5.7	5.7	3.6	4.4	4.0	4.9
	BI ^e	5.4	5.5	5.4	3.3	3.9	3.6	4.5

^a Overall: overall average for luxury and prestige brands.
^b Total: average for the -25% and -50% downscale extensions.
^c BIS: brand image status.
^d BIC: brand image conspicuousness.
^e BI: brand image.

50% is not always more detrimental for brand image than a 25% extension. Rather, for the whole data (see Table 8), Audi's downscale extension of 50% results in better ratings in image conspicuousness ($BIC=4.8$) than the smaller discount ($BIC=3.9$; $Z=-1.96$; $p=0.05$).

For individuals with a favorable brand attitude ($BAT \geq 5$, as in Table 6), results outline that a 50% downscale extension is the better option for Audi in terms of brand conspicuousness ($t=-1.82$; $p=0.08$) and general brand image ($t=-1.87$; $p=0.07$). Similarly, a 50% discount is more positive for Diesel's general image ($t=-2.23$; $p=0.03$) and its conspicuousness ($t=-2.47$; $p=0.02$). Prestige brands are again more sensitive to the new products' information than luxury ones especially in the car market.

6. Discussion

This study addresses a gap in the literature, investigating the effects of downscale vertical line extensions of different magnitude for distinct brand concepts, beyond the crude dichotomy between functionality and luxury in earlier studies (e.g. Kim & Lavack, 1996; Kim et al., 2001; Kirmani et al., 1999). The findings of this research provide a number of interesting and noteworthy insights into the complexity of downscale vertical extensions evaluations and relating feed-back effects on the core brand images.

Firstly, the differences in the results between prestige and luxury brands highlight that the simple dichotomy between luxury and functionality is inadequate and that it is necessary to consider differences in the brand concept on a continuum of prestige, status and conspicuousness. Prestige brands are generally more sensitive than luxury brands with regard to dilution effects arising from downscale vertical line extensions.

But the most significant outcome of this research is the evidence that the characteristics of the product category have a compounding effect with the brand concept when it comes to either the evaluation of downscale extensions or the feedback effects on the core brands' images. Thus, for brands with similar positioning on the luxury/prestige continuum, the evaluation of similar vertical extensions and the relative feedback effects may vary, depending upon the conspicuousness of the product category to peer assessment and the relating social risk (e.g. DelVecchio & Smith, 2005).

Finally, the magnitude of discount has more important effects on the post-extension brand image than on the evaluation of the downscale extensions themselves. A smaller price differential appears to have a more negative impact on brand image than the larger discount. Thus, price has a role as a distancing technique, creating a sub-category in consumers' minds which helps to reduce the dilution of the post-extension brand image, particularly in the case of prestige brands in conspicuous product categories like cars. On the other hand, the magnitude of price discount does not appear to affect the extension evaluation.

The discussion in the rest of this section focuses on the findings and the implications for theory and for brand management.

6.1. Evaluation of the extensions

The analysis of the data concerning how consumers evaluate downscale vertical line extensions reveals no significant effect of the magnitude of price reduction (-25% v. -50%), moderate product category effects (cars v. fashion), weak brand concept effects (luxury v. prestige), but strong interaction effects between the product category and the brand concept.

Results indicate that, overall, consumers attribute higher value, hold more positive attitudes and express higher purchase intentions towards downscale extensions of fashion brands than of car brands. On its own, the brand concept (whether the brand is luxury or prestige) does not appear to affect consumer evaluations of extension value or

purchase intentions of the vertical extensions, with only a weak effect on extension attitude.

However, throughout the data, exhaustive analysis at the brand and category level reveals a persistent, significant interaction effect of the brand concept with the product category on the value perceptions, extension attitude and purchase intention of the extensions. Respondents attribute lower value, express less positive attitudes and indicate lower purchase intention towards the downscale extensions originating from the luxury car brand Porsche than from the prestige brand Audi. The opposite result occurs for the fashion brands, whereby the downscale extensions of the luxury brand Prada achieve consistently higher ratings than the equivalent extensions of the prestige brand Diesel. Similarly, while downscale extensions of the luxury fashion brand Prada always achieve higher ratings than the corresponding extensions of the luxury car brand Porsche, the opposite occurs for prestige brands, with the prestige car Audi scoring more highly than the prestige fashion brand Diesel for the respective extensions.

A plausible explanation for the effect of the product category, on its own and in conjunction with the brand concept, is that while both cars and fashion products are public necessities (Bearden & Etzel, 1982), in terms of visibility cars are usually more conspicuous to reference groups than fashion (shoes) (e.g. Bourne, 1957). Driving a cheaper model of the luxury car brand Porsche is more obvious to reference groups than wearing a cheaper shoe from the luxury brand Prada. In the latter instance, the cachet deriving from the luxury brand Prada is likely to remain intact, since peers may still recognize the brand, but may not be able to identify a cheaper model. But in the case of a cheaper car from Porsche the model and the brand are highly visible. In other words, the social risk (DelVecchio & Smith, 2005; Liu & Choi, 2009) stemming from wearing a cheaper Prada shoe is lower than when driving an obviously cheaper model of the luxury brand Porsche. This interpretation is also coherent with the popularity among consumers of counterfeit luxury fashion brands, even when consumers are aware that what they have bought is a fake (e.g. Gentry, Putrevu, Shultz, & Connuri, 2001; Nia & Zaichkowsky, 2000).

Finally, the finding that respondents rate the downscale extensions of the luxury brand Prada more highly than those of the luxury brand Porsche is consistent with the notion that consumers may evaluate the extensions of narrow single-line brands less positively than the extensions of broad brands which already embrace different products and extensions at different price points (Boush & Loken, 1991; McWilliam, 1993). On the other hand, prestige brands may find it difficult to continue to expand the range of downscale extensions, as the better ratings for the narrow single-line Audi's extensions than for the already wide spanning Diesel seem to suggest.

6.2. Feedback effect of downscale vertical extensions on brand image

Findings concerning the effect of the extensions on the images of the four brands are not always in line with previous research. For instance, the brand images of both luxury brands Porsche and Prada appear to be more resilient to the effects of downscale extensions than the brand images of the prestige brands Audi and Diesel. This result is in contrast with Kim and Lavack's (1996) and Kirmani et al.'s (1999) findings that downscale extensions are more damaging to luxury than to functional brands. Instead, the results show that it is the prestige brand Audi which suffers the greatest dilution in terms of status, conspicuousness and general image, particularly after the 25% downscale extension. The greater post-extension brand image dilution for Audi than for the luxury brand Porsche suggests a floor effect, whereby a prestige car brand like Audi has 'less room to play' and seems to find it harder to maintain its status and conspicuousness at a lower price, without sliding down to the same level of a functional equivalent. Kim et al. (2001) also find a similar floor effect for

downscale extensions of functional brands, in comparison with brand image of upscale brands.

The prestige fashion brand Diesel also suffers in terms of its post-extensions status, but less so in terms of conspicuousness and overall image. Therefore, some category effects appear here too, since for the prestige fashion brand Diesel it is mainly the more inward, self-reward image element of status which suffers as a consequence of the downscale extensions, rather than the more outward element of conspicuousness (O'Cass & Frost, 2004; Truong et al., 2008).

In summary, the status, conspicuousness and general image of both luxury brands Porsche and Prada are relatively stable after the downscale extension, in spite of the fact that respondents do not evaluate Porsche's extensions positively. The contrast between the poor evaluation of Porsche's downscale extension and the stability of its brand image after the extension suggests that respondents perceive Porsche's downscale extensions as atypical of the brand. Consistent with bookkeeping categorization theory (Weber & Crocker, 1983), consumers evaluate atypical extensions less positively. On the other hand, a more distant, atypical extension has limited impact on the image of the core brand, as the typicality (sub-typing) categorization model suggests (Gürhan-Canli & Maheswaran, 1998).

6.3. Magnitude of discount

Finally, with regard to the magnitude of the downscale extension, results do not show any significant effect of price differential (–25% v. –50%) on the extension value, extension attitude or purchase intention (see Section 5.2). This finding applies to luxury as well as to prestige brands in both product categories and is rather surprising, particularly in consideration of the actual money differential in the 50% downscale extension of a high ticket product like a luxury car, even in comparison with a luxury shoe. Nevertheless, it would seem that, in the downscale extensions of luxury and prestige brands, the magnitude of the discount does not affect the evaluation of the extensions.

Possibly, for these brands, respondents assume the same level of quality of the parent brand, whatever the price of the vertical extension. This explanation is consistent with Central Nucleus Theory (Abric, 1994) whereby central brand associations (e.g. the quality of a luxury/prestige brand) are invariable, hence are resistant to change and are independent of context. Indeed a recent, empirical study by Tafani, Michel, and Rosa (2009) in the automotive sector shows that central brand associations transfer to the vertical line extensions regardless of range level (low, middle or high-end range). While the magnitude of discount does not affect consumer evaluation of downscale extensions, it is the existence of the downscale extension itself which could make consumers feel uncomfortable. As the results and the discussion in previous sections point out, in conspicuous product categories like cars, consumers do not rate downscale extensions of luxury brands very positively.

However, when it comes to the effect on the core brand image, the magnitude of discount does have an impact: a lower discount (25%) affects the status perceptions, conspicuousness and image of the prestige brand Audi to a much greater extent than a discount twice as large. Audi's brand image in terms of status, conspicuousness and overall image is better after a 50% downscale extension than after a 25% one. A similar result also occurs for Diesel in the sub-sample dataset. Possibly, consumers associate a 50% downscale extension with the price of a car in a different range, for example a mini, rather than with a cheaper version. This interpretation is consistent with the typicality (sub-typing) categorization model, whereby consumers will perceive an extension with a price considerably lower than other products as more distant and less typical of the parent brand and will be less likely to make any inference from the extension to

the brand (Kim et al., 2001; Loken & Roedder John, 1993; Michel & Salha, 2005).

Results here also indicate that the image of prestige brands is more sensitive to dilution than luxury brands, which lie higher up in the status, conspicuousness continuum. As a consequence, downscale extensions of prestige brands need a higher degree of differentiation, not to dilute the core brand image.

Further research on different product categories and/or brands and larger sample sizes would be helpful to generalize the results of this study.

7. Managerial implications

The findings of this research provide some valuable insights to managers of luxury and prestige brands when considering the introduction of downscale vertical line extensions.

Firstly, managers should be aware of the differences between the downscale vertical extensions of luxury and of prestige brands and, furthermore, should not assume that the same effects occur, and to the same extent, in every product category.

Recognizing that the dangers of brand dilution are potentially greater for prestige than for luxury brands, managers should ensure to distance the vertical extension of prestige brands in order to reduce such risks, particularly in product categories like cars in which ownership is very visible. A larger price discount appears to be useful in achieving differentiation between the prestige brand and its downscale vertical extension, which then becomes clearly distant from the higher-end products. On the other hand, whenever the central brand associations with quality are strong, a larger price discount should not affect the evaluation of the extension itself.

Importantly though, while the image of luxury brands is generally more resilient to downward vertical stretches, unfavorable reactions to downscale vertical extensions of luxury brands may occur in categories like cars in which ownership of a cheaper model is evident. In other words, in product categories like cars, consumers may negatively react to specific models being obviously cheaper and more affordable, even if the evaluation of the luxury parent brand remains the same.

In summary, when deciding whether or not to introduce a downscale line extension and at what price, managers need to consider carefully the likelihood of the brand to lose its position on the luxury/prestige continuum and the likelihood of success of the new product, contingent upon the characteristic of the brand and of the product category. It seems that in product categories like cars the risks of introducing downscale vertical extensions may overall be greater than in product categories like fashion.

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