

THE INFLUENTIAL FACTORS FOR FASHION BRAND EXTENSION SUCCESS

by

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(Under the Direction of Soyoung Kim)

ABSTRACT

The current study investigated the factors that may influence consumers' brand evaluations, in particular, evaluations of fashion brands, based on two different types of brand extension (vertical and horizontal). The data for this study was collected from 187 female participants who were familiar with the parent brand. The five influential factors included brand trust, perceived fit, status consciousness, perceived brand prestige, and consumer innovativeness. Brand trust and perceived fit predicted significantly both vertical and horizontal fashion brand extension evaluation. Status consciousness and perceived brand prestige predicted significantly only horizontal extension. Consumer innovativeness was a significant predictor of vertical extension evaluation. Perceived fit significantly moderated the relationship between trust and the evaluation of both types of brand extension; whereas, it significantly affected only the relationship between innovativeness and vertical extension. Perceived brand prestige did not moderate the relationship between status consciousness and the evaluation of both types of extension.

INDEX WORDS: Brand extension, Vertical extension, Horizontal extension, Brand trust, Perceived fit, Status consciousness, Perceived brand prestige, Consumer innovativeness

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DEDICATION

To my parents and my sister
whose love and support sustained me throughout

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Thanks to Dr. Kim

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CHAPTER 1

INTRODUCTION

Background and Problem

Keller and Aaker (1992) defined brand extension as the “use of established brand names to enter new product categories or classes” (p. 35). Marketers often use brand extension as one of their strategies for introducing new products to consumer markets (Czellar, 2003). Over the last several decades, a notable number of companies have introduced new products by adopting the brand extension strategy. Approximately 80% of new products were introduced as brand extensions in both the 1990s and the 2000s (Keller, 1993; Reast, 2005). Marketing statistics show that only 5% of new products in food and household categories were newly launched brands in the United States in 2005 compared to 20% of new products in 1995 (Musante, 2007). The most prominent advantage of brand extension, and the reason it is an attractive tool for marketers, is that it can significantly reduce the cost of launching new brands (Völckner & Sattler, 2006). The estimated average cost of launching a new brand is \$50 million, whereas the average cost of brand extension is \$5 million (Reddy, Terbianche, Pitt, & Parent, 2009). Moreover, brand extension reduces the risk of failure by associating a new product with a well-known parent brand (Aaker, 1991). Smith and Park (1992) mentioned that companies can make full use of the advertising efficiency and distribution channels used by the parent brand. For example, Diet Coke, a successful brand extension, benefited from its well-known parent product, Coca-Cola. Pitta and Katsanis (1995) argue that advertising for Diet Coke created a synergy effect between Diet Coke and Coca-Cola.

There are two types of brand extension: vertical and horizontal. Kim and Lavack (1996) described vertical extension as “introducing a brand extension in the same product category as the core brand, but at a different price point and quality level” (p. 24). Occasionally, researchers use the terms “line extension” and “vertical extension” interchangeably because of the overlap between them (Aaker & Keller, 1990; Sullivan, 1990). In the case of vertical brand extension, a branded product is offered above (upscale) or below (downscale) the traditional price range for the parent brand. Companies generally create secondary brand names for vertical extensions alongside parent brand names in order to show the connection between the parent brand and the brand extension (e.g., Emporio Armani for Armani, DKNY Pure for DKNY). Horizontal brand extension, on the other hand, is described as “the application of an existing brand name to a new product introduction, either in a similar product class or in a product category completely new to the firm” (Kim, Lavack, & Smith, 2001, p. 211). In the case of horizontal brand extension, companies commonly use existing brand names to introduce new products for either related or completely new product categories (e.g., Ralph Lauren home furnishings for Ralph Lauren, Armani Casa for Armani) (Dawar & Anderson, 1994; Sheinin & Schmitt, 1994).

A growing body of literature has examined the determinants of brand extension success by focusing on two types of brand extensions. More than 50 studies focused on examining what constitutes a successful brand extension have been published during the last decade (Musante, 2007; Yorkston, Nunes, & Matta, 2010). To determine the influential factors, researchers examined consumers’ brand extension evaluation on the basis of various measures. The most frequently investigated factors included brand trust (Reast, 2005), perceived fit (Aaker & Keller, 1990, Boush & Loken, 1991; Loken & John, 1993), brand equity (Keller, 1993), and perceived brand quality (Bhat & Reddy, 2001). Most studies show that the effect of each factor might vary,

depending on the brand extension type (vertical vs. horizontal). For example, Barone, Miniard, and Romeo (2000) found that consumers perceived higher brand similarity in vertical extension than in horizontal extension, and this perception has an impact on consumers' brand extension evaluation. In their findings, brand similarity served as a moderating variable in the relationship between consumers' beliefs and brand extension evaluation. In vertical extension, consumers who highly trust a parent brand evaluated brand extension favorably since they perceived high brand similarity; meanwhile, consumers' beliefs played no significant role in horizontal extension because they perceived low brand similarity in that case (Barone et al., 2000). Another example showed that brand attitude has a stronger effect in vertical extension than in horizontal extension (Zimmer & Bhat, 2004). Most findings have indicated that the significant effect of factors related to brand specific associations—such as perceived fit, brand trust, or brand attitude—are carried over to vertical extensions more than to horizontal extensions (Xie, 2008).

Following the trend of brand extension, fashion brand companies are willing to choose a brand extension strategy as well. Among fashion retailers, brand extension is regarded as one of the most effective strategies for capturing broader market shares (Liu & Choi, 2009). Fashion retailers expect to see consumer cross-shopping as an impact of fashion brand extension (Forney, Park, & Brandon, 2005). For example, consumers of a specific fashion brand in an apparel product category would purchase the products of the brand extension with the same brand in another product category (e.g., home furnishing products). Lee, Rhee, and Lee (2003) noted that a fashion brand company generally spends more than one-third of its total operational budget on brand management. Owing to the notable expenditure for managing a brand, fashion firms often experience financial risks and burdens in developing new brands. Therefore, fashion companies adopt brand extension strategies by extending existing brand names to new product lines (Lee et

al., 2003). For example, many fashion retailers and brand managers have agreed that Armani demonstrates a successful example of fashion brand extension. In 1972, Armani first established various vertical extensions, including underwear, swimwear, and even a downscale brand extension (Emporio Armani). Since then, the Armani brand name has been extended to other product categories, such as eyewear or home furnishing products, and has achieved success in these extensions (Liu & Choi, 2009). The brand extension trend may also be observed in the fast fashion brand market. Zara and H&M (Hennes & Mauritz), well known as fast fashion brands in the European market, have extended their product lines into several different categories, such as women's apparel, men's apparel, children's apparel, and accessories. Furthermore, in 2003, Zara extended its product line to home furnishing goods, such as bed sheets and pillow cases (Choi, Liu, Liu, Mak, & To, 2010). Fashion brand extension can also be used to revitalize a parent brand (Munthree, Bick, & Abratt, 2006). In 1997, for instance, Burberry—a U.K.-based traditional fashion brand—introduced the upscale brand extension “Burberry Prorsum” Despite the premium price of upscale products, Burberry Prorsum succeeded in its business, and the overall sales of Burberry has increased (33%) since the company introduced the brand extension (Munthree et al., 2006). However, not all fashion brand extensions have experienced success. In 2007, for example, Versace, an Italian luxury fashion brand, announced that the company was expanding into private jet design. Despite unique custom designs, the unreasonably expensive price and extremely narrow consumer market resulted in brand extension failure, and the overall sales of Versace decreased by almost 20% in 2008 (Fionda & Moore, 2009).

On the basis of both failed and successful cases, researchers agree that it is essential for fashion marketers to understand the influential factors that lead to success in fashion brand extension. The increased importance of fashion brand extension has brought significant attention

to this kind of marketing research; however, only a few studies have been conducted on how businesses should use brand extensions. For example, Forney, Park, and Brandon (2005) have examined the influence of evaluative criteria on fashion brand extension. The researchers found that several features of fashion products—image, quality, color/style, and design/beauty—were perceived as important criteria in consumer brand extension evaluations. However, their findings were limited to horizontal brand extension only. Moreover, while the authors focused on internal product features, the external factors, such as brand trust or consumer characteristics, were underestimated. In the area of fashion brand extension research, only a limited number of studies have examined various factors at the same time. Therefore, further empirical research is needed to figure out what factors are influential when consumers purchase fashion brand extension products in the fashion market.

This study addresses the need for investigating the influential factors associated with fashion brand extensions. In order to examine the determinants that affect the evaluation of fashion brand extension, several factors were selected for this study on the basis of the findings of prior research. This study was conducted with an approach different from that of previous studies that have considered the unique characteristics of fashion brands. Most researchers in this area have considered several variables as important keys for determining the success of fashion brand extension: brand trust (Lee et al., 2003), perceived fit between parent brand and brand extension (Choi et al., 2010), consumer innovativeness (Klink & Smith, 2001), and status consciousness related to perceived brand prestige (O’Cass & Frost, 2002). Moore and Murphy (2000) have mentioned that fashion brands are often considered to be indicators of the symbolic power of the owner, such as the status, prestige, and innovative style of users. On the basis of this characteristic of symbolic power, O’Cass and Frost (2002) argued that consumers’ status

consciousness greatly affects their evaluation of fashion brand extension. Taking another characteristic of symbolic power into account, Klink and Smith (2001) examined the effect of consumer innovativeness in fashion brand extension and found that it played a significant role in fashion brand extension evaluation. In the relationship between consumer innovativeness and fashion brand extension evaluation, the perceived fit between the parent brand and brand extension is a significant consideration (Klink & Smith, 2001). Lee et al. (2003) have noted that proliferation and short life cycles are unique characteristics of fashion brands. Therefore, brand-specific associations, such as brand trust, are perceived as important factors for fashion brand success in a rapidly changing market. The researchers found a significant effect of brand trust in fashion brand extension as well (Lee et al., 2003). Though several studies have examined the influential factors (brand trust, perceived fit, consumer innovativeness, and status consciousness), most of the research focuses on only one brand extension type (vertical or horizontal). Lee et al. (2003) investigated the effect of each factor in two different fashion brand extension types (vertical vs. horizontal) to determine if any differences existed. They found that the effect of brand trust had a different significance in different conditions of brand extension type. Therefore, this study addresses the question of which influential factor will have a significant effect in each fashion brand extension type so that more precise results may be achieved through empirical research. On the basis of prior studies related to fashion brand extension, this study selected five variables (brand trust, perceived fit, consumer innovativeness, status consciousness, and perceived brand prestige) and examined the effect of each variable in two different brand extension conditions (vertical vs. horizontal).

Identifying the influential factors associated with each fashion brand extension type may present fashion brand extension as an appealing marketing strategy to marketers and fashion

retailers. Marketers and retailers of fashion brands could use improved brand extension as one of their marketing strategies for increasing sales and market shares across diverse product categories.

Objectives

This study investigates the factors that may influence consumers' brand extension evaluations and, in particular, those of fashion brands on the basis of two different types of brand extension (vertical and horizontal). Five variables-brand trust, perceived fit, status consciousness, perceived brand prestige, and consumer innovativeness-were selected and examined for their impacts on the evaluation of fashion brand extension for two different types of brand extension (vertical and horizontal). The following are the objectives of this study:

1. To investigate the impact of brand trust on the evaluation of vertical fashion brand extension and horizontal fashion brand extension.
2. To examine the impact of perceived fit on the evaluation of vertical fashion brand extension and horizontal fashion brand extension.
3. To explore the impact of perceived fit in the relationship between brand trust and the evaluation of vertical fashion brand extension and horizontal fashion brand extension.
4. To look into the impact of status consciousness on the evaluation of vertical fashion brand extension and horizontal fashion brand extension.
5. To investigate the impact of perceived brand prestige on the evaluation of vertical fashion brand extension and horizontal fashion brand extension.
6. To examine the impact of perceived brand prestige in the relationship between status consciousness and the evaluation of vertical fashion brand extension and horizontal fashion brand extension.

7. To explore the impact of consumer innovativeness on the evaluation of vertical fashion brand extension and horizontal fashion brand extension.
8. To investigate the impact of perceived fit in the relationship between consumer innovativeness and the evaluation of vertical fashion brand extension and horizontal fashion brand extension.

Conceptual Definitions

1. Brand extension is defined as the use of established brand names to enter new product categories or classes (Czellar, 2003; Keller & Aaker, 1992)
2. Brand trust refers to the willingness of the average consumer to rely on the ability of the brand to perform its stated function (Chaudhuri & Holbrook, 2001; Reast, 2005)
3. Consumer innovativeness is defined as the degree to which an individual or other unit of adoption is relatively earlier in adopting new ideas than other members of a system (Roger, 1995)
4. Horizontal brand extension is defined as a marketing strategy which involves the application of an existing brand name to a new product introduction, either in a similar product class or in a product category completely new to the firm (Kim, Lavack & Smith, 2001)
5. Perceived brand prestige refers to a subjective evaluative judgment about the high social status of people or inanimate objects such as brands (Dubois, Czellar, & Laurent, 2001)
6. Perceived fit refers to the mutual association shared by parent brand and brand extension (Broniarczyk & Alba, 1994)
7. Status consciousness refers to the motivational process by which individuals strive to

improve their social standing through conspicuous consumption of consumer products that confer or symbolize status for both the individual and surrounding others (Eastman, Goldsmith & Flynn, 1999)

8. Vertical brand extension is defined as a marketing strategy which introduces a similar brand in the same product category, but usually at a different price or quality point (Keller & Aaker, 1992; Kim & Lavack, 1996; Sullivan, 1990)

CHAPTER 2

LITERATURE REVIEW

Statement of Purpose

The current body of literature delineates various influential factors on fashion brand extension evaluation based on prior studies. In this section, five variables, including brand trust, perceived fit, consumer innovativeness, status consciousness and perceived brand prestige are reviewed as the influential factors on fashion brand extension evaluation. Numerous studies have been conducted to examine the relationship between each factor and consumers' brand extension evaluation. Researchers demonstrated the relationships between influential factors and brand extension evaluation through their studies. On the basis of their findings, this study hypothesized the relationships between variables.

Brand Extensions

Aaker and Keller (1990) defined brand extension as “the use of an established brand name to enter new product categories or classes” (p. 27). For several decades, brand extension has been considered as one of the most efficient marketing strategies for enhancing brand positioning and attracting new consumers. Fashion marketers, in particular, have been using brand extension as a key strategy, with companies such as Chanel and Gucci having extended their brands to other fashion categories such as jewelry, accessories, and cosmetics.

Brand extensions are generally classified into two broad categories: vertical and horizontal extensions. Kim and Lavack (1996) described vertical extensions as “a brand extension in the same product category as the core brand, but at a different price point and

quality level” (p. 24). An example is illustrated by Giordano, a Hong Kong-based casual apparel brand, which introduced Blue Star in 2007 as a vertical extension. Blue Star offers a similar product range as Giordano but at a lower price point. Vertical extensions are typically differentiated from the parent brand through distancing techniques, which reduce the risk of diluting the parent brand image by determining the perceived distance between the parent brand and its extension. Giorgio Armani has adopted this strategy, introducing its Emporio Armani brand by positioning it closer to its core brand and Armani Exchange, by positioning it further from the brand. Emporio Armani merchandise is at a lower price point than that of Giorgio Armani but higher than that of Armani Exchange. Moreover, Emporio Armani merchandise more closely follows the Giorgio Armani brand concept, while Armani Exchange merchandise adopts a significantly more distinct concept specifically targeted to a younger market.

While Giorgio Armani introduced brand extensions under the parent brand name, other fashion brands opted to create new brand names for their vertical extensions in order to use the distancing technique more efficiently (Choi et al., 2010), as in the case of Giordano, which adopted a new brand name for its extension, Blue Star, in order to distance it from the parent brand. Whether creating new brand names is more effective than adopting original brand names in appealing to consumers remains a heated debate among fashion marketers and brand managers (Choi et al., 2010). Sheinin (2000), argued that fashion companies should employ new brand names for their vertical extensions to avoid diminishing the parent brand image brought about by the lower positioning of the vertical brand extension. Indeed, after Giorgio Armani introduced Armani Exchange in 1997, consumers began to perceive Giorgio Armani as a cheaper brand owing to the lower price point of Armani Exchange merchandise. Even though market sales for

Armani Exchange have increased in the last decade, the overall upscale image of Giorgio Armani has been diminished among fashion consumers (Choi et al., 2010).

Other researchers, however, contend that maintaining original brand names can contribute to the success of vertical brand extensions. Musante (2007), for instance, argued that adopting original brand names for vertical brand extensions can be more beneficial than creating new brand names because consumers tend to choose brands they are already familiar with. This is so, Musante explained, because consumers are able to perceive the vertical brand extension more favorably and establish its image or concept more quickly than when the brand extension adopts an entirely new brand name. Kim and Park (2005) also argued that consumers can more easily transfer their perception of the quality of the original brand to its vertical extension when the extension adopts the parent brand name, especially when the positive perception or image of the original brand is very strong. In short, vertical brand extensions adopting the parent brand name benefit more when the parent brand is well-known and has a positive reputation in the market.

A growing body of literature has demonstrated that consumers' trust or belief toward parent brands plays a significant role in the success of their vertical brand extensions. Some studies examined the importance of consumers' attitudes toward parent brands in the evaluation of vertical extensions of fashion brands. A study by Phau and Cheong (2009) found that consumers evaluated vertical extensions of fashion brands more favorably when the original brand name was incorporated into the extension name. The study showed that in both the cases of sub-brands (e.g., Emporio Armani by Armani) and nested brands (e.g., Marc by Marc Jacobs by Marc Jacobs), brand extensions tend to be evaluated positively by consumers, as these naming conventions help consumers transfer their existing perceptions of the original brands' quality or

image to their vertical extensions, demonstrating how trust toward the parent brand plays an important role in the evaluation of a vertical brand extension.

In addition to brand trust, several studies also identified consumer innovativeness as another important variable in the evaluation of vertical extensions of fashion brands (Goldsmith & Stith, 1993; Kim, Lavack, & Smith, 2001; Xie, 2008). Most of these studies found that vertical fashion brand extensions tend to be perceived as less innovative or novel than newly launched fashion brands, and, consequently, appeal less to innovative consumers than new fashion brands. Goldsmith and Stith (1993), for instance, found that fashion innovators were inclined to evaluate vertical fashion brand extensions negatively. Fashion innovators, they discovered, tend to seek novelty in their consumption, and perceive vertical fashion extensions to be less novel, as these extensions generally carry similar brand images, concepts, or styles as the original brands.

In contrast to vertical brand extensions, horizontal extensions are those in which the extension “involves the application of an existing brand name to a new product introduction, either in a similar product class or in a product category completely new to the firm” (Kim, Lavack, & Smith, 2001, p. 211). Horizontal extensions consist of two major types: line extension and category extension. Choi et al. (2010) defined line extension as one in which “the parent brand creates a new product that targets a new market segment within a product category currently served by the parent brand” (p. 473). Line extensions have been adopted widely by fashion brands such as Chanel, which introduced a cosmetics line, and Gucci, which introduced an eyewear line. Meanwhile, category extension is defined as one in which “the parent brand enters a product category, which is different from that of the parent brand” (Choi et al., 2010, p. 474). Category extension has been adopted by Ralph Lauren, an American apparel brand, when it entered the home furnishing market several decades ago. Many fashion marketers and brand

managers concur that horizontal extension is a cost-effective marketing strategy when entering a new product category. By capitalizing on the consumers' perception of the parent brand, fashion companies can reduce their advertising costs significantly and be competitive in a new product category market (Sheinin, 2000).

An important variable in the evaluation of horizontal extensions of fashion brands is the parent brand's prestige orientation (Lau & Phau, 2007; O'Cass & Frost, 2002). Lau and Phau (2007) argued that consumers who are very status conscious usually seek products indicative of their status. They found that prestige-oriented fashion brands tend to be evaluated more favorably as horizontal extensions because consumers often perceive the status of the new product category as equal to that of the parent brand (2007). This supported the findings of earlier research by Pitta and Katsanis (1995), which explored the importance of the parent brand's status in promoting the appeal of a horizontal extension to consumers.

A more detailed analysis of the relationship between the determinants related to consumers' perception toward the parent brand (brand trust, consumer innovativeness, and status consciousness) and the evaluation of fashion brand extensions is presented in later sections.

Brand Trust

In consumer science, brand trust is defined as "the willingness of the average consumer to rely on the ability of the brand to perform its stated function" (Chaudhuri & Holbrook, 2001, p. 82). Chaudhuri and Holbrook noted that brand trust significantly reduces uncertainty when a consumer is faced with a choice of brands, including unknown ones. In other words, there is a strong possibility that a consumer will choose a particular brand if brand trust exists. Hem, Gronhaug, and Lines' (2000) study emphasized the impact of brand trust in the absence of sufficient information and knowledge of products. Prior to that study, Lau and Lee (1999) found

that brand trust played a significant role in an ambiguous situation in which product information is lacking. In other words, according to their findings, purchase intention is determined by consumers' brand trust when they do not have sufficient information or knowledge about new products.

Many researchers have confirmed the importance of brand trust in the consumer market (e.g., Aaker & Keller, 1990; Keller & Aaker, 1992; Lau & Lee, 1999; Reast, 2005). According to Delgado-Ballester and Munuera-Aleman (2001), the purchase intention of a consumer is usually affected by brand trust, which is generally based on brand experience. Delgado-Ballester and Munuera-Aleman mentioned that brand trust is an important factor in the survival of business-marketing companies in a competitive industrial environment. They conducted an empirical study to see how brand trust predicts future purchase intention. The results of their study showed that brand trust generates consumers' overall attitude and that the developed brand attitude has a significant impact on consumers' decision-making processes.

Several studies have examined the significant relationship between brand trust and brand extension evaluation. McWilliam (1993) found that consumers show a high willingness to attempt brand extensions when they have a high level of brand trust. Reast (2005) also focused his study on the relationship between brand trust and brand extension evaluation. The researcher measured brand trust via two dimensions (expertise and trustworthiness). The two dimensions originally stemmed from Keller and Aaker's 1992 study, in which they considered "company credibility" to be a powerful indicator of consumers' purchase intention. They measured a company's perceived expertise and perceived trustworthiness by using two fictitious brands to investigate the effect of company credibility on brand acceptance. The findings of their study reported the significant impact of company credibility on consumers' decision-making processes

related to brand acceptance. On the basis of Keller and Aaker's (1992) study, Reast (2005) examined the impact of brand trust, which shares a significant conceptual overlap with company credibility (Ruyter & Wetzels, 2000; Reast, 2005) in brand extension evaluation. The results supported the idea that brand trust has a significant impact on brand extension evaluation.

Hem et al. (2000) supported the idea of the impact of brand trust on brand extension evaluation. They found that consumers who have high brand trust tend to evaluate brand extension more favorably than those who have low brand trust. They not only found the importance of brand trust in brand extension but also examined the impact of brand trust on the two different types of brand extension (vertical vs. horizontal). According to them, brand trust has a positive impact on the evaluation of vertical brand extension because consumers generally perceive high brand similarity in vertical brand extension. In other words, consumers perceived a better fit between vertical brand extension and the parent brand with regard to various features, such as brand concept or product quality, than they did for horizontal brand extension. Therefore, consumers can convey their brand trust more easily in vertical brand extension; they evaluate vertical brand extension more positively than they do horizontal brand extension when they have high brand trust. Smith and Andrews (1995) also supported the findings of the findings of Hem et al. (2000) through an empirical study. Smith and Andrews emphasized that brand trust can be transferred more effectively in vertical brand extension because consumers perceive a high similarity between the brand extension and the original brand. In Smith and Andrew's (1995) study, as in other studies, a positive relationship existed between brand trust and the evaluation of vertical brand extension. Smith and Andrews also mentioned that a high similarity is significantly related to the product category of brand extension. In vertical brand extension, a company introduces the same product category but at a different price point, whereas horizontal

brand extension offers a different product category from that of the parent brand. The impact of brand trust on horizontal brand extension is controversial. Haig (2011) believed that brand trust might threaten horizontal brand extension because once consumers place their trust in the product category of a parent brand; they have a difficult time transferring their trust to a new product category. Haig (2011) used the example of the failure of Harley Davidson perfume. Harley Davidson, a well-known motorcycle brand, produced a new perfume line in 2007 to attract its target consumers. However, because of consumers' strong loyalty to Harley Davidson's chief product, the perfume line failed. Despite several arguments related to the negative impact of brand trust on horizontal extension, however, numerous researchers have agreed upon the positive impact of brand trust (Ambler & Styles, 1997; Laforet, 2007; Yaser, Manije, & Shahriyar, 2010). Through an empirical study, Laforet (2007) found that a trusted grocer was favorably evaluated when the company offered new financial services. Existing customers who showed high brand trust toward the company were willing to use the new financial services of the company. Following the result of Laforet (2007), a trusted brand is highly likely to achieve success in horizontal extension, regardless of the product category. Yaser, Manije, and Shahriyar (2010) examined the impact of four variables, including brand trust, on the acceptance of vertical and horizontal brand extensions. The researchers supported the argument that brand trust plays a significant role in customer evaluation of horizontal brand extension, as well as of vertical brand extension. According to them, consumers tend to perceive a higher risk in horizontal extension than in vertical extension since the former involves a new product category among the core brands. Therefore, in horizontal brand extensions, consumers might use their brand trust as an important schema to reduce their risk (Yaser et al., 2010). Kapferer (2008) also emphasized the importance of brand trust in both vertical and horizontal

extensions. In brand extensions, brand trust is an essential and fundamental key to a company's success (Kapferer, 2008). Therefore, based on prior findings, this study hypothesizes the following:

H1. Brand trust will positively influence the evaluation of vertical fashion brand extensions.

H2. Brand trust will positively influence the evaluation of horizontal fashion brand extensions.

In the context of brand trust in brand extension evaluation, many researchers have agreed that perceived fit between a brand extension and the parent brand plays a significant role that moderates the relationship between brand trust and brand extension evaluation (Hem et al., 2000; Smith & Andrews, 1995; Smith & Park, 1992).

Perceived Fit

In consumer sciences, researchers have investigated many factors as determinants of the extent to which consumers will accept brand extensions, and perceived fit is one of the most discussed factors within their studies (Lane, 2000). Morrin (1999) indicated that consumers usually categorize brand extensions and transfer their perceived quality of the parent brands, or their brand trust, to brand extension based on the perceived fit between the parent brand and the brand extension. Thus, many researchers and market practitioners have examined perceived fit as an important determinant in brand extension success (e.g., Aaker & Keller, 1990; Boush & Loken, 1991; Loken & John, 1993; Zhang & Sood, 2002).

In the context of brand extension, perceived fit has been conceptualized in various ways. Some researchers have considered perceived fit on the basis of two dimensions: feature-based and attribute-based fit (e.g., Aaker & Keller, 1990; Boush & Loken, 1991; Loken & John, 1993).

Feature-based fit includes product quality, product size, and performance of product; on the other hand, attribute-based fit indicates brand concept or the brand image comparison between two brands (Smith & Park, 1992). Park, Milberg, and Lawson (1991) considered perceived fit as product category fit between parent brand and brand extension. According to them, brand extension evaluation is highly affected by consumers' brand specific associations, such as brand trust, when the product category of the brand extension is highly similar to the product category of the parent brand.

Concerning brand extension, perceived fit is closely related to extension distance (Pitta & Katsanis, 1995; Xie, 2008), which refers to the conceptual distance between the brand extension and the parent brand (Pitta & Katsanis, 1995). Several researchers have considered perceived fit and extension distance to be in inverse proportion to each other; perceived fit is high when extension distance is low, and perceived fit is low when extension distance is high (Xie, 2008). The impact of perceived fit varies within the relationships among other possible variables (e.g., brand trust or consumer innovativeness). In considering perceived fit, most researchers have considered perceived fit as a moderating variable (e.g., Aaker & Keller, 1990; Kim, Lavack, & Smith, 2001).

In vertical brand extension, consumers generally perceive a higher fit between the core brand and the brand extension because both are in the same product category (Aaker & Keller, 1990; Xie, 2008). Grime, Diamantopoulos, and Smith (2002) aimed to examine the impact of perceived fit with two dimensions—product category similarity and brand image similarity—on consumers' acceptance level of both vertical and horizontal extensions. Interestingly, the results revealed that consumers evaluated vertical extension favorably when they perceived a “good fit.” In vertical brand extension, “good fit” indicated that there should be enough differentiation

between core brand and extension (Grime et al., 2002). In other words, consumers prefer a lower perceived fit over a higher perceived fit because they are generally unwilling to purchase a new product that is not distinguishable from the parent brand product (Grime et al., 2002). Based on empirical research, Carter and Curry (2011) also supported the idea that a higher perceived fit negatively affects the sales of a vertical brand extension. In addition to the result, the researchers found that perceived fit negatively influences vertical brand extension sales when consumers perceive good quality in the parent brand (Carter & Curry, 2011).

On the other hand, Pitta and Katsanis (1995) noted that horizontal brand extensions naturally create greater extension distance than do vertical brand extensions because the product categories differ from those of the parent brands. According to them, horizontal brand extensions generally reduce the halo effect of parent brands or weaken the strength of established brand associations. They emphasized the significance of extension distance in horizontal brand extensions, as “without the perceived similarity between the parent and extension, consumers find it more difficult to attribute original brand associations to the extension” (p. 60). Martinez and Pina (2009) also supported this argument in their study. The authors found that a perceived lesser fit between the parent brand and the brand extension created a negative impact on the consumers’ evaluation of horizontal brand extensions. In contrast, a higher perceived fit between the parent brand and the brand extension yielded a positive impact on the evaluation of horizontal brand extensions (Martinez & Pina, 2009). Thus, based on prior findings, this study hypothesizes the following:

H3. Perceived fit will negatively influence the evaluation of vertical fashion brand extensions.

H4. Perceived fit will positively influence the evaluation of horizontal fashion brand extensions.

Aaker and Keller (1990) conducted empirical research to see the effect of brand fit on attitudes toward brand extension. They considered perceived fit as the common features of products shared between the parent brand and the extended brand. According to Aaker and Keller, perceived fit means the extent to which “a consumer perceived the new item to be consistent with the parent brand” (p. 29). The researchers found that perceived fit played a significant role in the relationship between brand trust and brand extension evaluation. According to their findings, consumers who have high brand trust favorably evaluated brand extension when they perceive a high fit between brand extension and parent brand (Aaker & Keller, 1990). On the basis of the notion of extension distance, Keller and Aaker (1992) supported the idea that the effect of brand trust is significant in vertical brand extension because consumers would perceive the extension distance to be low. In the case of low extension distance, consumers perceive a high fit between brand extension and parent brand, so that they think they can transfer their brand trust effectively. However, in the case of horizontal brand extension, the extension distance is high because the product category of brand extension is different from that of the original brand; therefore, consumers would perceive a low fit between the two brands (Keller & Aaker, 1992). On the basis of prior studies, this study hypothesized that:

H5. Perceived fit will significantly influence the relationship between brand trust and the evaluation of vertical fashion brand extension.

H6. Perceived fit will significantly influence the relationship between brand trust and the evaluation of horizontal fashion brand extension.

Status Consciousness

A considerable number of studies proposed that consumers tend to create a self-image through their consumption by projecting brand concepts and products (Dittmar, 1992; Douglas & Isherwood, 1996; Wattanasuwan, 2005). McCracken (1988) mentioned that products have significant abilities to convey and communicate cultural norms as well as social meanings. According to this argument, consumers practically use the norms and the meanings implicit in the products to create a self-image and to demonstrate individual social status (e.g., businessman or teenagers). Furthermore, they maintain their own lifestyles by consuming products (Douglas & Isherwood, 1996; McCracken, 1988).

Consumers' status consciousness has been defined in various ways. Several researchers investigated status consciousness by focusing on actual consuming behavior (Eastman, Goldsmith, & Flynn, 1999; O'Cass & Frost, 2002). Some of them regarded consumers' status consciousness as status consumption. For example, Eastman et al. (1999) defined status consumption as "the motivational process by which individuals strive to improve their social standing through the conspicuous consumption of consumer products that confer and symbolize status both for the individual and surrounding significant others" (p. 42). Status consumption is often regarded as conspicuous consumption in many studies. Mehta (1999) described conspicuous consumption as "conspicuousness of product use, as well as products that rely heavily on image, lend themselves most readily to self-concept moderations" (p. 83). Veblen (1899) was the first scholar to present extensive discussion on consumers' status display and established a "Theory of Leisure Class". Later, further research was conducted and Veblen (1934) argued that conspicuous consumption, which is an effective way of status representation, is the basis of status consumption. Based on Veblen's theory, many researchers asserted that there are the theoretical overlaps between conspicuous and status consumption (e.g., Marcoux, Filiatrault,

& Cheron, 1997; Mehta, 1999; O’Cass & Frost, 2002). Due to the overlaps, many researchers treated both conspicuous and status consumption interchangeably in their studies (O’Cass & Frost, 2002).

Several studies investigated the impact of consumer status consciousness on brand extension evaluation (e.g., Park, Milberg, & Lawson, 1991; Phau & Cheong, 2009;). Park et al. (1991) examined the effect of status consumption on the evaluation of brand extension. Park et al. noted that status consumption is likely to have an impact on brand extension evaluation as well as the purchase intention of consumers when they perceive the brand extension as adequate and relevant to display their social status. The results indicated that there was a relationship between status consciousness and brand extension evaluation. Consumers who have high status consciousness evaluated brand extension positively when they perceived high brand prestige. Phau and Cheong (2009) conducted experimental research to examine the impact of brand loyalty on brand extension evaluations of young consumers with high status consciousness. Their results also indicated a positive relationship between status conscious consumers and brand extension evaluation when they perceived high brand prestige and high brand similarity. In particular, the findings showed the significant impact of status consciousness on brand extension evaluation in horizontal extension. The authors mentioned that consumers perceived brand prestige similarly in horizontal extension because it introduces a different product category while maintaining the prestigious image of the parent brand (Phau & Cheong, 2009). In contrast, Phau and Cheong also found that consumers who have high status consciousness tended to evaluate vertical brand extension negatively. To support the results of their study, the researchers noted that high status conscious consumers may perceive vertical brand extension as damaging the original status of parent brand (Phau & Cheong, 2009). As Pitta and Katsanis (1995) mentioned,

vertical extensions are more likely to damage the original status of the parent brand than are horizontal brand extensions since vertical extensions produce new price-point products within the same product category as the core brand. Ríó, Vázquez, and Iglesias (2001) supported the idea that consumers who have high status consciousness tend to evaluate positively in horizontal extension, but negatively in vertical extension. The researchers especially emphasized that they had found this tendency to be significant in the extension of value added and highly visible products, such as fashion goods. Consumers, who had high status consciousness, evaluated vertical extension negatively because they perceived that the extension diminishes the original value (O’Cass & Frost, 2002). Based on prior findings, therefore, this study presents the following hypotheses:

H7. Status consciousness will negatively influence the evaluation of vertical fashion brand extension.

H8. Status consciousness will positively influence the evaluation of horizontal fashion brand extension.

Perceived Brand Prestige

Vigneron and Johnson (1999) examined the effect of perceived brand prestige of consumers on their brand choice. They emphasized that the definition of brand prestige would vary on the basis of socioeconomic backgrounds of individuals; therefore, it is not easy to develop one integrated definition for brand prestige. To explain and define consumers’ perceived brand prestige more precisely, they established five criteria to distinguish between non-prestige and prestige brands. The criteria included perceived conspicuous value, perceived unique value, perceived social value, perceived hedonic value, and perceived quality value (Vigneron & Johnson, 1999). Perceived conspicuous value is significantly related to status or conspicuous

consumption which has been discussed in the earlier section. It indicates that the purpose of prestige brand consumption is expression of individual status. Additionally, Vigneron and Johnson (1999) noted that perceived conspicuous value toward the product tends to increase along with the product price increase.

Although there are discrepancies in how brand prestige is defined, many researchers agree upon the important role of prestige brands as a status indicator (Vigneron & Johnson, 1999; Andrus, Silver, & Johnson, 1986; Grossman & Shapiro, 1988; Mason, 1996). Dubois and Czellar (2001) defined the word 'prestige' as "a subjective evaluative judgment about the high social status of people or inanimate objects such as brands" (p. 4). They conducted qualitative research to explore the process of how consumers perceive brand prestige and how they evaluate brands based on perceived brand prestige. The results showed that consumers determine brand prestige based on intrinsic uniqueness, which concerns overall quality of the brand and its product or particular attributes (e.g., minimal size wristwatch with outstanding performance).

In the context of brand extensions, perceived brand prestige plays a significant role in both vertical and horizontal extensions. Park, Milberg, and Lawson (1991) investigated whether consumers evaluate brand extension positively or negatively based on their perceived brand prestige of parent brands. To examine the factors that influence brand extension evaluation, they divided brands into two categories—function-oriented brands and prestige-oriented brands—since they expected that consumers' reaction toward brand extensions might be different based on the level of perceived brand prestige. The authors found that perceived prestige played a significant role in the evaluation of brand extensions. Park et al. (1991) examined not only the impact of product types but also the impact of product similarity. Product similarity refers to whether the product category of extension is similar or dissimilar to that of the parent brand. In

other words, a similar product category indicates vertical brand extension; otherwise, a dissimilar product category signifies horizontal brand extension. The results showed that perceived brand prestige was negatively related to the evaluation of vertical brand extension; conversely, it was positively related to the evaluation of horizontal brand extension (Park et al., 1991). Park et al. (1991) stated that vertical brand extension is more likely to diminish the original brand prestige than is horizontal brand extension due to the different product prices. On the other hand, consumers generally perceive stable and consistent brand prestige through horizontal extension; therefore, they tend to evaluate the extension favorably. As they perceive higher brand prestige in the parent brand, they tend to evaluate horizontal brand extension more favorably (Okonkwo, 2007). Based on the previous findings, this study hypothesized that:

H9. Perceived brand prestige will negatively influence the evaluation of vertical fashion brand extension.

H10. Perceived brand prestige will positively influence the evaluation of horizontal fashion brand extension.

Dubois and Czellar (2001) also found that generally, consumers positively evaluate brands when they perceive the brands as high prestige status oriented. Shenkar and Yuchtman-Yaar (1997) also pointed out that perceived brand prestige is closely associated with the symbolic meaning of products. According to their argument, the symbolic meaning of products often represents shared meanings in the society, by which individuals may interpret social status of people including themselves (Shenkar & Yuchtman-Yaar, 1997). Goldsmith, Flynn, and Eastman (1996b) also asserted that brand prestige substantially motivates consumers who have high status consciousness to acquire and consume the products. In the context of brand prestige, Clark, Zboja, and Goldsmith (2007) examined the effect of perceived brand prestige in the

relationship between status consciousness and purchase intention. They found that there was a positive relationship between the two variables when consumers perceive high brand prestige.

On the basis of prior studies, this study hypothesized that:

H11. Perceived brand prestige will significantly influence the relationship between status consciousness and the evaluation of vertical fashion brand extension.

H12. Perceived brand prestige will significantly influence the relationship between status consciousness and the evaluation of horizontal fashion brand extension.

Consumer Innovativeness

Brand extension is a marketing strategy which introduces new products into the marketplace. Therefore, many marketing researchers and practitioners have focused on consumers' purchase intentions for new products (e.g., Goldsmith & Flynn, 1992; Goldsmith & Hofacker, 1991). In the process of introducing new products, it is critical to understand personal traits to generalize potential consumers and their purchasing behavior (Clark & Goldsmith, 2006). Researchers have questioned which consumer characteristic has an impact on purchase intention in brand extension.

Among the consumer characteristics, some researchers considered consumer innovativeness as an important factor which significantly affects brand extension success (Clark & Smith, 2006). They focused on the impact of consumer innovativeness on brand extension evaluation. Roger (1995) defined consumer innovativeness as "the degree to which an individual or other unit of adoption is relatively earlier in adopting new ideas than other members of a system" (p. 22). Steenkamp, Hofstede, and Wedel (1999) described consumer innovativeness as the degree of tendency to which an individual purchases new products and experiences new brands instead of remaining with past choices and patterns of consumption. As Clark and

Goldsmith (2006) mentioned, innovative consumers have a tendency to collect new information about new products. Therefore, innovative consumers work as messengers who convey information about new products to other potential consumers (Citrin, Sprott, Silverman, & Stem, 2000).

Midgley and Dowling (1978) stated that identifying potential consumers willing to adopt new products in market has a decisive effect on the success of new products in the marketplace. Goldsmith and Hofacker (1991) noted that a highly innovative consumer shows a tendency to use new products before others try them. Following their argument, innovative consumers tend to be open to accepting new knowledge and they are less sensitive to price than non-innovative consumers (Goldsmith & Hofacker, 1991). While non-innovative consumers have a tendency to stay on their usual consumption behavior, they tend to seek for changes or adventure in their consumption behavior (Midgley & Dowling, 1978). Innovative consumers passionately seek new information by utilizing various sources of information (Clark & Goldsmith, 2006). They often refuse to conform themselves to standardized rules and forms, but rather, are willing to behave independently from social norms and imitation (Bass, 1969).

Manning, Bearden, and Madden (1995) concluded that the novelty seeking propensity of consumer reflects their innovativeness. One behavior that represents consumer novelty-seeking is searching for new information, with innovative consumers pursuing information related to new products (Hirshman, 1980). Hirschman (1980) noted that the propensity of consumers' innovativeness has a certain influence on their brand choice. Dawar (1996) examined the effect of consumer innovativeness on brand extension acceptance. Dawar's (1996) findings indicated that innovative consumers perceive less novelty in brand extension than new brand products.

Several studies also have focused on the relationship between consumer innovativeness and brand extension evaluation (Klink & Athaide, 2010; Klink & Smith, 2001; Smith & Park, 1992; Xie, 2008). The researchers found that innovative consumers evaluate brand extension negatively because they perceive brand extension characteristics as similar to parent brand characteristics.

In conducting studies, most researchers assumed that brand extension shares similar characteristics of parent brand (Xie, 2008). According to Xie (2008), innovative consumers who are likely to pursue novel information and products would be willing to reject purchasing the products in brand extension due to the similarities. Innovative consumers prefer new brand products to brand extension products (Xie, 2008). As Xie (2008) claimed, brand extension might not appeal to the innovative consumer due to lack of novelty. In addition to the findings, Xie (2008) also found that innovative consumers perceive vertical brand extension more negatively than horizontal extension because vertical extension introduces the same product category as the parent brand. The same product categories lead vertical extension to share higher levels of similarities with the parent brand than horizontal extension which has different product categories (Xie, 2008).

Klink and Athaide (2010) investigated the effect of consumers' level of innovativeness on their response to two different branding strategies (new vs. extended brands). The findings of their study also demonstrated that highly innovative consumers evaluate new brand products more favorably than brand extension products. They also argued that consumer innovativeness negatively affects vertical brand extension more than horizontal extension (Klink & Athaide, 2010). Even though limited research has been conducted on how consumer innovativeness

affects brand extension evaluation, the results suggested that there is a direct relationship between consumer innovativeness and brand extension acceptance.

H13. Consumer innovativeness will negatively influence the evaluation of vertical fashion brand extension.

H14. Consumer innovativeness will positively influence the evaluation of horizontal fashion brand extension.

Based on the notion of extension distance, researchers found that innovative consumers generally seek low-fitting (high extension distance) brand extensions (Klink & Smith, 2001; Xie, 2008). Klink and Smith (2001) argued that innovative consumers evaluated brand extension negatively when they perceived high brand similarity (low extension distance). Xie (2008) also investigated the relationship between consumer innovativeness and brand extension evaluation by taking extension distance into account. In the respect to novelty, Xie (2008) noted that distant brand extensions created higher novelty than close brand extensions because consumers do not have enough knowledge about distant extensions (Xie, 2008). On the other hand, consumers perceive low novelty in close brand extensions (low extension distance) since they are familiar with parent brands and able to find lots of similar characteristics between two brands (Xie, 2008). The author emphasized that vertical brand extension, which has the same product category as parent brand, is hypothetically lower than horizontal brand extension in extension distance. On the basis of prior studies, this study hypothesized that:

H15. Perceived fit will significantly influence the relationship between consumer innovativeness and the evaluation of vertical fashion brand extension.

H16. Perceived fit will significantly influence the relationship between consumer innovativeness and the evaluation of horizontal fashion brand extension.

Overall Brand Extension Evaluation

So far this study has reviewed prior studies to see the possible impacts of five factors: brand trust, perceived fit, status consciousness, perceived brand prestige, and consumer innovativeness on the evaluation of brand extension. Based on the review, this study postulated that the evaluation of brand extension will be significantly affected by the factors. Aaker and Keller (1990) defined brand extension evaluation as “a function of some overall attitude toward the original brand” (p. 29). The definition indicated that consumers transfer overall attitude toward the original brands when they evaluate brand extensions (Aaker & Keller, 1990). In addition, Nan (2006) mentioned that brand extension evaluation is affected by not only brand specific associations (e.g., brand trust) but also individual attributes, such as innovativeness or status consciousness. Martinez and Chernatony (2004) conducted an empirical study to see the effect of brand extension evaluation upon general brand image as well as product brand image of parent brand. The authors found that overall brand images of parent brand are significantly affected by brand extension evaluation (Martinez & Chernatony, 2004). Based on the definition and findings of previous studies, this study emphasized the importance of brand extension evaluation as well as the impacts of various factors for both original brands and brand extensions.

CHAPTER 3

THEORETICAL FRAMEWORK

Statement of Purpose

This study investigates the factors that may influence consumers' brand extension evaluations and, in particular, those of fashion brands on the basis of two different types of brand extension (vertical and horizontal). It also seeks to establish an integrated model that describes relationships between selected variables. In order to analyze overall consumer evaluations of brand extensions, five variables were selected through a literature review: brand trust, perceived fit, status consciousness, perceived brand prestige, and consumer innovativeness.

Theoretical Framework

As mentioned in the first chapter, brand extension evaluation has been investigated frequently in the last several decades. The main purpose of research in this area has been to establish a valid and reliable process-based model accounting for consumer "before and after" brand extension evaluations (Czellar, 2003). There are two dominant theories to explain the process of consumer brand extension evaluation; this study suggests an integrated model considering influential factors from both theories to understand fashion brand extension success. The two theories are categorization theory and diffusion theory.

Categorization theory. This study is inspired by categorization theory. Categorization theory is used to explain consumption with regard to brand extension. Sujan (1985) was the first researcher to use categorization theory to understand consumer evaluations of brand extension products.

In psychology, a schema means “a cognitive structure that represents knowledge about a concept or an object” (Musante, 2007, p.60). Fiske and Taylor (1991) noted that a schema becomes significant to individuals because they perceive a schema to be relevant to their understanding of the entity. According to categorization theory, individuals generally use schemas to assist in the organization of information about entities. Sujan (1985) proposed that consumers form a schema for a brand on the basis of their experience or familiarity with it. Once a schema has been formed, the consumer develops and confirms it by adding more information about the brand (Musante, 2007).

Following Sujan, many brand researchers have adopted categorization theory to investigate the process by which consumers evaluate brand extensions (e.g., Boush & Loken, 1991; Broniarczyk & Alba, 1994; Chowdhury, 2007). For example, Boush and Loken (1991) suggest that consumers will evaluate a brand extension product on the basis of their beliefs about the parent brand as long as the characteristics of the brand extension product are consistent with their brand schema. Under this condition, if a consumer perceives the parent brand favorably, the positive perception that is associated with the parent brand name will be transferred to the evaluation of the brand extension product. However, if a consumer perceives inconsistency between the parent brand and the brand extension, the consumer will evaluate the brand extension product on its own features and merits. In this case, the brand extension is not able to reap any benefit from a favorable perception of the parent brand (Boush & Loken, 1991). For example, if Apple introduced a new product that was coherent with the consumers’ brand schema (e.g., Apple television or DVD player), consumers might transfer their positive perceptions of Apple products in general to the new product.. However, if Apple were to introduce a brand extension product that was inconsistent with consumers’ brand schema (e.g.,

adult casual wear), the brand extension product would not reap any benefit from the association carryover. Kalamas, Cleveland, Laroche, and Laufer (2006) adopted categorization theory to investigate the influence of brand trust on consumer evaluations of congruent brand extensions; they found that the effect of brand trust associated with the parent brand on a brand extension evaluation was insignificant for incongruent and moderately congruent brand extensions.

On the basis of categorization theory, Czellar (2003) noted that consumers have already developed certain attitudes toward the core brand and the target product category before they experience a brand extension in a certain product category. Fishbein and Middlestadt (1995) argued that these attitudes consist of two different dimensions: affective and cognitive. According to Boush and Loken (1991), affective dimensions refer to the emotions and feelings associated with a brand name and a product category, which, as mentioned previously, are represented by consumer perceptions of the parent brand (or brand trust).

Extending the findings from previous studies to vertical brand extensions, categorization theory would suggest that positive parent brand equity and consumer beliefs about the parent brand will be transferred to consumer brand extension evaluations if a vertical brand extension is offered in a rightful domain with respect to price range and class level (Musante, 2007). Chowdhury (2007) also supported the idea of consumer brand trust based on categorization theory. Drawing primarily on categorization theory, Chowdhury suggested that the degree to which brand associations related to consumer perceptions of a parent brand (or brand trust) are transferred to an extension depends on the level of perceived fit or similarity between the extension category and the parent brand. Many other researchers have supported the notion that the perceived fit between the brand schema and brand extension product determines the extent to which brand associations of consumer beliefs are transferred (e.g., Aaker & Keller, 1990; Boush

& Loken, 1991; Morrin, 1999; Smith & Park, 1992), agreeing that categorization theory would significantly explain the phenomenon with regard to vertical brand extension. However, in the case of horizontal brand extension, researchers argued that consumer beliefs about a parent brand might not be transferred effectively. As horizontal brand extension entails a change of product category from the parent brand, it creates conflict within consumer brand schemas (Boush & Loken, 1991). In horizontal brand extension, consumers need to adjust their existing brand schema to a new product category; therefore, according to the categorization theory, consumer beliefs about a parent brand would not have a significant impact (Boush & Loken, 1991).

As mentioned earlier, consumer attitudes toward a parent brand and product category of brand extension involve cognitive dimensions. Keller (1993) noted that cognitive dimensions include product-related and non-product related associations linked to a parent brand in a consumer's long-term memory. Product-related associations relate to the functionality and experiential attributes of parent brand products. Non-product-related associations are symbolic benefits that consumers obtain from certain brands (Boush & Loken, 1991; Keller, 1993). Symbolic benefits are closely related to status consumption; examples of these associations can generally be found in the prestige category (e.g., luxury brands) (Boush & Loken, 1991; Keller, 1993; Pitta & Katsanis, 2005). Consumers who are highly conscious of their status generally regard symbolic benefits as one of the most important aspects of consumption (Keller, 1993). According to Keller, highly status-conscious consumers might use their brand schema to determine symbolic advantages when they purchase products. This was likewise emphasized by Yorkston et al. (2010), who further argued that a brand schema will be transferred positively to a brand extension when status-conscious consumers perceive high-prestige aspects of the brand extension products. Extending the theory to fashion brand extension, Park et al. (1991) noted that

brand schema related to symbolic benefits would be more effectively transferred to horizontal brand extension than vertical brand extension as consumers would perceive less prestigious assets in vertical fashion brand extension (i.e., second lines or sub-brands) while they perceive continuous prestige through horizontal fashion brand extension. Fashion brand extensions usually employ vertical brand extension, targeting the downscale market and consumers (e.g., Armani Exchange for Armani). The lowered price point of the downscale brand extension conflicts with status-conscious consumer evaluations of the parent brand, because price is perceived as an important trait in determining the symbolic benefits of a fashion brand (Park et al., 1991). Therefore, following a vertical fashion brand extension, status-conscious consumers might perceive diminished brand prestige and not be able to transfer their brand schema to the vertical fashion brand extension (Park et al, 1991). However, such consumers perceive ideal brand prestige in horizontal brand extensions, which do not entail price point changes (Park et al., 1991).

Diffusion theory. This study is also based on diffusion theory. A basic concept of diffusion theory is that people react differently to new products (Gatignon & Robertson, 1985; Hirschman, 1980). Marketing scientists and researchers developed diffusion theory by examining individual characteristics that have significant impact on the acceptance of new products (Robertson, Joan, & Scott, 1984; Rogers, 1995; Smith & Park, 1992). The research has shown that the most influential characteristic impacting acceptance is the level of individual consumer innovativeness. Rogers (1995) stated that consumers who are predisposed to being innovative will adopt new products earlier than those who are less predisposed, and that only after a relatively small number of innovators (earlier adopters) have accepted new products and experienced them will less innovative consumers (later adopters) start to respond to new

products. The most prominent characteristic that distinguishes earlier and later adopters is risk aversion. Rogers noted that the most salient traits of innovative consumers are that they are comfortable with enduring risk.

Many researchers have extended diffusion theory in the context of brand extensions to enhance the effect of consumer innovativeness (Broniarczyk & Alba, 1994; Klink & Smith, 2001; Park et al., 1991). A basic assumption underlying any brand extension strategy is that established brands can reduce the risk that is associated with purchasing a new product (Smith & Park, 1992). Researchers have agreed that the risk accompanying innovation is enough to cause established brands to affect consumers' purchasing behavior (Klink & Smith, 2001). With respect to brand extensions that introduce new products to consumers, earlier adopters or innovators may be more responsive to low-fitting brand extensions than later adopters or non-innovators, because they are more willing to accept the associated risk. In contrast, less innovative consumers might be significantly affected by the relatively higher risk in the case of low-fitting brand extensions, and consequently, they will exhibit more resistance toward brand extensions (Klink & Smith, 2001). Extending the diffusion theory and findings of prior studies, we can say that innovative consumers are more likely to choose horizontal brand extensions than vertical brand extensions (Xie, 2008). When brand extension distance is considered, horizontal brand extension offers higher distance than vertical brand extension, and higher distance (i.e., a low level of fit) provides the increased risk that innovative consumers may be willing or eager to take.

Table 1
Hypotheses

- H1. Brand trust will positively influence the evaluation of vertical fashion brand extension.
- H2. Brand trust will positively influence the evaluation of horizontal fashion brand extension.
- H3. Perceived fit will negatively influence the evaluation of vertical fashion brand extension.
- H4. Perceived fit will positively influence the evaluation of horizontal fashion brand extension.
- H5. Perceived fit will significantly influence the relationship between brand trust and the evaluation of vertical fashion brand extension.

- H6. Perceived fit will significantly influence the relationship between brand trust and the evaluation of horizontal fashion brand extension.
- H7. Status consciousness will negatively influence the evaluation of vertical fashion brand extension.
- H8. Status consciousness will positively influence the evaluation of horizontal fashion brand extension.
- H9. Perceived brand prestige will negatively influence the evaluation of vertical fashion brand extension.
- H10. Perceived brand prestige will positively influence the evaluation of horizontal fashion brand extension.
- H11. Perceived brand prestige will significantly influence the relationship between status consciousness and the evaluation of vertical fashion brand extension.
- H12. Perceived brand prestige will significantly influence the relationship between status consciousness and the evaluation of horizontal fashion brand extension.
- H13. Consumer innovativeness will negatively influence the evaluation of vertical fashion brand extension.
- H14. Consumer innovativeness will positively influence the evaluation of horizontal fashion brand extension.
- H15. Perceived fit will significantly influences the relationship between consumer innovativeness and the evaluation of vertical fashion brand extension.
- H16. Perceived fit will significantly influence the relationship between consumer innovativeness and the evaluation of horizontal fashion brand extension.
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Figure 1 and Figure 2 present the conceptual model guiding this study. Within these models, the lines are combined between brand trust, perceived fit, status consciousness, perceived brand prestige, consumer innovativeness, and the evaluation of fashion brand extension. Together these offer new conceptual models to which describe and analyze the influential factors of fashion brand extension evaluation within fashion market. Each model contains five variables which are: brand trust, perceived fit, consumer innovativeness, status consciousness, and perceived brand prestige. Furthermore, the models indicate that perceived fit moderates two relationships (between brand trust and fashion brand extension evaluation and between consumer innovativeness and fashion brand extension evaluation) and perceived brand prestige moderates one relationship (between status consciousness and fashion brand extension evaluation).

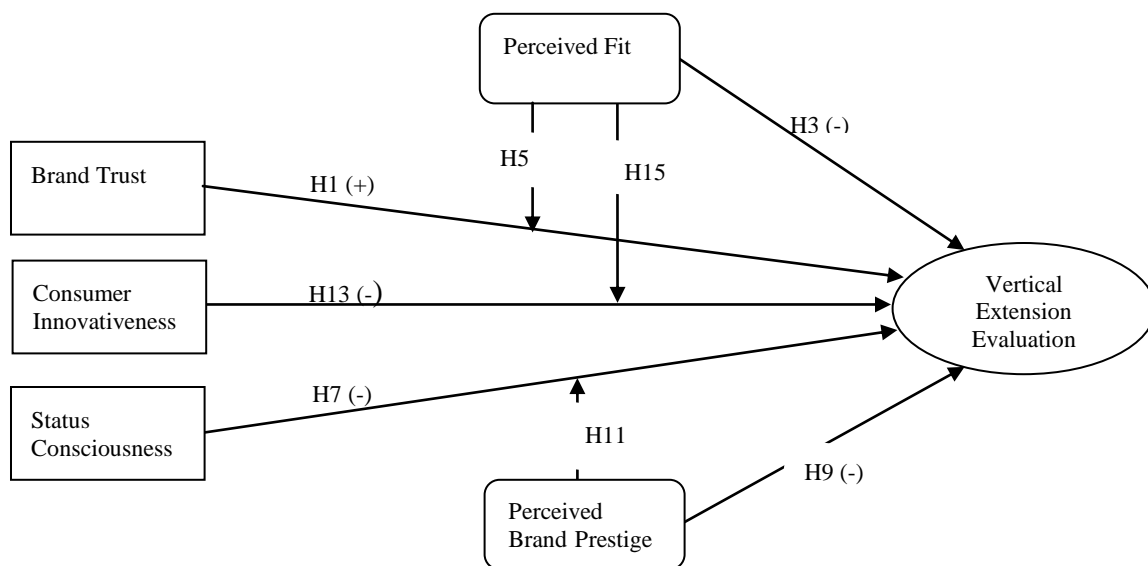


Figure 1 Conceptual Model (Vertical Fashion Brand Extension)

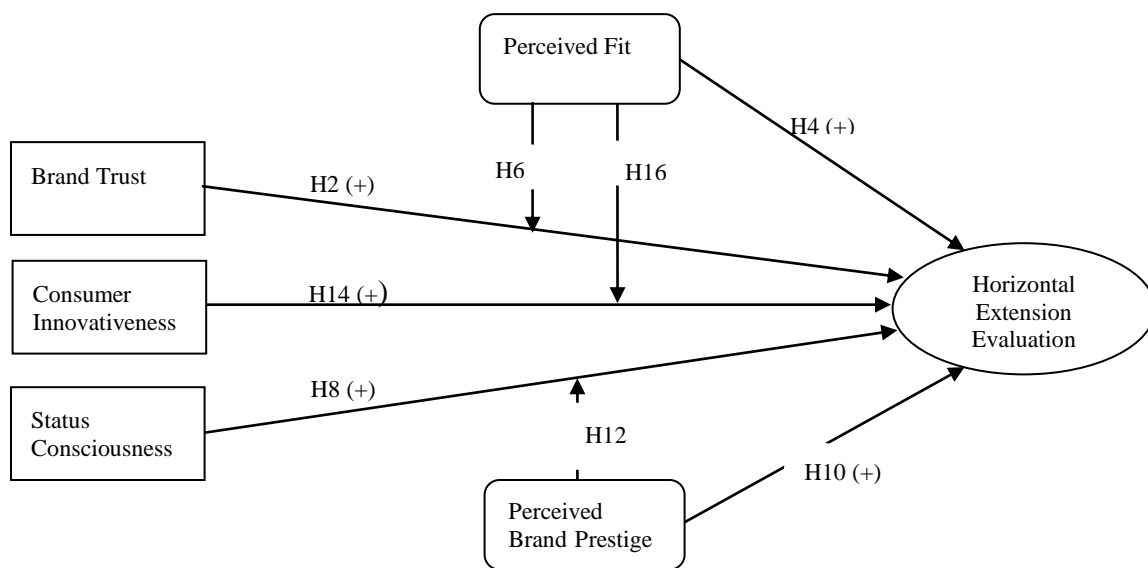


Figure 2 Conceptual Model (Horizontal Fashion Brand Extension)

CHAPTER 4

METHODOLOGY

Statement of Purpose

This study aims to explore two types of brand extension, vertical and horizontal, to investigate the factors that influence the success of fashion brand extensions. For this purpose, five variables—brand trust, perceived fit, status consciousness, perceived brand prestige, and consumer innovativeness—were selected, and the effect of each variable on the evaluation of fashion brand extensions was studied. A quantitative data collecting method was adopted for this purpose. This chapter describes instrument development, sample and procedures, and data analysis.

Instrument Development

Parent brand selection. As mentioned earlier, the main goal of this study was to determine the impact that brand trust, perceived fit, status consciousness, perceived brand prestige, and consumer innovativeness has on consumers' evaluation of fashion brand extension; for this purpose, the study focuses on two types of brand extension, vertical and horizontal. Hence, Giorgio Armani was chosen as the target fashion brand for this study. Armani started out as a single fashion brand, aimed at high-end fashion customers, but has developed several sub-brands over the years. The core business of Giorgio Armani involves the production and sales of luxury fashion clothes, which the company has extended both vertically and horizontally. Vertically, Giorgio Armani has extended to the lower-end fashion apparel brand, A|X Armani Exchange (designed for “young urban” consumers) and Armani Jeans, with Emporio Armani as

an intermediary brand. Each sub-brand has its own pricing and distribution strategies, even though both are distributed under the Armani label. Especially for A|X Armani Exchange, the less expensive sub-brand, the Armani label is used to recall its affiliation with the prestigious designer and to extract a premium price from customers (Aaker, 1997). Horizontally, Giorgio Armani has expanded into home furnishings through Armani Casa and into cosmetic goods, including perfumes. Armani perfume, especially, is a bestselling item as part of Giorgio Armani's horizontal extensions and is broadly sold in cosmetic markets all over the world (Tungate, 2008). Armani has adopted a multi-brand approach so that consumers now have access to all levels of the market with carefully differentiated lifestyle fashion collections under the umbrella of the Armani label. In this study, A|X Armani Exchange and Acqua di Gio perfume were chosen for vertical and horizontal fashion brand extension cases.

Questionnaire. A structured questionnaire was developed to measure the impact of each factor on the evaluation of fashion brand extension. The questionnaire explained the purpose of the survey: to investigate participants' evaluation of fashion brand extension by focusing on the vertical and horizontal extension of a fashion brand. The questionnaire included five sections. The first section asked for information relating to participant requirements for the survey: (1) gender, (2) age, and (3) familiarity with the Giorgio Armani brand. The second section included questions on each of the following aspects: (1) level of familiarity with the Giorgio Armani brand, (2) brand trust, (3) status consciousness, (4) perceived brand prestige, (5) consumer innovativeness. The third section asked questions about A|X Armani Exchange: (1) level of familiarity with the A|X Armani Exchange, (2) perceived fit between A|X Armani Exchange and Giorgio Armani, and (3) overall evaluation of A|X Armani Exchange. The fourth section included the questions about Acqua di Gio perfume: (1) level of familiarity with Acqua di Gio

perfume, (2) perceived fit between Acqua di Gio perfume and Giorgio Armani, and (3) overall evaluation of Acqua di Gio perfume. The last section included three demographic questions: (1) age, (2) household annual income, and (3) ethnicity. The questionnaire offered a brief description and illustration of both vertical and horizontal extension.

Survey Description

Brand trust. Participants answered five items asking about the level of brand trust they have toward Giorgio Armani. The items were adopted from Lau and Lee's (1999) study. They developed trust-related items with two different categories: trust in the company, and trust in the brand. This study used the latter item (trust in the brand), as they are focused mainly on brand-related factors. Examples of the items were, "I trust this brand," "I feel that I can trust this brand completely," and, "I feel secure when I buy this brand because I know that it will never let me down." The items were measured with a five-point Likert-type scale ranging from (1), strongly disagree, to (5), strongly agree.

Status consciousness. Respondents were asked to complete five items to measure their status consciousness in buying consumer products. The items were extracted from the study of Eastman, Goldsmith, and Flynn (1999), which had developed the scales for "status consumption in consumer behavior" (p. 41). The items included, "I am interested in new products with status," "I would pay more for a product if it had status," and, "The status of a product is irrelevant to me," as examples. Each item was measured with a five-point Likert-type scale ranging from (1), strongly disagree, to (5), strongly agree.

Perceived brand prestige. Several studies have used scales to investigate perceived brand prestige (e.g., Broniarczyk & Alba, 1994; Han & Terpstra, 1988). Scales in previous research were developed to measure the extent to which the perceived image of the consumer

toward a brand related to high status or prestige. Curras-Perez, Bigne-Alcaniz, and Alvarado-Herrera (2009) also developed perceived brand prestige scales for their study of, “The role of self-definitional principles in consumer identification with a socially responsible company” (p. 547). They used the scales to figure out the perceived brand prestige as a mediating variable that played the role of connecting Corporate Social Responsibility and brand attractiveness. Three items were selected from their study and the items included: “The people around me have a positive image of Giorgio Armani,” “In general Giorgio Armani is a respected brand,” and “Giorgio Armani is a brand with a good reputation.” The items were measured with a five-point Likert-type scale ranging from (1), strongly disagree, to (5), strongly agree.

Consumer innovativeness. The items measuring consumer innovativeness were adopted from the study of Manning, Bearden, and Madden (1995). They developed two types of scales that measured consumer innovativeness in two different aspects: consumer independent judgment-making (CIJM) and consumer novelty seeking (CNS). In this study, CNS items were used to measure consumer innovativeness, because the items focus on consumers’ novelty-seeking tendencies related to new products and brands, while CIJM concentrate on the level of independence of consumers in the decision-making process (e.g., “Prior to purchasing a new brand, I prefer to consult a friend that has experience with the new brand.”). Consequently, eight CNS items were administered to respondents. These items included: “I often seek out information about new products and brands,” “I frequently look for new products and services,” and “I am continually seeking new product experiences,” as examples. The items were measured with a five-point Likert-type scale ranging from (1), strongly disagree, to (5), strongly agree.

Perceived fit. Four items were adapted to measure participants’ perceived brand similarities. The items were selected from Sujon and Bettman’s (1989) study. Originally, the

items of their study were measured with a seven-point semantic differential scale (e.g., identical vs. completely different, similar vs. not similar at all). However, in this study, each item was changed to sentence-structured item and measured with five-point Likert-type scale due to the increased unity of the overall questionnaire. Consequently, the items included: “The extension is very identical to Giorgio Armani” “The extension is very similar to Giorgio Armani.” “The new products of (A|X Armani Exchange/Acqua di Gio fragrance) are very similar to the products of Giorgio Armani.” “The new products of (A|X Armani Exchange/Acqua di Gio fragrance) are very consistent to the products of Giorgio Armani.” The items were measured with a five-point Likert-type scale ranging from (1), strongly disagree, to (5), strongly agree.

Overall evaluation of brand extension. Finally, participants were asked to complete the section of their overall evaluation toward brand extension. There were six items measuring their attitudes toward brand extension. The items were adopted from two studies, both of which proposed brand extension evaluation criteria. The first three items were selected from the study of Park, Milberg, and Lawson (1991), and the other three items were chosen from Dawar and Anderson’s (1994) study. The items included: “The extension is a very good idea.” “The extension makes a lot of sense to me.” and they were measured with a five-point Likert-type scale ranging from (1), strongly disagree, to (5), strongly agree.

Sample and Procedure

Based upon approval from the University of Georgia’s Institutional Review Board, this study collected the data by means of an online survey. Schonlau, Fricker, and Elliott (2002) mentioned that online surveys are economical and time saving, and that they exclude unwanted survey respondents who could bias the survey results. In order to obtain a large number of responses in a short period, the snowball sampling technique was used. An online survey was

developed, which augmented the utility of the snowball sampling technique. The survey link to the self-report questionnaire was sent out to several associates via SurveyMonkey (www.surveymonkey.com). These persons were asked to participate in the survey if they satisfied the requirements (gender, age, and familiarity with Giorgio Armani) and to forward the link to their acquaintances. Participation in the survey was voluntary. Data was also collected by means of a link posted on the researcher's Facebook page (www.facebook.com). The population targeted for the study was females aged 18 and up who are familiar with Giorgio Armani. As mentioned in earlier chapters, previous studies on fashion brand extension and related topics have focused mainly on adult female students (e.g., Choi et al., 2010; Klink & Smith, 2001; O'Cass & Frost, 2002). Young adult female consumers are generally more responsive to change, and are more willing than elderly people to try new products (Mathur, Sherman, & Schiffman, 1998). Additionally, several studies have examined the decision making of young adult female consumers in terms of their fashion consciousness (e.g., Fan & Xiao, 1998; Hafstrom, Chae, & Chung, 1992). The findings indicated that these consumers react more sensitively than other consumer groups to changes, including new fashion products.

Data Analysis

To analyze the data for this study, statistical methods of descriptive statistics, reliability, correlation, and multiple regressions were used. Before analyzing the collected data, reverse coding was developed for several questions (e.g., "I cannot rely on this brand."). Descriptive analysis, including means and standard deviations, was conducted to obtain demographic variables. The data were analyzed to determine the reliability of the Likert scales, and factor analyses were performed to determine whether each scale composed one or more dimensions.

Correlation analyses were conducted to investigate relationships existing among variables. To test the hypotheses in this study, multiple regression analyses were performed.

CHAPTER 5

RESULTS

The data for this study were collected through online surveys (www.surveymonkey.com) and then analyzed with the use of SPSS software. A descriptive statistical analysis, a reliability test, and correlation and multiple regression analyses were conducted on the data. There were 187 usable surveys out of 201 surveys total. Fourteen surveys were unusable because of either unsatisfied minimum requirements (age, gender, and familiarity with the Giorgio Armani brand) or the failure of participants to complete the survey.

Respondent demographics

The first and the last sections of the survey collected participants' demographic information. The demographics included gender, age, household annual income, and familiarity with the Giorgio Armani brand (see Table 2). Overall, 187 females completed the survey. The highest number of respondents who participated in the survey ranged in age between 18 and 24 (48.1%), followed by ages 25 to 34 (32.1%). The other three age groups (35 or older) comprised the remainder of the respondents (19.7%). Household incomes ranged between \$30,000 and \$49,999 for 28.9% of the respondents. A slightly lower percentage of participants rated their annual household incomes at between \$50,000 and \$69,999 (21.9%), followed by \$10,000 to \$29,999 (21.4%). An annual household income of between \$70,000 and \$89,999 was reported by 13.4%, and 8.0% of respondents came in at between \$90,000 and \$109,999; finally, 4.8% of respondents reported their incomes at less than \$10,000, and the remaining 1.6% of respondents indicated an income of \$110,000 or more. The most frequently responded ethnic group was

Caucasian/White (59.4%). African-American respondents formed 20.3%, and the Asian/Pacific Islander group constituted 11.2% of total respondents. Hispanic/Latino group comprised 9.1% of total respondents.

Table 2
Demographic Profile of Respondents (n=187)

| | Characteristics | Frequency | Percentage (%) |
|----------------------------------|------------------------|-----------|----------------|
| Gender | Female | 187 | 100 |
| Age | 18-24 | 90 | 48.1 |
| | 25-34 | 60 | 32.1 |
| | 35-44 | 24 | 12.8 |
| | 45-54 | 11 | 5.9 |
| | 55-64 | 2 | 1.1 |
| | 65 or older | 0 | 0 |
| Income | less than \$10,000 | 9 | 4.8 |
| | \$10,000-\$29,999 | 40 | 21.4 |
| | \$30,000-\$49,999 | 54 | 28.9 |
| | \$50,000-\$69,999 | 41 | 21.9 |
| | \$70,000-\$89,999 | 25 | 13.4 |
| | \$90,000-\$10,999 | 15 | 8.0 |
| | \$110,000-\$129,999 | 2 | 1.1 |
| | \$130,000 or more | 1 | 0.5 |
| Ethnic | Caucasian/White | 111 | 59.4 |
| | Hispanic/Latino | 17 | 9.1 |
| | African-American | 38 | 20.3 |
| | Asian/Pacific Islander | 21 | 11.2 |
| | Native American/Aleut | 0 | 0 |
| | Other | 0 | 0 |
| Familiarity with Giorgio Armani | Slightly familiar | 63 | 33.7 |
| | Somewhat familiar | 68 | 36.4 |
| | Moderately familiar | 46 | 34.6 |
| | Extremely familiar | 10 | 5.3 |
| Familiarity with Armani Exchange | Not at all familiar | 17 | 9.1 |
| | Slightly familiar | 60 | 32.1 |
| | Somewhat familiar | 56 | 29.9 |
| | Moderately familiar | 44 | 23.5 |
| | Extremely familiar | 10 | 5.3 |
| Familiarity with Acqua di Gio | Not at all familiar | 13 | 7.0 |
| | Slightly familiar | 64 | 34.2 |
| | Somewhat familiar | 66 | 35.3 |
| | Moderately familiar | 39 | 20.9 |
| | Extremely familiar | 5 | 2.7 |

As part of the demographic information, respondents were asked to complete questions about their familiarity with the Giorgio Armani brand. Two additional questions inquired about familiarity with A|X Armani Exchange at the beginning of section 3 and familiarity with Acqua di Gio perfume at the beginning of section 4. For familiarity with the Giorgio Armani brand, the most frequently reported answer was “somewhat familiar” (36.4%). Out of 187 respondents, 33.7% answered “slightly familiar,” and 24.6% of respondents reported their familiarity as “moderately familiar.” The remaining 5.3% of respondents answered “extremely familiar.” Regarding familiarity with A|X Armani Exchange, 32.1% of participants reported that they were slightly familiar with it, followed by 29.9% of respondents who indicated their familiarity as “somewhat familiar.” The participants who reported “moderately familiar” were 23.5%. “Not at all familiar” and “extremely familiar” were 9.1% and 5.3%, respectively. Concerning familiarity with Acqua di Gio perfume, 35.3% of participants reported they were “somewhat familiar” with the perfume. Somewhat fewer respondents answered “slightly familiar” (34.2%), and 20.9% of total respondents answered as “moderately familiar.” The other two answers, “not at all familiar” and “extremely familiar” came in at 7.0% and 2.7%, respectively. There was only one participant who answered “Not at all familiar” for both brand extensions.

Reliability

To make sure of the repeatability and stability of the test results, a reliability analysis was performed to ensure the reliability of each scale. Cronbach’s alpha was used in this study to confirm the internal consistency of a set of multi-item scales. If the scale is reliable, it should at least exceed Cronbach’s alpha of .70. The five items for brand trust had a Cronbach’s alpha of .89, and the five items for status consciousness, an alpha of .80. Perceived brand prestige, composed of three items, reported an alpha of .73. Consumer innovativeness, which included

eight items, showed an alpha of .83. Perceived fit between A|X Armani Exchange and Giorgio Armani, with four items, had an alpha of .76, and perceived fit between Acqua di Gio and Giorgio Armani, consisting of four items, had an alpha of .70. The overall evaluation of A|X Armani Exchange, six items, revealed an alpha of .72, and the overall evaluation of Acqua di Gio, six items, showed an alpha of .82. The results of the reliability analysis showed that all scales in this study exceeded the acceptable Cronbach's alpha limit of .70. As shown in Table 3, the means and standard deviations were computed for all variables. Prior to conducting all statistical analyses, reverse-coded items (e.g., "I cannot rely on this brand") were recorded.

Table 3
Means and Standard Deviations for all Variables

| | Mean | Standard Deviation |
|-----------------------------------|------|--------------------|
| Brand trust | 2.99 | 1.01 |
| Perceived fit (A X) | 3.06 | .90 |
| Perceived fit (Acqua di Gio) | 2.86 | .81 |
| Status consciousness | 2.82 | .90 |
| Perceived brand prestige | 3.13 | .99 |
| Consumer innovativeness | 3.22 | .82 |
| Overall evaluation (A X) | 2.87 | .71 |
| Overall evaluation (Acqua di Gio) | 2.73 | .83 |

In general, a factor analysis needed to be performed in order to ascertain if there were any multiple dimensions for each scale and to determine which items comprised each dimension. The results of the factor analyses showed that there was only one dimension for each scale.

Correlation Analyses

Pearson's correlation analysis was conducted to investigate the existing relationships and the correlational strength among the variables. Table 4 shows the correlation coefficients between (1) brand trust, (2) status consciousness, (3) perceived brand prestige, (4) consumer innovativeness, (5) perceived fit (vertical and horizontal), and (6) overall brand extension evaluation (vertical and horizontal). The strongest correlation was the relationship between brand trust and status consciousness ($r = .87, p < .001$), and the second strongest was between brand trust and perceived brand prestige ($r = .81, p < .001$).

Table 4
Pearson Correlation Analyses

| | Brand Trust | Status Consciousness | Perceived Brand Prestige | Consumer Innovativeness | Perceived Fit (A X) | Overall Evaluation (A X) | Perceived Fit (Acqua di Gio) | Overall Evaluation (Acqua di Gio) |
|-----------------------------------|-------------|----------------------|--------------------------|-------------------------|---------------------|--------------------------|------------------------------|-----------------------------------|
| Brand Trust | 1 | | | | | | | |
| Status Consciousness | .87*** | 1 | | | | | | |
| Perceived Brand Prestige | .81*** | .76*** | 1 | | | | | |
| Consumer Innovativeness | -.60*** | -.57*** | -.57*** | 1 | | | | |
| Perceived Fit (A X) | .58*** | .53*** | .51*** | -.38*** | 1 | | | |
| Overall Evaluation (A X) | -.04 | .02 | .00 | -.40*** | -.35*** | 1 | | |
| Perceived Fit (Acqua di Gio) | -.04 | -.10 | -.02 | .05 | -.36*** | .14 | 1 | |
| Overall Evaluation (Acqua di Gio) | .75*** | .66*** | .69*** | -.38*** | .31*** | -.07 | .20** | 1 |

* $p \leq 0.05$, ** $p \leq 0.01$, *** $p \leq 0.001$

The relationship between brand trust and overall evaluation of vertical fashion brand extension was not significant. However, there was a positively significant correlation between brand trust and overall evaluation of horizontal fashion brand extension ($r = .75, p < .001$). Brand

trust and perceived fit of vertical fashion brand were positively related ($r = .58, p < .001$). In horizontal fashion brand extension, brand trust and perceived fit showed no significant relationship between them. Pearson's correlation analysis showed a negative relationship between perceived fit and overall evaluation of vertical fashion brand extension ($r = -.35, p < .001$). The relationship between perceived fit and overall evaluation of horizontal fashion brand extension was significantly positive ($r = .20, p < .01$).

Status consciousness and overall evaluation of vertical fashion brand extension were not significantly related. On the other hand, in horizontal fashion brand extension, a positive relationship existed between status consciousness and overall evaluation ($r = .66, p < .001$), and status consciousness was also positively related to perceived brand prestige ($r = .76, p < .001$). No significant correlation existed between perceived brand prestige and overall evaluation of vertical fashion brand extension. Perceived brand prestige, however, was positively related to overall evaluation of horizontal fashion brand extension ($r = .69, p < .001$).

Interestingly, consumer innovativeness was negatively related to the overall evaluation of both vertical fashion brand extension ($r = -.40, p < .001$) and horizontal fashion brand extension ($r = -.38, p < .001$). There was also a negative relationship between consumer innovativeness and perceived fit in vertical fashion brand extension ($r = -.38, p < .001$) but no significant correlation with horizontal fashion brand extension.

In addition to the above analysis, several interesting relationships were discovered among variables. Pearson's correlation analysis showed a significant negative relationship between status consciousness and consumer innovativeness ($r = -.57, p < .001$). The relationship between consumer innovativeness and perceived brand prestige was also significantly negative ($r = -.57, p < .001$). Brand trust was significantly related to consumer innovativeness ($r = -.60, p < .001$).

Regression Analyses

Multiple regression analyses were used to test the hypotheses in this study. The interaction terms of each of the predicting variables (brand trust, perceived fit, status consciousness, perceived brand prestige, and consumer innovativeness) and moderating variables (perceived fit and perceived brand prestige) were computed through multiplication of variables. According to the results of the regression analyses shown in Tables 5 to 7, Model 1 indicated only the main effect of each variable on the evaluation of fashion brand extensions, and Model 2 included the interaction effects through use of the multiple linear enter method. F-tests were used to assess the incremental explanatory power of the evaluation of fashion brand extensions provided by variance of two factors. Due to the possibility of multicollinearity problems, this study performed multiple regression analyses by using standardized variables.

Brand trust ($\beta = .24, p < .01$) and perceived fit ($\beta = -.49, p < .001$) exerted significant main effects on the evaluation of vertical fashion brand extension (see Table 5). Brand trust positively influenced the vertical extension evaluation, whereas perceived fit negatively affected vertical extension evaluation. In horizontal extension, the results suggested that brand trust ($\beta = .75, p < .001$) and perceived fit ($\beta = .23, p < .001$) were significant predictors of extension evaluation as well. Both variables had positive impacts on the extension evaluation.

The result of significant incremental R^2 supported the interaction between brand trust and perceived fit in the vertical fashion brand extension ($F(3, 183) = 19.98, p < .001$). The positive standardized coefficient of the interaction terms explained that perceived fit significantly moderated the relationship between brand trust and the vertical extension evaluation. In addition, there was a significant interaction effect for brand trust and perceived fit in the horizontal brand

extension, suggesting that perceived fit was a significant moderator in the relationship between brand trust and the extension evaluation ($F(3, 183) = 100.23, p < .01$).

Table 5
Multiple Regression Analysis for Brand Trust and Perceived Fit

| | Fashion Brand Extension Evaluation | | | | | | | | | |
|-----------------------------|------------------------------------|---------|----------------|---------------------|---------|----------------------|---------|----------------|---------------------|---------|
| | Vertical Extension | | | | | Horizontal Extension | | | | |
| | Model 1 | | Model 2 | | | Model 1 | | Model 2 | | |
| | R ² | β | R ² | R ² diff | β | R ² | β | R ² | R ² diff | β |
| Brand Trust | | .24** | | | .10 | | .75*** | | | .76*** |
| Perceived Fit | .16 | -.49*** | | | -.26** | .61 | .23*** | | | .20*** |
| Brand Trust X Perceived Fit | | | .25 | .09*** | .35*** | | | .62 | .02** | .12** |

* $p \leq 0.05$, ** $p \leq 0.01$, *** $p \leq 0.001$

Figure 3 shows the relationship between brand trust and fashion brand extension evaluation, accounted for by the level of perceived fit. In vertical fashion brand extension, when perceived fit was high, the relationship between brand trust and extension evaluation was positive; when perceived fit is low, the relationship between brand trust and extension evaluation was negative. In horizontal fashion brand extension, brand trust was more positively related to the extension evaluation when perceived fit was high.

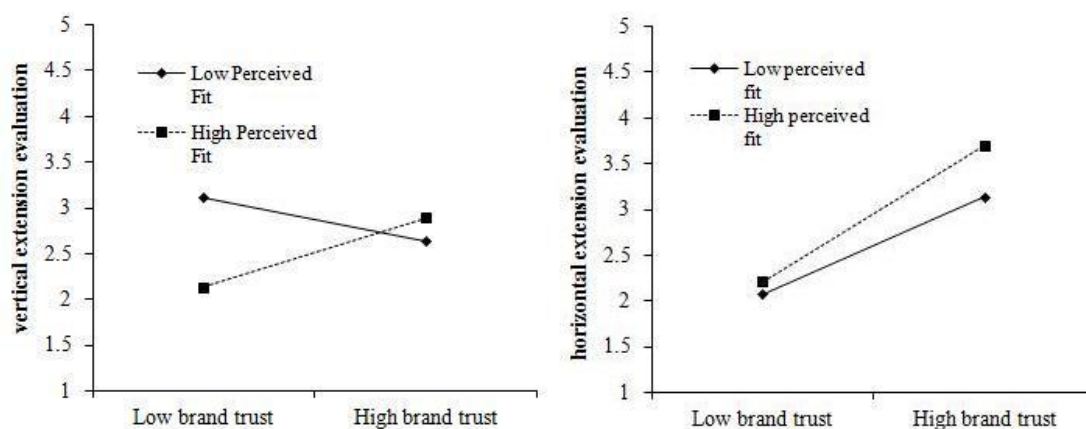


Figure 3 Two-way Interaction Effects of Brand Trust and Perceived Fit

The results of the regression analysis for status consciousness and perceived brand prestige are shown in Table 6. There was neither a significant main effect nor an interaction effect between variables in vertical extension. On the other hand, as a dependent variable, the evaluation of horizontal fashion brand extension was significantly influenced by perceived brand prestige ($\beta = .34$, $p < .001$) as well as by status consciousness ($\beta = .44$, $p < .001$). However, there was no significant interaction effect among the variables.

Table 6
Multiple Regression Analysis for Status Consciousness and Perceived Prestige

| | Fashion Brand Extension Evaluation | | | | | | | | | |
|---|------------------------------------|---------|----------------|------------------------|---------|----------------------|---------|----------------|------------------------|---------|
| | Vertical Extension | | | | | Horizontal Extension | | | | |
| | Model 1 | | Model 2 | | | Model 1 | | Model 2 | | |
| | R ² | β | R ² | R ² diff | β | R ² | β | R ² | R ² diff | β |
| Status Consciousness | .00 | .04 | | | .02 | .52 | .34*** | | | .36*** |
| Perceived Brand Prestige | | -.03 | | | -.02 | | .44*** | | | .43*** |
| Status Consciousness X Perceived Brand Prestige | | | .01 | .01 | .07 | | | .53 | .01 | -.08 |

* $p \leq 0.05$, ** $p \leq 0.01$, *** $p \leq 0.001$

There were significant main effects of both consumer innovativeness and perceived fit on vertical extension evaluation (see Table 7). Consumer innovativeness ($\beta = -.62$, $p < .001$) and perceived fit ($\beta = -.58$, $p < .001$) both negatively influenced vertical fashion brand extension. The negative coefficient of the interaction terms ($F(3, 183) = 58.38$, $p < .001$) suggested that the relationship between consumer innovativeness and vertical fashion brand extension was weaker at a higher level of perceived fit. In horizontal brand extension, the results indicated that both consumer innovativeness and perceived fit were significant predictors for the extension evaluation. Consumer innovativeness had a negative impact on the evaluation of horizontal extension ($\beta = -.39$, $p < .001$), whereas perceived fit had a positive effect ($\beta = .22$, $p < .001$). Perceived fit did not show any significant effect on the relationship between consumer

innovativeness and horizontal extension evaluation. Figure 5 shows the impact of perceived fit as a moderator in the relationship between consumer innovativeness and vertical brand extension evaluation. As shown in the first graph, perceived fit significantly affected the relationship; when perceived fit was high, the relationship between innovativeness and vertical extension evaluation was more strongly negative. On the other hand, perceived fit did not significantly affect the relationship between innovativeness and evaluation in horizontal fashion brand extension.

Table 7
Multiple Regression Analysis for Consumer Innovativeness and Perceived Fit

| | Fashion Brand Extension Evaluation | | | | | | | | | |
|---|------------------------------------|---------|----------------|---------------------|---------|----------------------|---------|----------------|---------------------|---------|
| | Vertical Extension | | | | | Horizontal Extension | | | | |
| | Model 1 | | Model 2 | | | Model 1 | | Model 2 | | |
| | R ² | β | R ² | R ² diff | β | R ² | β | R ² | R ² diff | β |
| Consumer Innovativeness | .45 | -.62*** | | | -.51*** | .19 | -.39*** | | | -.39*** |
| Perceived Fit | | -.58*** | | | -.48*** | | .22*** | | | .21** |
| Consumer Innovativeness X Perceived Fit | | | .49 | .04*** | -.22*** | | | .19 | .00 | -.04 |

* $p \leq 0.05$, ** $p \leq 0.01$, *** $p \leq 0.001$

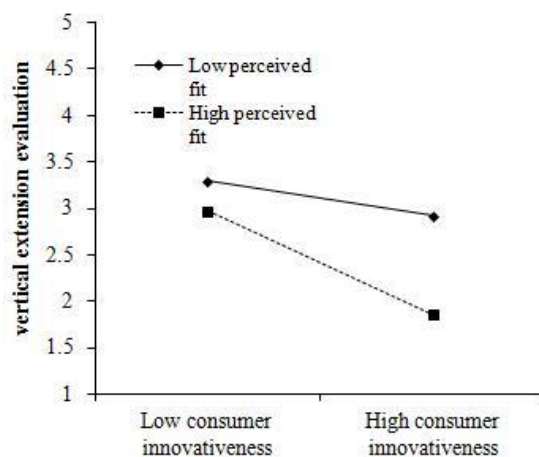


Figure 4 Two-way Interaction Effects of Consumer Innovativeness and Perceived Fit

Table 8
Research Findings by Current Study

| Hypotheses | Findings |
|--|-----------|
| H1. Brand trust will positively influence the evaluation of vertical fashion brand extension. | Supported |
| H2. Brand trust will positively influence the evaluation of horizontal fashion brand extension. | Supported |
| H3. Perceived fit will negatively influence the evaluation of vertical fashion brand extension. | Supported |
| H4. Perceived fit will positively influence the evaluation of horizontal fashion brand extension. | Supported |
| H5. Perceived fit will significantly influence the relationship between brand trust and the evaluation of vertical fashion brand extension. | Supported |
| H6. Perceived fit will significantly influence the relationship between brand trust and the evaluation of horizontal fashion brand extension | Supported |
| H7. Status consciousness will negatively influence the evaluation of vertical fashion brand extension. | Rejected |
| H8. Status consciousness will positively influence the evaluation of horizontal fashion brand extension. | Supported |
| H9. Perceived brand prestige will negatively influence the evaluation of vertical fashion brand extension. | Rejected |
| H10. Perceived brand prestige will positively influence the evaluation of horizontal fashion brand extension. | Supported |
| H11. Perceived brand prestige will significantly influence the relationship between status consciousness and the evaluation of vertical fashion brand extension. | Rejected |
| H12. Perceived brand prestige will significantly influence the relationship between status consciousness and the evaluation of horizontal fashion brand extension. | Rejected |
| H13. Consumer innovativeness will negatively influence the evaluation of vertical fashion brand extension. | Supported |
| H14. Consumer innovativeness will positively influence the evaluation of horizontal fashion brand extension. | Rejected |
| H15. Perceived fit will significantly influences the relationship between consumer innovativeness and the evaluation of vertical fashion brand extension. | Supported |
| H16. Perceived fit will significantly influences the relationship between consumer innovativeness and the evaluation of horizontal fashion brand extension. | Rejected |

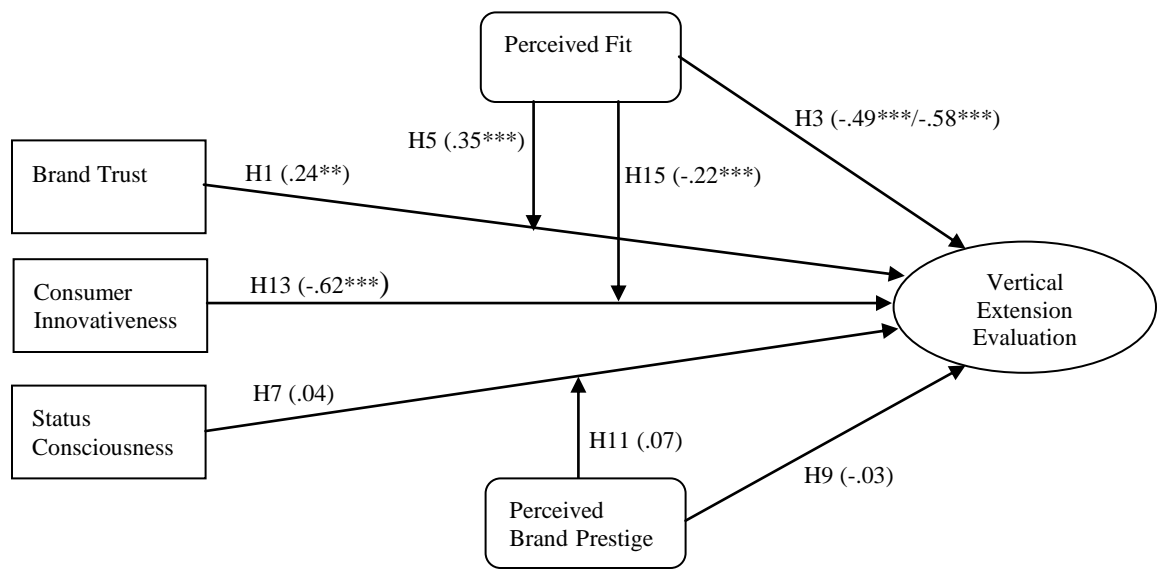


Figure 5 Revised Model (Vertical Fashion Brand Extension)

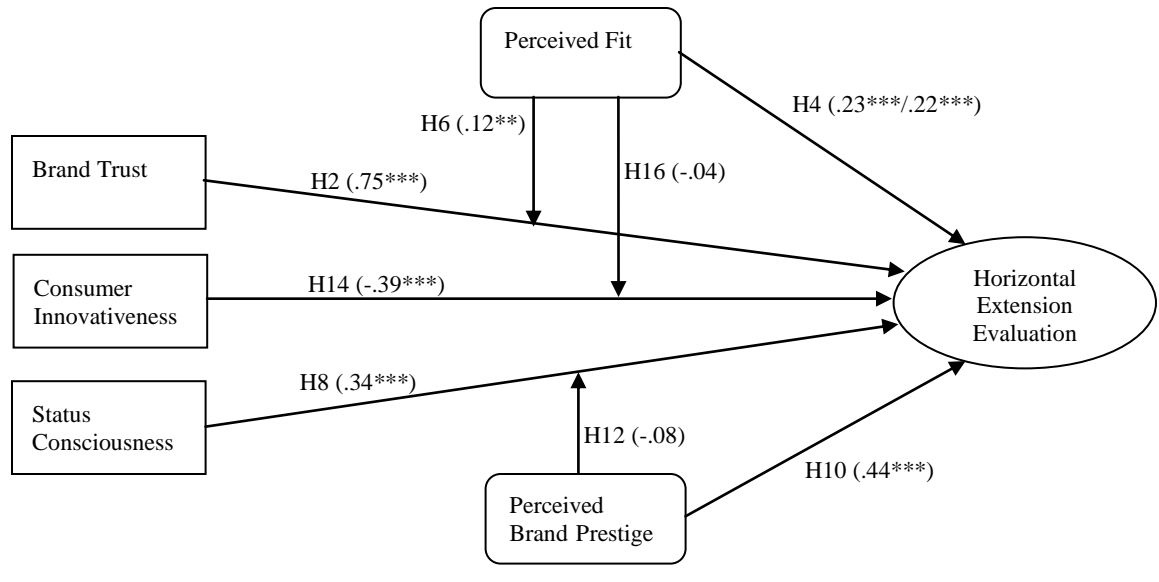


Figure 6 Revised Model (Horizontal Fashion Brand Extension)

CHAPTER 6

DISCUSSION

In this chapter, the overall results of this study are discussed by means of supporting or rejecting the hypotheses. Based on the results, this chapter determines how brand trust, perceived fit, status consciousness, perceived brand prestige, and consumer innovativeness influence the evaluation of vertical and horizontal fashion brand extension. The limitations of this study and implications for further research are discussed as well.

Conclusions and Implications

The results of the multiple regressions indicated a positive impact of brand trust on both vertical and horizontal fashion brand extension. The results regarding brand trust supported the findings of past research (Aaker & Keller, 1990; Reast 2005) that brand trust significantly influences the evaluation of fashion brand extension; when consumers have high brand trust in a parent brand, they tend to evaluate both vertical and horizontal fashion brand extensions favorably (H1 and H2). Although there is controversy about the impact of brand trust, especially in horizontal extension, the results supported the findings of previous studies that have discovered the positive impact from brand trust (Ambler & Styles, 1997; Laforet, 2007; Yaswer, Manije, & Shahriyar, 2010).

Many researchers have agreed that consumers' brand attitudes toward fashion brands is a significant factor in determining the brands' success in the market (Bridson & Evans, 2004; Reddy, Terblanche, Pitt, & Parent, 2009). In the context of consumers' brand attitudes, researchers have emphasized that brand trust is one of the most significant influences on brand

attitude. As was discussed in Chapter 2, once consumers have established positive brand trust toward a parent brand, they may extend their trust to a brand extension, regardless of the extension type. However, as noted by O’Cass and Frost (2002), concerning fashion brands, it is hard to establish consumer brand loyalty or trust because of fashion brand varieties. Consumers often have abundant choices when they purchase fashion goods. Moreover, because of the rapid seasonal and yearly movement in fashion trends, fashion consumers tend not to stick to one specific fashion brand. In other words, for fashion companies, establishing brand associations related to brand trust might be a difficult task (O’Cass & Frost, 2002). Only a limited number of studies have investigated the effect of brand trust on fashion brand extension, but as the results of the current study have demonstrated, fashion companies should carefully consider how to build consumers’ brand trust in order to be successful in both vertical and horizontal brand extension. This study did not treat brand trust; however, as Reast (2005) has noted, brand trust has several dimensions, including company credibility-based and performance-satisfaction based. Since the results indicated the importance of brand trust in fashion brand extension, those dimensions should be also considered to determine the exact influence of brand trust.

Perceived fit was also a significant predictor in evaluating fashion brand extensions. Prior to discussing the implication of findings about perceived fit, it must be noted that the impact of perceived fit differed according to extension type: perceived fit negatively influenced vertical extension evaluation, whereas it positively affected horizontal extension evaluation. The findings of the significant impact of perceived fit in vertical fashion brand extension supported past studies, such as that of Grime et al. (2002), who noted that consumers might not feel it necessary to purchase new products that greatly overlap with the products of the core brand. Bhat and Reddy (2001) emphasized that perceived fit is more achievable for prestige-oriented brands than

for function-oriented brands, due to the relatively strong brand image of the parent brand, and is also more achievable for vertical than for horizontal extension. For this study, Giorgio Armani, which is generally perceived as a luxury fashion brand, was selected as the parent brand. As for vertical brand extension in fashion brands, step-down extensions, in particular, have prevailed among luxury designers' brands because it is relatively easy to extend core brands based on an established brand image (Reddy et al., 2009). In general, such luxury designers' brands will reflect the brand image and concept as much as possible in vertical extension while anticipating a halo effect from the core brand (Reddy et al., 2009). The findings of perceived fit, however, suggest that a high perceived fit (low extension distance) could result in the failure of vertical extension for a prestige-oriented luxury fashion brand. Therefore, fashion brand marketers and retailers should notice that manipulation of the level of perceived fit is essential for creating sufficient differentiation between the core brand and its vertical extension..

On the other hand, the results also imply that it is necessary to build a strong connection (high fit) between the parent brand and a horizontal extension. The current study adopted the perfume line as a horizontal extension of Giorgio Armani, cosmetic products being considered the most favorable items for horizontal extension among fashion companies. The findings regarding perceived fit imply that consumers consider perceived fit to be important in their decision-making process, even with perfume, which costs relatively little compared to other horizontal extension products, such as eyewear, mobile phones, or home furnishings. In the context of fashion brands, consumers generally perceive the necessity of brand knowledge when they face horizontal extensions, since they might want to convince themselves to reduce the risk of purchasing products in a new category (Forney et al., 2005). According to these findings and those of prior studies, fashion brand retailers and marketers should develop new horizontal

extension products that are as similar as possible in order to convey their parent brand image and concept.

Perceived fit, by itself, had a significant effect on the evaluation of a fashion brand's extension; moreover, it significantly moderated the relationship between brand trust and the fashion brand's extension. The multiple regression analyses showed that, when perceived fit was high, brand trust and the evaluation of a fashion brand's vertical extension had a positive relationship; however, when perceived fit was low, they had a negative relationship (H5).

The result of the moderating effect of perceived fit on the vertical extension was impressive, since the direction was changed from positive to negative, based on the level of perceived fit. This result, which implies that perceived fit would more sensitively affect consumers' brand trust in vertical extensions than in horizontal extensions, can be explained using Aaker and Keller's (1990) argument. As the researchers noted, three dimensions of perceived fit exist between the parent brand and the brand extension: transfer, complement, and substitute. Among the dimensions, substitute is considered the most significant dimension of perceived fit because it largely determines the level of acceptance for extensions, particularly vertical extensions (Aaker & Keller, 1990). Because substitute indicates "the perceived product class substitutability" (p. 38), consumers would perceive fit more easily in vertical extensions, which introduces the products in the same category as that of the parent-brand products. Once consumers are satisfied with the substitute dimension, then consumers' attitudes toward the parent brand, including brand trust, would be effectively conveyed to vertical brand extensions. However, when consumers perceive vertical extensions as irrelevant substitutes, then brand trust negatively affects the extension evaluation (Aaker & Keller, 1990). Völckner and Sattler (2006) noted that consumers tend to be more skeptical regarding a low fit if a parent brand is historically

well known for providing qualified products and services in the market. Therefore, the direction of the relationship between brand trust and vertical extension evaluation might be changed based on the level of perceived fit, and fashion marketers should consider perceived fit to be one of the significant companions of brand trust.

With regard to a fashion brand's horizontal extension, when the perceived fit was high, the positive relationship between brand trust and extension evaluation was stronger (H6). The results from using perceived fit as a moderating variable supported the findings of Keller and Aaker (1992). It is interesting to note that perceived fit, as a predictor, had a negative impact on the evaluation of a fashion brand's vertical extension; however, higher perceived fit, as a moderator yielded a positive impact of brand trust on the evaluation of a fashion brand's vertical extension. Czellar (2003) found that the procedure of fit perception was significantly related to other external factors (brand knowledge or brand exposure) and internal factors (brand associations, product-related associations). Czellar emphasized that perceived fit in brand extension should be considered cautiously in relation with other factors (e.g., brand trust or brand familiarity) to avoid negative outcomes on account of the differing impact of perceived fit. The differing impact of perceived fit, as found in the current study, also supports this argument made by Czellar. For fashion marketers and brand managers, this means that focusing only on perceived fit might hinder their ability to take into account other influential factors, possibly leading to the failure of brand extension.

Status consciousness showed a significant effect in the evaluation of a fashion brand's horizontal extension, but not in the evaluation of its vertical extension (H8). The impact of perceived brand prestige, as a predictor of the evaluation of a fashion brand's extension, was also significant in the horizontal extension, but not in the vertical extension (H10). With regard to

horizontal brand extension, the results for status consciousness and perceived brand prestige supported the findings of previous research, which found that these two factors had a significant influence on the consumers' evaluation of extensions (O'Cass & Frost, 2002; Park et al., 1991; Phau & Cheong, 2009; Pitta & Katsanis, 1995). However, the findings for vertical extension do not support prior research. Moreover, perceived brand prestige did not seem to have any significant moderating effect in the relationship between status consciousness for both types of fashion brand extension. There could be several reasons for this lack of significant impact of both status consciousness and perceived brand prestige in vertical extension. First, status-conscious consumers might be indifferent toward a fashion brand's vertical extension. According to Vigneron and Johnson (2004), prestige-seeking consumers can be divided into four categories—bandwagon members, hedonists and perfectionists, veblenians, and snobs—based on their behavior. “Snob consumers” generally seek a unique value in products and tend to “reject a particular product when it is seen to be consumed by the general mass of people” (p. 5). The snob effect of status-conscious consumers is highly related to the consumption of luxury brands, which is a good indicator of social status, as it reveals the status of the product's owner in a short time (Vigneron & Johnson, 1999). In addition, Banister and Hogg (2004) explained that the snob effect, in the context of fashion products, based on consumers' self-esteem. They noted that consumers who have high status consciousness would not consider fashion products that are not seen to be deserving of their status, and tend to maintain their higher self-esteem. Therefore, the findings around status consciousness and perceived brand prestige in vertical extensions might reflect a consumer's self-esteem. These findings indicate the need for fashion brand marketers to figure out the target consumers of their core brand and ascertain their current brand status in the market when deciding on a brand extension. The target consumers mainly determine brand

extension in that their status and perceived brand prestige are taken into consideration when making the decision. If a fashion brand is known as a luxury or prestigious brand, brand managers and marketers would rather choose horizontal extension. In this case, the prestigious image of a brand should be maintained in a horizontal extension, but without losing its original image. On the other hand, fashion companies might rather focus on new target consumers who are relatively low status conscious and not exclusively seeking prestigious brands for vertical extension.

With regard to vertical extensions, the multiple regression analyses showed that consumer innovativeness has a significant negative impact on the evaluation of such extensions of fashion brands (H13). This finding supported those of Xie (2008), who examined the impact of consumer innovativeness in the case of vertical extensions. With regard to horizontal extensions, the present study hypothesized that consumer innovativeness positively would influence the evaluation of such extensions of fashion brands. However, the multiple regression analyses showed a negative impact of consumer innovativeness—a finding that contradicts those of previous studies, which revealed that consumer innovativeness positively influences the evaluation of horizontal extensions (Ahmad, Mujeeb, & Rajput, 2011; Xie, 2008). Innovative consumers wish to purchase products of new brands rather than brand extension products (Klink & Athaide, 2010). Even though the latter products are new to the market, marketers face difficulty in eliminating all connotations of the parent brand in the consumers' minds and in creating completely new images of and features for such products. This difficulty arises because the most noticeable benefit of brand extension is that the established image of the parent brand reduces consumer risk perception and that existing consumers of the parent brand are willing to try the new product. Contradicting this belief, the present study shows that this advantage may

not exist in the case of innovative consumers; its results show that regardless of extension type, innovative consumers do not prefer to purchase brand extension products. This result has important implications for fashion marketers and brand managers.

In addition, perceived fit was found to significantly moderate the relationship between consumer innovativeness and the evaluation of vertical extensions of fashion brands, as follows: when fit was perceived to be high, the relationship between innovativeness and the evaluation of the extension was more strongly negative (H15). The findings of the moderating effect of perceived fit in the case of vertical extensions supported those of Xie (2008), who also investigated whether perceived fit accounted for the negative impact of consumer innovativeness on the evaluation of vertical extensions. Midgley and Dowling (1978) generalized the characteristics of innovative consumers; for example, such consumers tend to accept new brands and products more quickly than other consumers do. These researchers also found innovative consumers to be highly open to information about new brands. They argue that innovative consumers are aware of the unique features or characteristics of specific brands owing to their comprehensive knowledge of various brands. Therefore, such consumers might be more sensitive to the similarities between core brands and their vertical extensions than other consumers would be. Accordingly, innovative consumers' perceptions of a high fit between the parent brand and its extension strongly and negatively influence their evaluation of vertical extensions.

In contrast, no significant moderating effect of perceived fit has been discovered in the case of horizontal brand extensions, and the present findings contradict those of Xie (2008), who emphasized that perceived fit moderates the relationship between consumer innovativeness and evaluation of horizontal extensions. The correlation analyses in this study indicated no

significant relationship between consumer innovativeness and perceived fit but a negative relationship between consumer innovativeness and extension evaluation in the case of horizontal extensions. This finding might be supported by Völckner and Sattler (2006), who found that perceived risk, rather than perceived fit, determines innovative consumers' willingness or intention to purchase extension products. These researchers found that the perceived risk of unknown brands significantly moderated the relationship between consumer innovativeness and evaluation of horizontal extensions. Accordingly, the present study recommends that fashion marketing managers investigate other factors rather than perceived fit that could influence innovative consumers if they are targeted for horizontal extension products.

When fashion marketers introduce new products, innovativeness, among other characteristics, is considered an important factor in attracting consumers, because innovative consumers disseminate their experiences with and opinions of the product and thereby serve as messengers (Goldsmith, Moore, & Beaudoin, 1999). However, Xie (2008) has suggested, brand extension may fail to address the consumer group of early adopters; therefore, fashion marketers and brand managers need to manage extension distance or brand similarity carefully. Correlation analyses in the present paper showed negative relationships between consumer innovativeness and status consciousness as well as between consumer innovativeness and perceived brand prestige. Accordingly, targeting both innovative and status-conscious consumers is assumed to be risky for fashion brands, since the characteristics of both groups differ: While status-conscious consumers tend to be conservative, innovative consumers are open to change. Therefore, fashion brand marketers should clearly understand the target consumers for their brands.

In addition, the present study investigated the factors influencing fashion brand extensions according to the two types of extensions. The impact of some factors differed according to the type of extension; for example, there is a positive impact of status consciousness in horizontal extension but not in vertical extension. Accordingly, this study recommends that fashion brand marketers analyze target consumers from different perspectives; they should consider brand trust and perceived fit for both vertical and horizontal extensions of fashion brands. Fashion companies should carefully choose the items for which brand extensions are to be created since this choice determines perceived fit which significantly influences the evaluation of both types of extensions. With regard to horizontal extension, status consciousness is a significant predictor of success, particularly for prestigious brands; thus, brand managers and developers should focus on status-conscious consumers. In contrast, in the case of vertical extension, brand managers and developers should focus more on other consumer groups than on status-conscious consumers or innovative consumers, by controlling perceived fit strategically. Fashion brand marketers as well as scholars conducting further research should consider not only the factors discussed in this study but also other possible factors such as brand familiarity and level of brand experience that might also have significant impacts on the success of brand extensions (Broniarczyk & Alba, 1994; Martinez & Chernatony, 2004).

Limitations and Further Study

The current study presents several limitations that should be reviewed for further study. First, this study did not include pretesting to select the core brand that was used in the survey; hence, any biases for the parent brand that might have existed were not detected. More than half of the respondents in this study identified their level of familiarity with the parent brand as “somewhat familiar” or “moderately familiar.” Due to the respondents’ familiarity with the

parent brand, participants in this survey may have had a prejudice toward the parent brand, whether positive or negative, and such prejudices can cause inaccurate results in a study. Since this study did not consider brand familiarity as a predicting variable, the impact of brand familiarity should be minimized. Therefore, pretesting should be included for any further study.

The age of the respondents in the current study mostly ranged from 18 to 34 (80.2%), and more than half of respondents answered that their annual household income is less than \$69,999. This means that even though they specified their brand familiarity with the parent brand as “somewhat familiar” or “moderately familiar,” they may not have had experience in purchasing the parent brand products because they are relatively expensive. If the respondents of the survey had been composed of individuals 34 years or older with an annual income higher than \$49,999, they might have had a different point of view toward the parent brand and brand extensions, such as perceived brand prestige, and the results would have been different from the current ones.

In addition, this study focused on only the cosmetic product category as the horizontal brand extension. Various horizontal extensions of the parent brand exist, such as home furnishings, mobile phones, and even hotel businesses. Cosmetic products can be included in the horizontal brand extension; however, there is some overlap between cosmetic products and fashion products under the category of beauty fashion products (Forney, Park, & Brandon, 2005). Therefore, to derive a clearer view of the impact of the influential factors, other horizontal extensions should be taken into account.

This study examined the influential factors in the success of fashion brand extensions, particularly for two different types of brand extension: vertical and horizontal. Since, this study, concerned with various factors and two different types of brand extensions at one time, suggests

a broad picture for future research. Using these results, further research could extend the proposed model in this study for examining the impact of other possible factors, such as brand familiarity or brand reputation. Future study could also examine other product categories of fashion brand extension by varying the level of extension distance in order to obtain a broader view of how successfully fashion companies extend their brands in the market.

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APPENDICIES

Appendix A

Consent form

Consent Form

I agree to take part in a research study titled “The influential factors for fashion brand extension success,” which is being conducted by Hyunjong Chung from the Textiles, Merchandising, and Interiors department at the University of Georgia under the direction of Dr. Soyoung Kim (skim@fcs.uga.edu). My participation is voluntary. I can refuse to participate or stop taking part at any time without giving any reason, and without penalty or loss of benefits to which I am otherwise entitled. I can ask to have information that can be identified as mine returned to me, removed from the research records, or destroyed.

Based on my experience and knowledge as a fashion consumer, I will complete a survey which should take no more than 20 minutes of my time. The survey consists of seven sections of questions, brand trust, status consciousness, perceived brand prestige, consumer innovativeness, perceived fit between parent brand and brand extension, overall evaluation toward brand extension, and selected demographic questions. Participation in this survey will not directly benefit me; however, my participation in this survey can aid the understanding of how brand trust, status consciousness, perceived brand prestige, consumer innovativeness, perceived fit between parent brand and brand extension have impact on fashion brand extension evaluation. No risk is foreseen in this research; however if at any time during this survey I feel any discomfort, I can exit the survey. Internet communications are insecure and there is a limit to the confidentiality that can be guaranteed due to the technology itself. However once the materials are received by the researcher, standard confidentiality procedures will be employed. The data collected about me will be confidential as IP addresses are being stripped upon data submission. The data will remain secure by being sent as an encrypted file. The researcher’s computer will also enable firewall that will block unauthorized access. The researcher will answer any further questions about the research, and can be reached at miu0815@uga.edu; telephone (336) 558-2929.

I understand the procedures described above. My questions have been answered to my satisfaction, and I agree to participate in this study. It is recommended to print a copy of this form for my personal records.

I do not agree to participate in this study, and will exit now.

Additional questions or problems regarding your rights as a research participant should be addressed to The Chairperson, Institutional Review Board, University of Georgia, 629 Boyd Graduate Studies Research Center, Athens, Georgia 30602-7411; Telephone (706) 542-3199; E-Mail Address IRB@uga.edu

Appendix B

Survey

The Influential Factors on Fashion Brand Extension Success Survey

For the purpose of this study, **brand extension** is defined as the use of established brand names to enter new product categories or classes (Keller & Aaker, 1992).

Section 1

1. Are you female?

Yes () No ()

2. Are you age 18 years or older?

Yes () No ()

3. Are you familiar with the Giorgio Armani brand?

Yes () No ()

Please proceed with the survey only if you answered yes to ALL of the above

Consider the following brand and please answer the following questions.

Giorgio Armani is a high-end label specializing in men's and women's ready-to-wear, accessories, glasses, cosmetics, and perfumes. It is considered one of the most prestigious clothing labels in the world and is available only in Giorgio Armani boutiques, specialty clothiers and select high-end department stores.



Section 2-1

Please indicate your familiarity with Giorgio Armani.

- () Slightly familiar
- () Somewhat familiar
- () Moderately familiar
- () Extremely familiar

Section 2-2: Brand Trust

For each of the questions listed below, please indicate your agreement from strongly disagree to strongly agree that best answers each question describing your trust toward Giorgio Armani.

| | Strongly Disagree | Somewhat Disagree | Neutral | Somewhat Agree | Strongly Agree |
|---|-------------------|-------------------|---------|----------------|----------------|
| 1. I trust this brand. | 1 | 2 | 3 | 4 | 5 |
| 2. This brand cannot be counted on to do its job. | 1 | 2 | 3 | 4 | 5 |
| 3. I feel that I can trust this brand completely. | 1 | 2 | 3 | 4 | 5 |
| 4. I cannot rely on this brand. | 1 | 2 | 3 | 4 | 5 |
| 5. I feel secure when I buy this brand because I know that it will never let me down. | 1 | 2 | 3 | 4 | 5 |

Section 2-3: Status Consciousness

For each of the questions listed below, please indicate your agreement from strongly disagree to strongly agree that best answers each question describing your status consciousness.

| | Strongly Disagree | Somewhat Disagree | Neutral | Somewhat Agree | Strongly Agree |
|--|-------------------|-------------------|---------|----------------|----------------|
| 1. I would buy a product just because it has status. | 1 | 2 | 3 | 4 | 5 |
| 2. I am interested in new products with status. | 1 | 2 | 3 | 4 | 5 |
| 3. I would pay more for a product if it | 1 | 2 | 3 | 4 | 5 |

| | | | | | |
|---|---|---|---|---|---|
| had status. | | | | | |
| 4. The status of a product is irrelevant to me. | 1 | 2 | 3 | 4 | 5 |
| 5. A product is more valuable to me if it has some snob appeal. | 1 | 2 | 3 | 4 | 5 |

Section 2-4: Perceived Brand Prestige

For each of the questions listed below, please indicate your agreement from strongly disagree to strongly agree that best answers each question describing your perceived prestige of Giorgio Armani.

| | Strongly Disagree | Somewhat Disagree | Neutral | Somewhat Agree | Strongly Agree |
|--|-------------------|-------------------|---------|----------------|----------------|
| 1. The people around me have a positive image of Giorgio Armani. | 1 | 2 | 3 | 4 | 5 |
| 2. In general Giorgio Armani is a respected brand. | 1 | 2 | 3 | 4 | 5 |
| 3. Giorgio Armani is a brand with a good reputation. | 1 | 2 | 3 | 4 | 5 |


Section 2-5: Consumer Innovativeness

For each of the questions listed below, please indicate your agreement from strongly disagree to strongly agree that best answers each question describing your innovativeness.

| | Strongly Disagree | Somewhat Disagree | Neutral | Somewhat Agree | Strongly Agree |
|--|-------------------|-------------------|---------|----------------|----------------|
| 1. I often seek out information about new products and brands. | 1 | 2 | 3 | 4 | 5 |
| 2. I like to go places where I will be exposed to information about new products and brands. | 1 | 2 | 3 | 4 | 5 |
| 3. I like magazines that introduce new brands. | 1 | 2 | 3 | 4 | 5 |
| 4. I frequently look for new products and services. | 1 | 2 | 3 | 4 | 5 |
| 5. I seek out situations in which I will be exposed to new and different sources of product information. | 1 | 2 | 3 | 4 | 5 |
| 6. I am continually seeking new | 1 | 2 | 3 | 4 | 5 |

| | | | | | |
|--|---|---|---|---|---|
| product experiences. | | | | | |
| 7. When I go shopping, I find myself spending very little time checking out new products and brands. | 1 | 2 | 3 | 4 | 5 |
| 8. I take advantage of the first available opportunity to find out about new and different products. | 1 | 2 | 3 | 4 | 5 |

Please read the following description of Armani brand extension carefully and answer the questions below.

| | |
|--|---|
| <p>Armani Exchange is accessible Armani, inspired by street-chic culture, fashionable dance music and everything that signifies freedom and personal style. Armani Exchange is the youthful label created by Italian designer and entrepreneur Giorgio Armani. Considered the most accessible Armani brand, Armani Exchange is moderately priced in the general market, with average prices under \$100.</p> |  <p>The image shows the Armani Exchange logo, which consists of the letters 'A' and 'X' in a stylized font, with a vertical line between them. Below the logo, the words 'ARMANI EXCHANGE' are written in a smaller, sans-serif font. To the right of the logo, three female models are standing, each wearing a different outfit from the Armani Exchange collection. The first model is wearing a black jacket over a grey top and a black skirt. The second model is wearing a black off-the-shoulder top and a black skirt. The third model is wearing a grey top and black pants.</p> |
|--|---|

Section 3-1

How familiar are you with Armani Exchange?

- () Not at all familiar
- () Slightly familiar
- () Somewhat familiar
- () Moderately familiar
- () Extremely familiar

Section 3-2: Perceived Fit

For each of the questions listed below, please indicate your agreement from strongly disagree to strongly agree that best answers each question describing your perceived fit between Giorgio Armani and A|X Armani Exchange.

| | Strongly Disagree | Somewhat Disagree | Neutral | Somewhat Agree | Strongly Agree |
|---|-------------------|-------------------|---------|----------------|----------------|
| 1. The extension is very identical to Giorgio Armani. | 1 | 2 | 3 | 4 | 5 |
| 2. The extension is very similar to Giorgio Armani. | 1 | 2 | 3 | 4 | 5 |
| 3. The new products of A X Armani Exchange are very similar to the products of Giorgio Armani. | 1 | 2 | 3 | 4 | 5 |
| 4. The new products of A X Armani Exchange are very consistent with the products of Giorgio Armani. | 1 | 2 | 3 | 4 | 5 |

Section 3-3: Overall Evaluation

For each of the questions listed below, please indicate your agreement from strongly disagree to strongly agree that best answers each question describing your overall evaluation toward A|X Armani Exchange.

| | Strongly Disagree | Somewhat Disagree | Neutral | Somewhat Agree | Strongly Agree |
|---|-------------------|-------------------|---------|----------------|----------------|
| 1. The extension is a very good idea. | 1 | 2 | 3 | 4 | 5 |
| 2. The extension is very likable. | 1 | 2 | 3 | 4 | 5 |
| 3. The extension makes a lot of sense to me. | 1 | 2 | 3 | 4 | 5 |
| 4. I would be very likely to purchase a product of A X Armani Exchange. | 1 | 2 | 3 | 4 | 5 |
| 5. The extension is very logical. | 1 | 2 | 3 | 4 | 5 |
| 6. The extension pleases me a lot. | 1 | 2 | 3 | 4 | 5 |

Please read the following description of Armani brand extension carefully and answer the questions below.

This fragrance was inspired by Giorgio Armani's holiday spent on the isle of Pantelleria. 'Acqua di Gio' achieved its high-quality status by perfectly harmonizing aquatic notes with sweet and fruity notes of grapes from Pantelleria along with blending them successfully with the freshness of pineapple and citrus notes. Watermelon blends nicely with the notes of freesia, hyacinth and ylang-ylang. The warm, woody and musky base note remind of the Mediterranean warm temperament. This fragrance was created in 1995. It is available at many department stores worldwide. Based on its size, the price range of Acqua di Gio is \$39.50 - \$69.50.



Section 4-1

How familiar are you with 'Acqua di Gio' fragrance?

- Not at all familiar
- Slightly familiar
- Somewhat familiar
- Moderately familiar
- Extremely familiar

Section 4-2: Perceived Fit

For each of the questions listed below, please indicate your agreement from strongly disagree to strongly agree that best answers each question describing your perceived fit between Giorgio Armani and 'Acqua di Gio' fragrance.

| | Strongly Disagree | Somewhat Disagree | Neutral | Somewhat Agree | Strongly Agree |
|--|-------------------|-------------------|---------|----------------|----------------|
| 1. The extension is very identical to Giorgio Armani. | 1 | 2 | 3 | 4 | 5 |
| 2. The extension is very similar to Giorgio Armani. | 1 | 2 | 3 | 4 | 5 |
| 3. The new products of 'Acqua di Gio' fragrance are very similar to the products of Giorgio Armani. | 1 | 2 | 3 | 4 | 5 |
| 4. The new product of 'Acqua di Gio' fragrance is very consistent with the products of Giorgio Armani. | 1 | 2 | 3 | 4 | 5 |

Section 4-3: Overall Evaluation

For each of the questions listed below, please indicate your agreement from strongly disagree to strongly agree that best answers each question describing your overall evaluation toward 'Acqua di Gio' fragrance.

| | Strongly Disagree | Somewhat Disagree | Neutral | Somewhat Agree | Strongly Agree |
|--|-------------------|-------------------|---------|----------------|----------------|
| 1. The extension is a very good idea. | 1 | 2 | 3 | 4 | 5 |
| 2. The extension is very likable. | 1 | 2 | 3 | 4 | 5 |
| 3. The extension makes a lot of sense to me. | 1 | 2 | 3 | 4 | 5 |
| 4. I would be very likely to purchase a product of 'Acqua di Gio' fragrance. | 1 | 2 | 3 | 4 | 5 |
| 5. The extension is very logical. | 1 | 2 | 3 | 4 | 5 |
| 6. The extension pleases me a lot. | 1 | 2 | 3 | 4 | 5 |

Section 5: Demographics

1. Please indicate your age

- | | |
|--------------------------------|--------------------------------------|
| <input type="checkbox"/> 18-24 | <input type="checkbox"/> 45-54 |
| <input type="checkbox"/> 25-34 | <input type="checkbox"/> 55-64 |
| <input type="checkbox"/> 35-44 | <input type="checkbox"/> 65 or older |

2. Please indicate your annual household income.

- | | |
|---|--|
| <input type="checkbox"/> less than \$10,000 | <input type="checkbox"/> \$90,000-\$109,999 |
| <input type="checkbox"/> \$10,000-\$29,999 | <input type="checkbox"/> \$110,000-\$129,999 |
| <input type="checkbox"/> \$30,000-\$49,999 | <input type="checkbox"/> \$130,000 or more |
| <input type="checkbox"/> \$50,000-\$69,999 | |
| <input type="checkbox"/> \$70,000-\$89,999 | |

3. Please identify to which ethnic group you belong to.

- Caucasian/White
- Hispanic/Latino
- African-American
- Asian/Pacific Islander
- Native American/Aleut
- Other