April 2014

Effects of brand trust, perceived fit and consumer innovativeness on fashion brand extension evaluation

Hyunjong Chung
University of Georgia, miu0815@gmail.com

Soyoung Kim
University of Georgia, skim@fcs.uga.edu

Recommended Citation

Effects of brand trust, perceived fit and consumer innovativeness on fashion brand extension evaluation

Hyunjong Chung, University of Georgia
miu0815@gmail.com

Soyoung Kim, University of Georgia
skim@fcs.uga.edu

Abstract - This study explored the effects of brand trust, perceived fit, and consumer innovativeness on the overall evaluation of vertical and horizontal extensions for fashion brands. Data were collected from 187 female consumers aged 18 or older who were familiar with Giorgio Armani, the parent brand chosen for this study. Regression results showed that brand trust was a positive predictor of the overall evaluations of both vertical and horizontal extensions, whereas consumer innovativeness was a negative predictor of the overall evaluations of both extensions. Perceived fit exerted a negative impact on the evaluation for vertical extension but had a positive impact on the evaluation of horizontal extension. Perceived fit also moderated the relationship between brand trust and extension evaluation for both vertical and horizontal extensions. Further, perceived fit was a significant moderator for the relationship between consumer innovativeness and vertical extension evaluation. Implications for future research and limitations were also discussed.

Keywords - fashion, vertical brand extension, horizontal brand extension, brand trust, perceived fit, consumer innovativeness

Relevance to Marketing Educators, Researchers and/or Practitioners – The authors did not provide this information.

INTRODUCTION

Keller and Aaker (1992) defined brand extension as the "use of established brand names to enter new product categories or classes" (p. 35). Over the last several decades, companies have introduced the vast majority of their new products by adopting the brand extension strategy (Thompson and Strutton, 2012). The most prominent advantage of brand extension, that which renders it an attractive tool for marketers, is that it can significantly reduce the cost of launching new brands (Volckner and Sattler, 2006). Moreover, brand extension reduces the risk

of failure by associating a new product with a well-known parent brand (Thompson and Strutton, 2012).

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). In the case of vertical brand extension, companies generally create secondary brand names alongside parent brand names in order to show the connection between the parent brand and the brand extension. 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 *et al.*, 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 (Dawar and Anderson, 1994).

A growing body of literature has examined the determinants of brand extension success by focusing on two types of brand extensions. A few of the most frequently investigated factors include brand-specific associations such as brand attitude, brand trust, brand equity, and brand quality (e.g., Bhat and Reddy, 2001; Lee et al., 2003; Pitta and Katsanis, 1995; Reast, 2005) and perceived fit between a parent brand and a brand extension (e.g., Aaker and Keller, 1990, Boush and Loken, 1991; Loken and John, 1993). Most studies showed that the effect of each factor might vary depending on the brand extension type (vertical vs. horizontal).

Brand extension is regarded among fashion retailers as the most effective strategy for introducing new products and capturing broader market shares (Liu and Choi, 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. However, only a few studies have been conducted on how fashion 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 product features, external factors such as consumer characteristics and brand-specific associations were not considered. In a few other studies in fashion brand extension, attitude toward the parent brand (Choi et al., 2010; Lee et al., 2003; Liu and Choi, 2009) and perceived fit between the parent brand and the brand extension (Choi et al., 2010; Liu and Choi, 2009) were identified as key factors for determining the success of fashion brand extensions. 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 important factors for fashion brand success in this rapidly changing market. Liu and Choi (2009) observed that in the case of designer fashion brands, consumers' attitudes

toward fashion brand extension were significantly influenced by perceived fit between the parent brand and its extension. In their study, however, perceived similarity did not significantly affect consumers' attitudes toward fashion brand extensions for mass-market labels. The researchers argued that consumers of mass-market labels mainly focus on pricing and product quality but consumers of designer labels take more factors, such as brand image of the parent brand and brand similarity, into consideration when evaluating products of extended brands. Therefore, further empirical research is needed to figure out what factors are influential when consumers evaluate extensions of designer or luxury brands in the fashion market.

The current study, therefore, addresses the need for investigating the influential factors associated with designer fashion brand extensions. On the basis of prior studies in brand extension, this study selected three consumer variables (brand trust, perceived fit, consumer innovativeness) and examined the effect of each variable within two different brand extension conditions (vertical vs. horizontal). Lee et al. (2003) argued that the type of brand extension influences consumer perceptions of fashion brand extensions. Therefore, this study investigated whether the impacts of brand trust, perceived fit, and consumer innovativeness on brand extension evaluation might vary by the type of brand extension. Additionally, no published research has examined the moderating effects of perceived fit in fashion brand extension research. In the current study, the role of perceived fit as a moderator was also examined. Identifying the influential factors associated with each fashion brand extension type should present insight into how 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.

LITERATURE REVIEW

Brand trust

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 and Holbrook, 2001, p. 82). Researchers have found that brand trust significantly reduces uncertainty when a consumer is faced with a choice of brands, and that purchase intention is determined by consumers' brand trust when they did not have sufficient information about or knowledge of new products (Chaudhuri and Holbrook, 2001; Lau and Lee, 1999).

Several studies have confirmed the significant relationship between brand trust and brand extension evaluation. For example, Reast (2005) examined the relationship between brand trust and brand extension acceptance for nine real product and service brands and observed a significant impact of brand trust in brand extension acceptance. The researcher concluded that highly trusted brands would benefit more in brand extension strategies than less trusted rivals. Völckner and Sattler (2006) used 25 well-known German brands to identify the determinants of brand extension success and reported that the

Effects of brand trust, perceived fit and consumer innovativeness on fashion brand extension evaluation

level of consumer conviction or confidence in a parent brand played an important role in driving brand extension success. McWilliam (1993) also argued that consumers are willing to try brand extensions as long as the brands are highly trusted. Accordingly, the following hypotheses were proposed:

H1: Brand trust will positively influence extension evaluation.
        H1a: Brand trust will positively influence vertical extension evaluation.
        H1b: Brand trust will positively influence horizontal extension evaluation.

Perceived fit

Many researchers and market practitioners have considered perceived fit as an important determinant in brand extension success (e.g., Aaker and Keller, 1990; Boush and Loken, 1991; Loken and John, 1993). 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. Aaker and Keller (1990) state that 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 consumers who had high brand trust favorably evaluated brand extension when they perceived a high fit between parent brand and brand extension.

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 and Keller, 1990; Xie, 2008). Grime et al. (2002) discussed the impacts of two dimensions of perceived fit (product category similarity and brand image similarity) on consumers' acceptance level of both vertical and horizontal extensions. Product category similarity is affected by the similarity of product features, attributes, and benefits whereas brand image similarity assesses the similarity of image between a parent brand and an extension. The researchers argued that even though vertical extensions would always have good fit in terms of product category similarity, brand image similarity could vary and have significant impact on the evaluation of a given vertical extension.

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. They argue that horizontal brand extensions reduce the halo effect of parent brands or weaken the strength of established brand associations, and stated, "without the perceived similarity between the parent and extension, consumers find it more difficult to attribute original brand associations to the extension" (p. 60). This argument was supported by Martinez and Pina's study (2009), where a lesser fit between the parent brand and the brand extension was found to create a negative impact on consumers' evaluations 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. Therefore, the following hypotheses were proposed:

H2: Perceived fit between the parent brand and the brand extension will significantly influence extension evaluation.

> H2a: Perceived fit between the parent brand and the brand extension will significantly influence vertical extension evaluation.
> H2b: Perceived fit between the parent brand and the brand extension will significantly influence horizontal extension evaluation.

Several studies have suggested that perceived fit between the parent brand and the brand extension may also moderate the relationship between brand trust and extension evaluation. Boush and Loken (1991) examined the impact of brand trust in the two different types of brand extension (vertical vs. horizontal). They argued that the impact of brand trust is more significant in vertical brand extension than in horizontal brand extension because consumers generally perceive vertical brand extension as more similar to the original brand than horizontal brand extension. Musante (2007) also supported the findings of Boush and Loken (1991) through an empirical study. Musante 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. These findings suggest that the relationship between brand trust and extension evaluation may be moderated by the degree of similarity consumers perceive between the parent brand and the extension brand. Accordingly, it was proposed that:

H3: Perceived fit between the parent brand and the brand extension will moderate the relationship between brand trust and extension evaluation.

> H3a: Perceived fit between the parent brand and the brand extension will moderate the relationship between brand trust and vertical extension evaluation.
> H3b: Perceived fit between the parent brand and the brand extension will moderate the relationship between brand trust and horizontal extension evaluation.

Consumer innovativeness

Some researchers considered consumer innovativeness to be an important factor significantly affecting brand extension success (Clark and Goldsmith, 2006). Rogers (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). Several studies also have focused on the relationship between consumer innovativeness and brand extension evaluation (Klink and Athaide, 2010; Klink and Smith, 2001; Xie, 2008). The researchers suggest that innovative consumers evaluated brand extension negatively because they perceived brand extension characteristics as similar to parent brand

Effects of brand trust, perceived fit and consumer innovativeness on fashion brand extension evaluation

characteristics. In conducting studies, however, most researchers assumed that brand extensions share similar characteristics with parent brands (Xie, 2008). According to Xie (2008), innovative consumers who are likely to pursue novel information and products would be likely to reject purchasing the products of brand extensions due to their similarities with parent brand products. 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. Even though limited research has been conducted on how consumer innovativeness affects brand extension evaluation, the results suggested that there might be a negative relationship between consumer innovativeness and brand extension acceptance. Accordingly, it was proposed that:

H4: Consumer innovativeness will negatively influence extension evaluation.
> H4a: Consumer innovativeness will negatively influence vertical extension evaluation.
> H4b: Consumer innovativeness will negatively influence horizontal extension evaluation.

Based on the notion of extension distance, researchers found that innovative consumers generally seek low-fitting (high extension distance) brand extensions (Klink and Smith, 2001; Xie, 2008). Xie (2008) argued that the relationship between consumer innovativeness and brand extension evaluation should be examined by taking extension distance into account. With respect to novelty, the author noted that distant brand extensions created higher novelty than close brand extensions because consumers do not have enough knowledge about distant extensions. On the other hand, consumers perceive low novelty in the case of close brand extensions since they are familiar with the parent brands and are able to find many similarities between the two brands (Xie, 2008). As perceived fit measures the perceived distance or dissimilarity of the extensions from the original brands, these previous studies, therefore, support that the relationship between consumer innovativeness and brand extension evaluation may be influenced by the level of perceived fit between the parent brand and brand extension. Therefore, the following hypotheses were proposed:

H5: Perceived fit between the parent brand and the brand extension will moderate the relationship between consumer innovativeness and extension evaluation.
> H5a: Perceived fit between the parent brand and the brand extension will moderate the relationship between consumer innovativeness and vertical extension evaluation.
> H5b: Perceived fit between the parent brand and the brand extension will moderate the relationship between consumer innovativeness and horizontal extension evaluation.

Theoretical framework

Categorization theory

According to categorization theory, individuals generally use schemas to assist in the organization of information about entities (Sujan and Bettman, 1989). In psychology, a schema means "a cognitive structure that represents knowledge about a concept or an object" (Musante, 2007, p.60). Many brand researchers have adopted categorization theory to investigate the process by which consumers evaluate brand extensions (e.g., Boush and Loken, 1991; Broniarczyk and Alba, 1994; Chowdhury, 2007). For example, Boush and Loken (1991) suggest that consumers 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. 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 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 and Keller, 1990; Boush and Loken, 1991; Morrin, 1999), 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 and 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 have a less significant impact (Boush and Loken, 1991).

Method

Data collection

The data for this study were collected from a convenience sample of 187 female consumers aged 18 or older. The snowball sampling technique was used to recruit potential participants. An online message containing a link to a web-based survey was posted on several social network sites such as Facebook and

Effects of brand trust, perceived fit and consumer innovativeness on fashion brand extension evaluation

Twitter. Those initially contacted through social network sites were encouraged to forward the message to those of their colleagues who met the eligibility requirements (gender, age, and familiarity with Giorgio Armani - the parent brand chosen for this study). A total of 201 respondents who met the criteria for participation in the study agreed to take part in the survey. Of these, however, 14 respondents failed to complete the questionnaire, resulting in a total of 187 surveys usable for analysis.

Survey description

As this study focused on two types of brand extension, Giorgio Armani, a fashion brand that has participated in both vertical and horizontal extensions, was chosen as the target fashion brand of this study. In the current study, A|X Armani Exchange and Acqua di Gio perfume were chosen for vertical and horizontal fashion brand extension cases, respectively.

Familiarity with the parent brand, Giorgio Armani, was measured by asking the respondents to indicate their level of familiarity with the brand (1 = not familiar at all; 5 = extremely familiar). Those who indicated no familiarity were excluded from the analyses. The sample included 63 respondents who were slightly familiar with the brand, 68 who were somewhat familiar, 46 who were moderately familiar, and 10 who were extremely familiar with the brand.

Brand trust was measured with five items adopted from Lau and Lee's (1999) study. Examples of the items included "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 on a five-point Likert-type scale ranging from (1) strongly disagree to (5) strongly agree. The reliability coefficient was .89. Factor analysis yielded a single factor with eigenvalue greater than 1 that accounted for 70.24% of the total variance. All five items had factor loadings greater than .80 (Table 1).

Four items were used to measure participants' perceived similarities between the parent brand and the brand extension. The items were adapted from Sujan and Bettman's (1989) study. Examples of the items included: "This brand extension is identical to Giorgio Armani" and "This brand extension is similar to Giorgio Armani." The same set of questions was asked for A|X Armani Exchange (vertical extension) and Acqua di Gio perfume (horizontal extension). Factor analyses indicated the presence of a single factor with eigenvalue greater than 1 for both extensions, accounting for 58.40% for vertical extension and 52.96% for horizontal extension. The reliability coefficients were .76 and .70 respectively. All four items had factor loadings greater than .70 for both extensions.

Eight items measuring consumer innovativeness were adopted from the study of Manning, Bearden, and Madden (1995). Examples of 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." The items were measured on a five-point Likert-type scale ranging from (1) strongly disagree to (5) strongly agree. The reliability

coefficient was .83. Factor analysis revealed that the eight items loaded on a single factor with eigenvalue greater than 1 which explained 46.82% of the variance. All eight items had factor loadings greater than .53 (Table 1).

Finally, participants were asked to answer six questions measuring overall evaluation toward brand extension. Three items were adapted from the study of Park, Milberg, and Lawson (1991), and the other three items were taken from a scale used in Dawar and Anderson's (1994) study. Examples of the items included: "How good an idea was the extension?" and "How likely is it that you would purchase a brand product?" They were measured using a five-point Likert-type scale ranging from (1) not at all to (5) extremely. Reliability analyses indicated a Cronbach's alpha of .72 for A|X Armani Exchange and .82 for Acqua di Gio perfume.

Sample description

The highest number of respondents participating in the survey ranged in age between 18 and 24 (48.1%), followed by those of 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 reported that their annual household incomes were 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 9.6% of respondents indicated an income of $90,000 or more. Only 4.8% of respondents reported their incomes at less than $10,000. The ethnic group comprised of the greatest number of respondents was Caucasian (59.4%). African-American respondents formed 20.3%, and the Asian/Pacific Islander group constituted 11.2% of total respondents. The Hispanic/Latino group comprised 9.1% of total respondents.

Results

Preliminary analyses

One-way ANOVA statistical analyses were conducted to compare the means of extension evaluation scores among groups classified based on the level of familiarity with the parent brand. Separate analyses were performed for vertical and horizontal extensions. The mean values of vertical extension evaluation were significantly different [$F (3, 183) = 3.03, p < .05$] whereas the mean values of horizontal extension evaluation were not significantly different [$F (3, 183) = .38, p > .05$]. Those respondents who indicated a moderate level of familiarity with the parent brand (n = 46) exhibited the most favorable response toward the vertical extension (M = 3.11) and those who were only slightly familiar with the parent brand (n = 68) exhibited the least favorable response (M = 2.72). According to Scheffe's test, the means between these two groups were significantly different at the .05 level of significance.

Regression analyses

Multiple regression analyses using the enter method were conducted to examine how strongly brand extension evaluation was predicted by brand trust, perceived fit, and consumer innovativeness. Due to the strong correlation between brand

Effects of brand trust, perceived fit and consumer innovativeness on fashion brand extension evaluation

trust and consumer innovativeness ($r = -.60$, $p < .001$), separate regression analyses were performed for brand trust and consumer innovativeness. The main effects of two independent variables (brand trust and perceived fit; consumer innovativeness and perceived fit) were entered into the regression model as the first block (Model 1), followed by the interaction term of the two variables as the second block (Model 2). Separate regressions were conducted for vertical and horizontal extensions.

The regression analysis results for vertical brand extension are shown in Table 2. The regression model using brand trust and perceived fit as main effects was significant [$F_{(2, 184)} = 17.39$, $p < .001$]. The variance explained by the model increased from 16% to 23% with the addition of the interaction term (brand trust x perceived fit) ($R^2diff = .09$, $p < .001$) [$F_{(3, 183)} = 19.98$, $p < .001$]. Examination of the tolerance and variance inflation factor (VIF) values indicated that multi-collinearity was not present in the model. Brand trust exerted a positive effect on extension evaluation in Model 1 ($\beta = .24$, $p < .01$) (H1a) but its effect became insignificant after the interaction effect had been added. Perceived fit, on the other hand, had a negative effect on vertical extension evaluation ($\beta = -.26$, $p < .01$) (H2a). The significant coefficients of the interaction terms for brand trust and perceived fit ($\beta = .35$, $p < .001$) (H3a) indicated that perceived fit significantly moderated the relationship between brand trust and the evaluation of vertical extension. When perceived fit was high, the relationship between brand trust and extension evaluation was positive; when perceived fit was low, the relationship between brand trust and extension evaluation was negative.

The second regression model using consumer innovativeness and perceived fit as main effects was also significant for vertical brand extension [$F_{(2, 184)} = 76.32$, $p < .001$]. As shown in Table 2, the variance explained by the model increased from 45% to 49% with the addition of the interaction term (consumer innovativeness x perceived fit) ($R^2diff = .04$, $p < .001$) [$F_{(3, 183)} = 58.38$, $p < .001$]. Multi-collinearity was not present in this model. Vertical brand extension was negatively influenced by consumer innovativeness ($\beta = -.51$, $p < .001$) (H4a). As in the first regression model, perceived fit negatively influenced extension evaluation ($\beta = -.48$, $p < .001$). The interaction term for consumer innovativeness and perceived fit was also significant ($\beta = -.22$, $p < .001$) (H5a). When perceived fit was high, the relationship between innovativeness and vertical extension evaluation was more strongly negative.

As shown in Table 3, the same regression models were tested for horizontal brand extension. The regression model using brand trust and perceived fit as main effects was significant [$F_{(2, 184)} = 142.07$, $p < .001$]. The variance explained by the model increased from 60% to 62% with the addition of the interaction term ($R^2diff = .02$, $p < .01$) [$F_{(3, 183)} = 100.24$, $p < .001$]. Multi-collinearity was not present in this model. Horizontal extension evaluation was positively predicted by both brand trust ($\beta = .76$, $p < .01$) (H1b) and perceived fit ($\beta = .20$, $p < .01$) (H2b). Additionally, the interaction terms for brand trust and perceived fit were also significant ($\beta = .12$, $p < .01$) (H3b) indicating that perceived fit moderated the relationship between brand trust and horizontal

extension evaluation. Brand trust was more positively related to horizontal extension evaluation when perceived fit was high.

The regression model using consumer innovativeness and perceived fit as main effects was also significant for horizontal brand extension [F (2, 184) = 21.92, p < .001]. The variance explained by the model, however, did not increase significantly with the addition of the interaction term (consumer innovativeness x perceived fit) (R2diff = .00, p = .63) [F (3, 183) = 14.63, p < .001]. Multi-collinearity was not present in this model. Consumer innovativeness exerted a negative impact on extension evaluation (ß = -.39, p < .001) (H4b) whereas the interaction term was not significant (H5b). As in the previous regression model, perceived fit positively influenced extension evaluation (ß = .21, p < .01).

Discussion

This study investigated the factors that might influence consumers' brand extension evaluations, and in particular, those of fashion brands conducted on the basis of two different types of brand extension (vertical and horizontal). Three variables, brand trust, perceived fit, and consumer innovativeness, were selected and examined for their impacts on the evaluation of fashion brand extension for two different types of brand extension. For the current study Giorgio Armani, generally perceived as a luxury fashion brand, was selected as the parent brand. For vertical and horizontal extension cases, A|X Armani Exchange and Acqua di Gio perfume were chosen. The results are summarized in Figure 1.

Effects of brand trust, perceived fit and consumer innovativeness on fashion brand extension evaluation

Figure 1: Results of the regression analyses
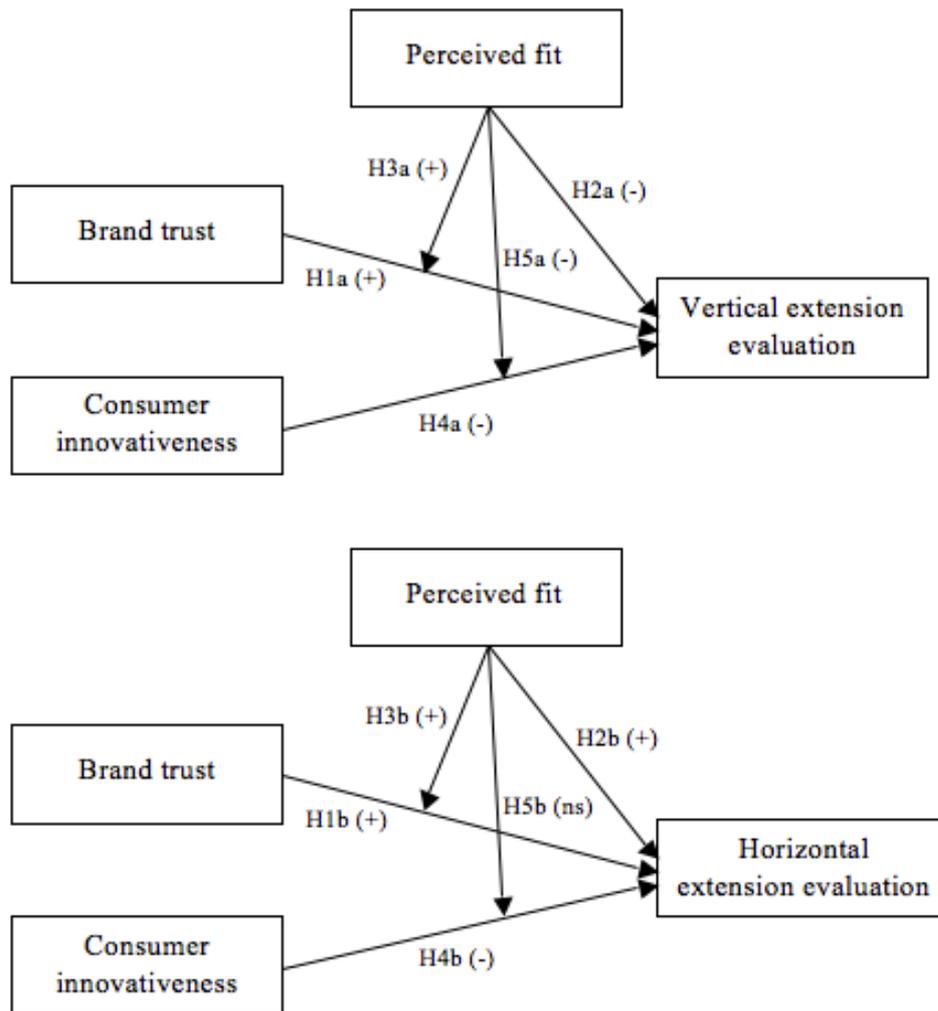
*ns = non-significant

Many researchers have agreed that consumers' brand attitudes toward fashion brands are a significant factor in determining the brands' success in the market (Reddy et al., 2009). Brand trust has been known to influence satisfaction, loyalty, and emotional commitment toward the brand (Völckner and Sattler, 2006). In support of H1a and H1b, the results of the multiple regressions indicated a positive impact of brand trust on both vertical and horizontal fashion brand extensions. The results regarding brand trust supported the findings of past research (Aaker and Keller, 1990; Reast, 2005) that brand trust significantly influences brand extension acceptance; when consumers have high brand trust in a parent brand they tend to evaluate both vertical and horizontal fashion brand extensions favorably. Although there is controversy about the impact of brand trust, especially in horizontal extensions, the results supported the findings of previous studies that discovered the positive impact derived from brand trust (Laforet, 2007; Reast, 2005). It should be noted, however, that when

the interaction term between brand trust and perceived fit was controlled in vertical extension evaluations, the main effect of brand trust was diminished and no longer significant.

Perceived fit was also a significant factor in evaluating fashion brand extensions, thus supporting H2. In this study, the impact of perceived fit differed according to extension type: perceived fit negatively influenced vertical extension evaluation (H2a), whereas it positively affected horizontal extension evaluation (H2b). The findings of the significance of perceived fit in vertical fashion brand extension supported past studies, such as that of Grime et al. (2002), who argued 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. 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 at a lower price and a lower quality level based on an established brand image (Reddy et al., 2009). In general, such luxury designers' brands reflect the established 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 could result in the failure of vertical extension for a prestige-oriented luxury fashion brand. On the other hand, the results of this study imply that it is necessary to build a strong connection (high fit) between the parent brand and a horizontal extension.

Perceived fit, by itself, had a significant effect on the evaluation of a fashion brand's extension; further, it significantly moderated the relationship between brand trust and the fashion brand's extension, thus supporting H3. As a moderator, perceived fit had a significantly positive effect on the relationship between brand trust and extension evaluation for both vertical and horizontal extensions (H3a and H3b). Czellar (2003) argued that the procedure of fit perception would be significantly related to other external factors (brand knowledge or brand exposure) and internal factors (brand associations, product-related associations). He emphasized that perceived fit in brand extension should be considered cautiously in relation with other factors 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 (2003).

The result of the moderating effect of perceived fit on the vertical extension was particularly noteworthy in that the direction was completely reversed from positive to negative based on the perceived level of fit. The regression results 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. This result provides some support for Aaker and Keller's (1990) argument. Aaker and Keller noted

Effects of brand trust, perceived fit and consumer innovativeness on fashion brand extension evaluation

that 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 and Keller, 1990). Because substitute indicates the perceived product-class substitutability, 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 will 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 and Keller, 1990). As the relationship between brand trust and vertical extension evaluation is affected by the level of perceived fit, fashion marketers should give serious consideration to perceived fit when developing vertical extension brands. With regard to a fashion brand's horizontal extension, when perceived fit was high, the positive relationship between brand trust and extension evaluation was stronger. This result again supported the arguments of Keller and Aaker (1992) and Carter and Curry (forthcoming) regarding the moderating role of perceived fit.

Additionally, consumer innovativeness was found to have a negative impact on the overall evaluations of both vertical and horizontal extensions, thereby supporting H4a and H4b. This finding contradicts Xie's (2008) proposition that consumer innovativeness is more positively related to acceptance of horizontal extensions than to that of vertical extensions. While the current study did not compare the impacts of consumer innovativeness between vertical and horizontal extensions, the results showed that consumer innovativeness exerted a strongly negative impact on extension evaluation for both extensions. These results support Klink and Athaide's (2010) argument that innovative consumers prefer to purchase products of new brands rather than brand extension products. Therefore, even though the products of extended brands 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 presents fashion marketers with a conundrum in that the most noticeable benefit of brand extension is that the established image of the parent brand reduces consumer risk perception and therefore that existing consumers of the parent brand are theoretically more willing to try the new product. Yet, this advantage may not exist in the case of innovative consumers.

In the current study, perceived fit was found to significantly moderate the relationship between consumer innovativeness and the evaluation of vertical extension, thus supporting H5a. When perceived fit was low, the relationship between innovativeness and vertical extension evaluation was less strongly negative. This finding supports Xie's (2008) proposition that consumer innovativeness is more negatively related to acceptance of high-fitting extensions than to that of low-fitting extensions. It should be noted, however, that no significant moderating effect of perceived fit was discovered in the case of

horizontal brand extension, thus rejecting H5b.

PRACTICAL AND THEORETICAL IMPLICATIONS

As discussed earlier, once consumers have established positive brand trust toward a parent brand, their trust may be carried over to an extension brand, regardless of the extension type. However, as noted by O'Cass and Frost (2002), it is not an easy task to build brand trust in the fashion industry because of the abundance of competing fashion brands and the changing nature of fashion. 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. 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 extensions. It should be noted, however, that the current study did not treat brand trust as a multi-dimensional concept. Reast (2005) argued that the concept of brand trust consists of several dimensions, including both company credibility-based trust and performance satisfaction-based trust. Since the results of the current study indicated the importance of brand trust in fashion brand extension, future research should consider including various dimensions of brand trust in order to better determine their influences in acceptance of fashion brand extension.

The findings regarding perceived fit showed 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. 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). The positive impact of perceived fit on horizontal extension evaluation, as demonstrated in this study, suggests that fashion brand retailers and marketers should develop new horizontal extension products that are, to the extent possible, consistent in image with the core brand in order to convey their parent brand image and concept. On the other hand, the findings for vertical extension evaluation suggests that 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 vertically extended brands. Additionally, the finding regarding the moderating role of perceived fit suggests that when sufficient differentiation is not perceived, consumers with a higher level of trust in the parent brand may respond more negatively to its vertically extended brands, perhaps indicating their confusion or disapproval for the company's branding policy. Therefore, vertical extensions that are close to the core brand could be particularly detrimental to fashion brands with a strong reputation and a high level of customer trust.

Effects of brand trust, perceived fit and consumer innovativeness on fashion brand extension evaluation

The negative impact of consumer innovativeness on the overall evaluations of both vertical and horizontal extensions suggests that fashion companies targeting innovative and fashion-forward consumers should be particularly cautious about introducing extended brands. 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 products and thereby serve as messengers (Goldsmith et al., 1999). As Xie (2008) has suggested, however, brand extensions may fail to address the consumer group of early adaptors. Further research is therefore needed to find out ways to make fashion brand extensions more appealing to innovative consumers. One way to lessen the negative impact of consumer innovativeness on the evaluation of a vertically extended brand may be the management of the fit between the parent brand and extension brand. By significantly distancing the extension brand from the parent brand, fashion-forward companies may still be able to attract innovative consumers who are constantly looking for new product experiences.

The results of this study provided important insights into the fashion brand extension strategy from a theoretical and a practical standpoint, and demonstrated that the question of brand extension is a complex issue. In particular, the moderating role of perceived fit in extension evaluation indicates that fashion marketers and brand managers focusing only on perceived fit might hinder their ability to take into account other influential factors, possibly leading to the failure of a potential successful brand extension.

Limitations and future studies

The current research has several limitations that should be considered when examining the results. First, this study used non-random sampling methods by recruiting participants online through a snowball sampling technique. Because this sampling procedure significantly limits the generalizability of the results, caution is needed in interpreting the findings. Recruitment through online social network sites also resulted in a sample that overrespresented young consumers; the age of the respondents in the current study mostly ranged from 18 to 34 (80.2%) and more than half of the respondents answered that their annual household income was less than $69,999. This suggests 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 merchandise due to its generally high price point. If the respondents of the survey had been composed of individuals 34 years or older with a much higher annual income, they might have had a different point of view toward the parent brand and brand extensions, and the results would have been different from the current ones. Additionally, although familiarity with the parent brand was not part of the hypotheses tested in this study, preliminary analyses suggested that the variable might have some bearing on the evaluation of vertical extension. In this study, however, familiarity was measured by asking the respondents to indicate their level of familiarity with the brand. Whether

their perceptions of familiarity were based on their purchase experiences with the brand, exposure to advertising, or recommendations from friends was not investigated in this study. Future research might explore in depth the concept of familiarity in order to better understand its role in brand extension evaluation.

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. Although a brand extension in cosmetics is considered a horizontal brand extension for Giorgio Armani, there is some overlap between cosmetics and apparel products as they both fall into the broader category of beauty fashion products. Therefore, in order to derive a clearer view of the impact of the influential factors, future studies should examine horizontal extensions across various product categories. When including different product categories of fashion brand extension researchers should also consider varying the level of extension distance in order to obtain a better understanding of the role of perceived fit in acceptance of fashion brand extension. Additionally, in the context of vertical extension, future research may want to examine both step-up and step-down extensions in order to determine how the direction of vertical extension influences consumer evaluations of the extension.

References

Aaker, D.A. and Keller, K.L. (1990) Consumer evaluations of brand extensions. *Journal of Marketing* 54(1): 27-41.

Bhat, S. and Reddy, S.K. (2001) The impact of parent brand attribute associations and affect on brand extension evaluation. Journal of Business Research 53(3): 111-22.

Boush, D.M. and Loken, B. (1991) A process-tracing study of brand extension evaluation. Journal of Marketing Research 28(1): 16-28.

Broniarczyk, S.M. and Alba, J.W. (1994) The importance of the brand in brand extension. *Journal of Marketing Research* 31(2): 214-28.

Carter, R.E. and Curry, D.J. (forthcoming) Perceptions versus performance when managing extensions: new evidence about the role of fit between a parent brand and an extension. *Journal of the Academy of Marketing Science*, in press.

Chaudhuri, A. and Holbrook, M.B. (2001) The chain of effects from brand trust and brand affect to brand performance: the role of brand loyalty. *Journal of Marketing* 65(2): 81-93.

Choi, T.M., Liu, N., Liu, S.C., Mak, J. and To, Y.T. (2010) Fast fashion brand extensions: an empirical study of consumer preferences. *Brand Management* 17(7): 472-487.

Effects of brand trust, perceived fit and consumer innovativeness on fashion brand extension evaluation

Chowdhury, M.H.K. (2007) An investigation of consumer evaluations of brand extensions. *International Journal of Consumer Studies* 31(4): 377-384.

Clark, R.A. and Goldsmith, R.E. (2006) Interpersonal influence of consumer innovativeness. *International Journal of Consumer Studies* 30(1): 34-43.

Czellar, S. (2003) Consumer attitude toward brand extensions: an integrative model and research propositions. *International Journal of Research in Marketing* 20(1): 97-115.

Dawar, N. and Anderson, P.F. (1994) The effect of order and direction on multiple brand extensions. *Journal of Business Research* 30(2): 119-129.
Forney, J.C., Park, E.J. and Brandon, L. (2005) Effects of evaluative criteria on fashion brand extension. *Journal of Fashion Marketing and Management* 9(2): 156-165.

Gatignon, H. and Robertson, T.S. (1991) A propositional inventory for new diffusion research. *Journal of Consumer Research* 11(4): 849-867.

Goldsmith, R.E., Moore, M.A. and Beaudoin, P. (1999) Fashion innovativeness and self-concept: a replication. *Journal of Product & Brand Management* 8(2): 7-18.

Grime, I., Diamantopoulos, A. and Smith, G. (2002) Consumer evaluations of extensions and their effects on the core brand: Key issues and research propositions. *European Journal of Marketing* 11(12): 1415-1438.

Keller, K.L. and Aaker, D.A. (1992) The effects of sequential introduction of brand extensions. *Journal of Marketing Research* 29(1): 35-50.

Kim, C.K. and Lavack, A.M. (1996) Vertical brand extensions: current research and managerial implications. *Journal of Product & Brand Management* 5(6): 24-37.

Kim, C.K., Lavack, A.M. and Smith, M. (2001) Consumer evaluation of vertical brand extensions and core brands. *Journal of Business Research* 52(3): 211-222.

Klink, R.R. and Athaide, G.A. (2010) Consumer innovativeness and the use of new versus extended brand names for new products. *Journal of Product Innovation Management* 27(1): 23-32.

Klink, R.R. and Smith, D.C. (2001) Threats to the external validity of brand extension research. *Journal of Marketing Research* 38(3): 326-335.

Laforet, S. (2007) British grocers' brand extension in financial services. *Journal of Product & Brand Management* 16(2): 82-97.

Lau, G.T. and Lee, S.H. (1999) Consumers' trust in a brand and the link to brand loyalty. *Journal of Market-Focused Management* 4(4): 341-370.

Lee, J.W., Rhee, E.Y. and Lee, Y. (2003) Types of brand extension and leverage effects of brand image in the Korean apparel market. *International Journal of Human Ecology* 4(1): 1-14.

Liu, S.C. and Choi, T.M. (2009) Consumer attitude towards brand extensions of designer-labels and mass-market labels in Hong Kong. *Journal of Fashion Marketing and Management* 13(4): 527-540.

Loken, B. and John, D.R. (1993) Diluting brand beliefs: when do brand extensions have a negative impact? *Journal of Marketing* 57(3): 71-84.

Manning, K.C., Bearden, W.O. and Madden, T.J. (1995) Consumer innovativeness and the adoption process. *Journal of Consumer Psychology* 4(4): 329-345.

Martinez, E. and Pina, J.M. (2009) Modeling the brand extensions' influence on brand image. *Journal of Business Research* 62(1): 50-60.

McWilliam, G. (1993) The effect of brand typology on brand extension fit: commercial and academic research findings. *European Advances in Consumer Research* 1(3): 485-491.

Morrin, M. (1999) The impact of brand extensions on parent brand memory structures and retrieval processes. *Journal of Marketing Research* 36(4): 517-525.

Musante, M. (2007) Brand portfolio influences on vertical brand extension evaluations. *Innovative Marketing* 3(4): 60-66.

O'Cass, A. and Frost, H. (2002) Status brands: examining the effects of non-product-related associations on status and conspicuous consumption. *Journal of Product & Brand Management* 11(2): 67-88.

Park, C. W., Milberg, S. and Lawson, R. (1991) Evaluation of brand extensions: the role of product feature similarity and brand concept consistency. *Journal of Consumer Research* 18(2): 185-193.

Pitta, D.A. and Katsanis, L.P. (1995) Understanding brand equity for successful brand extension. *Journal of Consumer Marketing* 12(4): 51-64.
Reast, J.D. (2005) Brand trust and brand extension acceptance: the relationship. *Journal of Product & Brand Management* 14(1): 4-13.

Reddy, M., Terbianche, N., Pitt, L. and Parent, M. (2009) How far luxury brands travel? Avoiding the pitfalls of luxury brand extension. *Business Horizons* 52(2):

187-197.

Rogers, E.M. (1995) *Diffusion of Innovation*. New York: Free Press.

Sujan, M. and Bettman, J.R. (1989) The effects of brand positioning strategies on consumers' brand and category perceptions: some insights from schema research. *Journal of Marketing Research* 26(4): 454-467.

Thompson, K. and Strutton, D. (2012) Revisiting perceptional fit in co-branding applications. *Journal of Product & Brand Management* 2(1): 15-25.

Völckner, F. and Sattler, H. (2006) Drivers of brand extension success. *Journal of Marketing* 70(2): 18-34.

Xie, Y.H. (2008) Consumer innovativeness and consumer acceptance of brand extensions. *Journal of Product & Brand Management* 17(4): 235-243.

Table 1: Factor analysis results for brand trust and consumer innovativeness

Scale items	Factor loading
Brand trust	
This brand cannot be counted on to do its job.*	-.88
I trust this brand.	.84
I cannot rely on this brand.*	-.84
I feel that I can trust this brand completely.	.83
I feel secure when I buy this brand because I know that it will never let me down.	.80
Consumer innovativeness	
I often seek out information about new products and brands.	.79
I seek out situations in which I will be exposed to new and different sources of product information.	.72
I am continually seeking new product experiences.	.72
I like magazines that introduce new brands.	.70
I like to go to places where I will be exposed to information about new products and brands.	.68
I frequently look for new products and services.	.67
I take advantage of the first available opportunity to find out about new and different products.	.63
When I go shopping, I find myself spending very little time checking out new products and brands.*	-.53

* Reverse-coded items

Effects of brand trust, perceived fit and consumer innovativeness on fashion brand extension evaluation

Table 2: Regression analysis results for vertical extension

	Model 1			Model 2		
	B	β		B	β	
Regression 1						
Brand trust (H1a)	.17	.24	**	.07	.10	
Perceived fit (H2a)	-.34	-.49	***	-.19	-.26	**
Brand trust x fit (H3a)				.31	.35	***
R^2		.16			.25	
Regression 2						
Consumer innovativeness (H4a)	-.44	-.62	***	-.36	-.51	***
Perceived fit (H2a)	-.41	-.58	***	-.34	-.48	***
Innovativeness x fit (H5a)				-.18	-.22	***
R^2		.45			.49	

** $p < .01$, *** $p < .001$

Table 3: Regression analysis results for horizontal extension

	Model 1			Model 2		
	B	β		B	β	
Regression 1						
Brand trust (H1b)	.62	.75	***	.62	.76	***
Perceived fit (H2b)	.19	.23	***	.17	.20	***
Brand trust x fit (H3b)				.10	.12	**
R^2		.61			.62	
Regression 2						
Consumer innovativeness (H4b)	-.32	-.39	***	-.32	-.39	***

Perceived fit (H2b)	.18	.22	***	.17	.21	**
Innovativeness x fit (H5b)				-.03	-.04	
R²		.19			.19	

** p < .01, *** p < .001

Effects of brand trust, perceived fit and consumer innovativeness on fashion brand extension evaluation