



**HAL**  
open science

## **Stretching a luxury brand down: An experimental study of core brand dilution effects**

F. Magnoni, Elyette Roux

► **To cite this version:**

F. Magnoni, Elyette Roux. Stretching a luxury brand down: An experimental study of core brand dilution effects. 2011, 13 p. <halshs-00644899>

**HAL Id: halshs-00644899**

**<https://shs.hal.science/halshs-00644899v1>**

Submitted on 25 Nov 2011

**HAL** is a multi-disciplinary open access archive for the deposit and dissemination of scientific research documents, whether they are published or not. The documents may come from teaching and research institutions in France or abroad, or from public or private research centers.

L'archive ouverte pluridisciplinaire **HAL**, est destinée au dépôt et à la diffusion de documents scientifiques de niveau recherche, publiés ou non, émanant des établissements d'enseignement et de recherche français ou étrangers, des laboratoires publics ou privés.



HAL Authorization



Centre d'Études et de Recherches Appliquées à la Gestion\_ U.M.A. C.N.R.S. 5820

## CAHIER DE RECHERCHE n°2011-06 E3

### Stretching a luxury brand down: An experimental study of core brand dilution effects

Fanny MAGNONI\*

Elyette ROUX\*\*

\* Assistant Professor of Marketing, Ph.D., Cerag UMR 58206 CNRS, IAE Grenoble, Pierre Mendès France University, B.P. 47, 38040 Grenoble Cedex 9. France. E-mail: [Fanny.Magnoni@iae-grenoble.fr](mailto:Fanny.Magnoni@iae-grenoble.fr) ; Phone: +(33)622-602-870.

\*\* Professor of Marketing, Ph.D., Cergam, IAE Aix-en-Provence, Aix-Marseille University, Clos Guiot Puyricard, CS 30063, 13089 Aix-en-Provence Cedex 2. France. E-mail: [elyette.roux@iae-aix.com](mailto:elyette.roux@iae-aix.com); Phone: +(33)442-280-820.



150 rue de la Chimie – BP 47 – 38040 GRENOBLE cedex 9  
Tél. : 04 76 63 53 81 Fax : 04 76 54 60 68



## **Stretching a luxury brand down: An experimental study of core brand dilution effects**

**Abstract:** This paper analyzes the effects that the step-down line extension of a luxury brand has on attitudes toward the core brand. This before-and-after quasi-experimental study shows that the step-down line extension of the Armani brand negatively influences the affective component of the core brand attitude for customers and non-customers. However, the conative component of this core brand attitude decreases for the brand customers and increases for non-customers. Other factors that affect core brand dilution are similarity in quality, branding strategy, distribution channel and self-brand connections.

**Key-words:** vertical line extension, luxury brands, feedback effects, brand dilution.

## INTRODUCTION

From the consumer point of view, step-down line extension is the launch of a new product, which is perceived as lower quality than the other products a brand currently sells, in the category of the pre-existing brand (Magnoni and Roux, 2008). Although step-down line extension is not a new business practice, it has greatly increased in recent years to meet new market trends. Today, the purchasing power crisis and the democratization of the luxury sector attract more price-sensitive customers with lower-end products (Lipovetsky and Roux, 2003; Kapferer and Bastien, 2008). Analysts have even invented a new category called *Masstige*, which stresses that the prestige brand targets a mass market (Silverstein and Fiske, 2003; Danziger, 2005). Accordingly, more and more fashion designers are launching lines, between 30 and 50% cheaper than the original lines, under their brand names. Ralph Lauren's downward stretch from the exclusive "Purple Label" to the casual "Polo line" is a good example of this phenomenon. Likewise, Armani has six different lines that range from his couture collection, "Giorgio Armani-Privé", to the everyday sportswear line, "Armani jeans" and even "Armani Exchange" in some foreign markets. If Saint Laurent was a pioneer with Saint Laurent Rive Gauche, then today fashion designers are increasingly stretching their brands down (e.g., Galliano by John Galliano, Paul & Joe Sister, Marc by Marc Jacobs, See by Chloé).

Although step-down line extensions can use brand equity to increase the brand's sales, it may also be a dangerous strategy (Aaker, 1997) that dilutes brand equity, especially for luxury brands (Kim and Lavack, 1996; Kirmani, Sood and Bridges, 1999; Kim, Lavack and Smith, 2001). In comparison to brand extension, step-down line extension is a new research area where studies are relatively limited (Randall, Ulrich and Reibstein 1998; Tafani Michel and Rosa 2009; Hamilton and Chernev, 2010; Jevons and Pontes, 2010). Little is known about the feedback effects of this strategy on core brand equity from a consumer's perspective. This article aims to evaluate the impact of a luxury brand's step-down line extension on consumer attitudes toward the core brand and to identify the explanatory variables for the possible dilution effects. We investigated several factors that affect core brand dilution such as self-brand connections. Self-brand connections refer to the identification with the brand (Fournier, 1998; Escalas and Bettman, 2003) and their influence in brand extension research starts to be studied (e.g., Hem and Iversen, 2002; 2003). We also consider managerial aspects, such as branding and distribution strategies.

First, we present our theoretical framework and the research hypotheses and subsequently clarify the methodology of our experimental study. Finally, we present and discuss the results.

## THEORETICAL FRAMEWORK AND RESEARCH HYPOTHESES

### **Impact of a luxury brand's step-down line extension on attitudes to the core brand**

We refer to categorization theory (Rosch and Mervis, 1975) and the models of schema change (Weber and Crocker, 1983) to explain the impact of the step-down line extension of a luxury brand on attitudes toward the core brand. According to this framework, a brand is a schema (a cognitive category) that gathers the individual's knowledge of the brand. Categorization and schema theories can explain the core brand dilution that brand extensions cause (Loken and Roedder-John, 1993; Milberg, Park and McCarthy, 1997; Gürhan-Canli and Maheswaran, 1998). Both theories agree that the perceived consistency between the extension and the core brand influences attitude changes in response to brand extensions and that these changes follow a process of assimilation and accommodation (Park McCarthy and Milberg, 1993). Assimilation occurs when the brand extension is relatively consistent with the core brand and, therefore, does not affect it. On the other hand, accommodation occurs when the brand extension is not consistent with the core brand and, therefore, modifies attitudes towards it. Two models, which have received support in brand extension research, can explain this modification of the existing schema: the sub-typing model and the bookkeeping model (Weber and Crocker, 1983). The sub-typing model suggests that an inconsistent extension is

stored in a different schema, which explains why an inconsistent extension does not affect the core brand and its original products. In contrast, the bookkeeping model proposes that an inconsistent extension is integrated into the existing schema (i.e., the core brand) and alters it. The consumer analyzes all information about the extension, and the more inconsistent the extension is with the core brand, the more the core brand is modified.

Luxury brands exhibit an international awareness that incorporates, at the supply level, expertise in applied art and human involvement in the creative process and that is characterized, at the demand level, by products or services that surpass function to meet aesthetic needs. Luxury brands are located at the top of the price pyramid with prices that exceed those of products and brands with comparable practical functions (McKinsey, 1990). The differential dimensions of luxury brands include traditional or creative heritage, exclusivity or selectivity, excellent quality, high prices, hedonistic functions, and conspicuous consumption (Garfein, 1989; Roux, 1991; Dubois, Laurent and Czellar, 2001; Lipovetsky and Roux, 2003; Wiedmann, Hennings and Siebels, 2009). The step-down line extension of a luxury brand, which associates it with lower quality and more affordable prices, can therefore damage the core brand (Keller, 1993). According to the bookkeeping model, the decreased quality of the step-down line extension appears as inconsistent information and leads the consumer to revalue the core brand at a lower level (Milberg, Park and McCarthy, 1997). In line with Kirmani, Sood and Bridges (1999), we suggest that the step-down line extension of a luxury brand will damage core brand evaluation (i.e., the affective component of the brand attitude) and propose the following hypothesis:

**H1:** The step-down line extension of a luxury brand has a negative influence on core brand evaluation.

Moreover, consumers perceive the original products as lower quality when a step-down line extension is launched (Wernerfelt, 1988). Flawed quality in a product from the brand line can negatively affect sales of the brand (Sullivan, 1990). In addition, Kim, Lavack and Smith (2001) showed that core brand evaluation (especially measured by purchase intention) decreases after step-down line extension. Thus, we expect that the step-down line extension of a luxury brand will damage consumer purchasing intentions toward brand products (i.e., the conative component of the brand attitude). Hypothesis H2 is as follows:

**H2:** The step-down line extension of a luxury brand has a negative influence on core brand purchasing intention.

### **The determinants of the impact of a luxury brand's step-down line extension on core brand attitude**

We refer to the literature on feedback effects to identify the explanatory variables of core brand dilution based on three main research areas: brand extension, distribution channel extension and vertical line extension. Therefore, we identified five determinants: similarity in quality between the step-down line extension and the core brand, branding strategy, distribution channel, self-brand connections and brand familiarity.

In brand extension studies, the perceptual relationship between the brand and its extension is the key factor for feedback effects. The indicators of this perceptual relationship (similarity, fit and typicality) measure the "compatibility" of the extension (or the extension category) with the core brand (or the category of the original products). The results of previous studies showed that some dilution effects appear when these indicators are weak, but the influence of dilution effects remains under-studied in the field of vertical line extension. By analogy, the dilution effects that result from a step-down line extension could also vary with the "compatibility" in quality between the extension and the core brand. In other words, the quality of a step-down line extension should be compared with the quality of the core brand and its original products. Moreover, the bookkeeping model suggests that the core brand attitude deteriorates more significantly when there is low similarity in quality between the step-down line extension and the brand. We define similarity in quality as the perceived proximity in quality between the step-down line extension and the core brand or its existing

products within the category. This perceived similarity is based on a physical aspect (i.e., the consistency between the quality of the extension and the quality of the original products) and a conceptual aspect (i.e., the consistency between the quality of the extension and the core brand image). Consequently, we propose hypotheses H3a and H3b:

**H3:** The lower the similarity in quality between the step-down line extension and the brand, the more (H3a) core brand evaluation decreases and (H3b) core brand purchasing intention decreases.

The branding strategy of a step-down line extension (i.e., the brand name of the extension) and its distribution channel are two strategic factors that can minimize dilution effects (Kirmani, Sood and Bridges, 1999; Olavarrieta et al., 2009). Brand extension studies refer to the sub-typing model to understand how the brand name of an extension influences dilution effects (Milberg, Park and McCarthy, 1997). In contrast to an extension that uses only the existing core brand name, a sub-brand strategy (e.g., Armani Exchange and Courtyard by Marriott) helps the consumer to dissociate the extension from the core brand. Consequently, the consumer considers the extension a sub-type, which will be stored in a distinct schema. Therefore, this separation limits dilution effects. In line with the sub-typing model, we propose that the deterioration of core brand attitude will be stronger when the step-down line extension adopts the existing brand name rather than a sub-brand name. Although, to our knowledge, the influence of distribution channels has not been tested, we can use the sub-typing model to propose that stronger dilution effects appear when the step-down line extension is sold in the existing distribution channel rather than a separate channel. Thus, we propose hypotheses H4a, H4b, H5a and H5b:

**H4:** When the step-down line extension uses the existing brand name, there is a stronger decrease in (H4a) core brand evaluation and (H4b) core brand purchasing intention than when the step-down line extension uses a sub-brand name.

**H5:** When the step-down line extension is sold through the existing distribution channel, there is a stronger decrease in (H5a) core brand evaluation and (H5b) core brand purchasing intention than when the step-down line extension is not sold in the existing distribution channel.

Two variables are also relevant to our study: self-brand connections and brand familiarity. Self-brand connections are the consumer's identification with the brand (Fournier, 1998) and express "*the extent to which individuals have incorporated brands into their self-concept*" (Escalas and Bettman, 2003; p. 340). These connections were originally studied in research on possessions (Belk, 1988; Richins, 1994; Kleine, Kleine and Allen, 1995), and empirical studies on brand extensions are beginning to investigate their influence. For example, Hem and Iversen (2003) showed that consumers favor brand extension when they strongly identify with the brand image. Therefore, self-brand connections might influence the feedback effects of step-down line extension. Indeed, the bookkeeping model could be the dominant processing strategy when self-brand connections are strong. When consumers identify themselves strongly with the brand, a step-down line extension modifies the core brand (dilution effects). On the other hand, we propose that the sub-typing model is the dominant processing strategy when self-brand connections are weak. In this case, inconsistent information about the extension is stored in a different schema and thereby limits the effects of dilution. Thus, we expect a stronger deterioration of the core brand attitude when self-brand connections are strong. Therefore, we propose hypotheses H6a and H6b:

**H6:** The stronger the self-brand connections, the more the step-down line extension damages (H6a) core brand evaluation and (H6b) core brand purchasing intention.

Finally, the influence of brand familiarity has been investigated in brand extension research (Sheinin, 2000; Martinez and de Chernatony, 2004; Thorbjørnsen, 2005). Both of the schema change models can predict the role of brand familiarity in dilution effects (Thorbjørnsen, 2005). When brand familiarity is low, the information about brand extension is stored in a different schema that does not affect the core brand (i.e., a sub-typing model).

However, when brand familiarity is high, the consumer carefully analyzes the information about brand extension. When this information is integrated into the existing schema, it changes the schema (i.e., the bookkeeping model). A consumer's objective familiarity with the brand (i.e., the fact of being a customer or not) also affects the dilution effects. Kirmani, Sood and Bridges (1999) found that, after a step-down line extension, the brand owners' attitudes decreased more than the non-owners' attitudes. Finally, we propose hypotheses H7a and H7b:

**H7:** When the consumer is a customer of the brand, a step-down line extension causes a stronger decrease in (H7a) core brand evaluation and (H7b) core brand purchasing intention than when the consumer is not a brand customer.

## **METHODOLOGY**

### **Product categories, selected brand and step-down line extension**

We selected the Armani brand after a pre-test with 30 respondents to verify its prestige orientation. We rated the prestige orientation of the brand on a seven-point Likert scale that investigated the importance of the characteristics *luxury* and *status* to the consumer when he purchases the brand (Park, McCarthy and Milberg, 1993). As expected, we found that the mean of prestige orientation for the Armani brand was high (5.73). Armani also presents the advantage of studying a real step-down line extension that has been distributed abroad, but not in France: the Armani Exchange line. This line is the most affordable Armani line and is about 50% cheaper than the Armani Jeans line. We used four products (dress, top, jean and shirt) and created ads from real advertising visuals and Armani Exchange slogans to expose the respondents to stimuli that are close to market conditions. The perceived quality of a product depends on both its perceived price and the consumer's information about its attributes (Chang and Wildt, 1994; Monroe, 1990; Zeithaml, 1988). Therefore, we mentioned both the real prices of the products, to indicate quality, and information on their physical attributes.

To manipulate both modalities of the extension branding strategy (i.e., existing brand name vs. sub-brand), we clearly mentioned that the products were sold either under the existing brand name *Giorgio Armani* or under the sub-brand *Armani Exchange*. To manipulate the two modalities of the extension distribution channel, we presented the products as distributed either in *Armani stores and luxury fashion brand stores* (i.e., the existing channel) or in *specialized stores Armani Exchange* (i.e., a distinct channel). We verified manipulation success with a qualitative study with 25 respondents, as advised by Perdue and Summers (1986).

### **Sample and data collection**

We differentiated customers from non-customers to study the influence of objective familiarity with the brand. We selected customer respondents just after their visits to the stores that distribute the brand and through a "snowball" sampling process. The non-customers were university students who agreed to participate in the study outside their classes. It should be noted that students are a potential target for the Armani Exchange line in the countries where it is sold. We used two filter questions to select only respondents who perceived a decrease in terms of quality and did not know the line Armani Exchange.

The final sample was composed of 200 respondents who were equally distributed between both modalities of the two factors; branding strategy and distribution channel (see Table 1). The sample was mixed (52.5% men and 44.5% women) and relatively young (83% were under the age of 35). We used the before-and-after pseudo-experimental method to observe individual changes. We created a questionnaire in two parts, and, to avoid a test effect, we administered it with a one-week gap between the first and the second parts. Each respondent had only one treatment, an ad announcing the launch of the step-down extension, which we presented at the beginning of the second part.

Insert Table 1 about here

## Measurement of variables

We measured one item that is related to a general opinion of the brand on a seven-point differential semantic scale to operationalize core brand evaluation (i.e., the affective component of attitude). We chose an item that evaluates the opportunity of purchasing the brand on a seven-point Likert scale to measure the purchasing intention of the brand. These two items were measured *before* and *after* the respondents were exposed to the step-down line extension ad. We used the difference between these *before* and *after* scores to operationalize the evolution of the two components of brand attitude. We analyzed the similarity in quality between the extension and the core brand with three items that were evaluated on a seven-point Likert scale. We took these items from Broniarczyk and Alba (1994) and Keller and Aaker (1992) and adapted them based on the results of a qualitative analysis. We operationalized the self-brand connections with the Escalas and Bettman Scale (2003), which was translated into French according to the back-translation process. It is composed of seven items measured on a seven-point Likert scale, and two “yes/no” items measure a respondent’s objective familiarity with the brand. According to Alba and Hutchinson’s (1987) definition, the first item targets the ownership of brand products, and the second targets the purchasing of brand products. We then carried out exploratory and confirmatory factor analyses to test the reliability and the convergent validity of the measurement scales. Finally, the scale of similarity-quality was composed of three items (Cronbach’s Alpha = 0.89; Jöreskog’s Rhô = 0.90; convergent validity’s Rhô = 0.75) and the self-brand connections scale was composed of three items (Cronbach’s Alpha = 0.92; Jöreskog’s Rhô = 0.91; convergent validity’s Rhô = 0.77). These measures are reliable and present a satisfactory convergent validity. We also established the discriminant validity of the constructs according to Fornell and Larcker (1981).

## RESULTS

Before we tested the hypotheses, we verified that the respondents perceived Armani as a luxury brand. We also verified the socio-demographic homogeneity of the sub-samples with Chi-Square tests.

### Impact of a luxury brand’s step-down line extension on core brand attitude

We computed a Multivariate Analysis of Variance (MANOVA) for repeated measures to evaluate the impact of the step-down line extension on the two components of core brand attitude. We introduced two between-subjects factors into the analysis, treatment (i.e., a nominal variable with four modalities) and objective familiarity with the brand (i.e., customer *vs.* non-customer), to check the stability of the results. The results indicate that the effect of step-down line extension is significant ( $F = 72,108$ ;  $p = 0.000$ ), regardless of the statistic that is used. Step-down line extension did not have a significant interaction with the treatment ( $F < 2.63$ ;  $p > 0.05$ ), but it did have a significant interaction with familiarity ( $F = 11.943$ ;  $p = 0.000$ ), which indicates that familiarity influences the effect of step-down line extension.

As we expected, step-down line extension damages the affective component of core brand attitude (Table 2). It had a significant negative impact on core brand evaluation ( $F = 121.588$ ;  $p = 0.000$ ) and explained 38.8% of the variance of evaluation. The power of the test was maximal. **This result supports H1.**

Insert Table 2 about here

On the other hand, step-down line extension does not weaken the conative component of core brand attitude (Table 3). It had no significant effect on the purchasing intention of the core brand ( $F = 1.778$ ;  $p > 0.05$ ). On the contrary, purchasing intention tended to increase after the extension. **Hypothesis H2 is therefore not supported.**

To better understand this result, we studied the estimated marginal means of the purchasing intention *before* and *after* the extension according to objective familiarity and conducted paired sample *t*-tests. We found that purchasing intention significantly decreased for customers ( $PI_{\text{before}} = 4.49$ ;  $PI_{\text{after}} = 4.18$ ,  $t = 2.002$ ;  $p < 0.05$ ), but it significantly increased

for non-customers ( $PI_{\text{before}} = 3.35$ ;  $PI_{\text{after}} = 4.00$ ;  $t = -3.199$ ;  $p < 0.05$ ). Therefore, our results did not support hypothesis H2 because of a “cancellation” effect, which might be attributable to the use of a student population in the study. As we noted above, the Armani Exchange line targets students as potential customers. If students know that Armani is launching a cheaper line, they might be more inclined to buy the brand's clothes, which have become more affordable for them. These conclusions support Huvé-Nabec and Fontaine's (2003) findings on the distribution channel extension of a selective brand.

Insert Table 3 about here

### **Determinants of the impact of a luxury brand's step-down line extension on core brand attitude**

We examined Hypotheses H3a-H7b with a 2x2x2 MANCOVA (between-subjects) with two covariates (similarity in quality and self-brand connections) and two dependant variables (evolution of evaluation and evolution of purchasing intention). The between-subjects factors were branding strategy (i.e., existing brand name *vs.* sub-brand), distribution channel (i.e., existing channel *vs.* distinct channel) and objective familiarity with the brand (i.e., customer *vs.* non-customer).

Similarity in quality had a positive effect on evaluation ( $\beta = 0.509$ ) and on purchasing intention ( $\beta = 0.461$ ). The power of the test was high ( $> 0.8$ ) (Table 4). Similarity in quality explained 26.1% of the evaluation variance ( $\text{Eta}^2 = 0.261$ ). These results **support hypotheses H3a and H3b**. The weaker the similarity in quality between the step-down line extension and the core brand, the greater the decrease in the evaluation and the purchasing intention.

Insert Table 4 about here

The branding strategy of step-down line extension had no significant effect (Table 5). Contrary to the findings of several brand extension studies, our results did not find the “isolating” effect of sub-brand strategy. These findings do not support **hypotheses H4a and H4b**. However, our results did confirm our expectations for core brand evaluation; it decreases slightly when the extension is launched under the existing brand name ( $\Delta_{\text{existing brand name}} = -1.055$ ;  $\Delta_{\text{sub-brand}} = -0.978$ ).

Insert Table 5 about here

Likewise, there was no significant influence for the distribution channel of the step-down line extension (Table 6). In other words, the impact of the extension on core brand attitude does not vary with the distribution channel of the step-down extension. **Hypotheses H5a and H5b are therefore not supported**. However, at a risk level of 10%, Hypothesis H5a is supported because the core brand evaluation is more damaged when the extension is sold in an existing channel than when it is sold in a distinct channel ( $\Delta_{\text{existing channel}} = -1.168$ ;  $\Delta_{\text{distinct channel}} = -0.865$ ). Although these two strategic factors (branding strategy and distribution channel) had no direct influence, we nevertheless noticed significant interaction effects in the two components of core brand attitude (Appendix).

Insert Table 6 about here

On the other hand, self-brand connections had a negative effect on the purchasing intention of the core brand ( $\beta = -0.252$ ). **These results support hypothesis H6b**. The stronger the self-brand connections, the more purchasing intentions deteriorate. In contrast, we did not observe an effect on the evaluation of the core brand (Table 7). **Hypothesis H6a is therefore not supported**.

Insert Table 7 about here

Finally, a consumer's objective familiarity with the brand (customer *vs.* non-customer) had a negative influence on the two components of attitude (Table 8). The estimated marginal means showed a stronger deterioration with customers than with non-customers for both components: core brand evaluation ( $\Delta_{\text{clients}} = -1.373$ ;  $\Delta_{\text{non-clients}} = -0.660$ ) and core brand purchasing intention ( $\Delta_{\text{clients}} = -0.136$ ;  $\Delta_{\text{non-clients}} = 0.476$ ). These findings **support hypotheses H7a and H7b**.

Insert Table 8 about here

## DISCUSSION AND CONCLUSION

This research provides a better understanding of the feedback effects of the step-down line extension of a luxury brand on core brand attitudes. These findings suggest that the affective component of attitude (brand evaluation) deteriorates regardless of the consumer's level of brand familiarity but that the conative component (brand purchasing intention) decreases for customers and increases for non-customers. Moreover, our results confirm the influence of similarity in quality. To avoid strong negative feedback effects, brand managers should therefore carefully evaluate the consistency of their step-down line extensions with the core brand before extending the brand vertically. Our research also assessed the influence of the branding strategy that the step-down line extension adopts, but we did not find the isolating effect of a sub-branding strategy. This result is important because managers often use sub-brands to stretch down their brands. Nevertheless, our study identifies the interaction effects between two strategic factors, branding strategy and distribution channel. A core brand attitude is most damaged when a step-down line extension is launched under the existing brand name and sold in the brand's existing distribution channel. Finally, our research proposes new insights on the role of self-brand connections and brand familiarity. Like Kirmani, Sood and Bridges (1999), our research shows that core brand dilution depends on the level of a consumer's objective familiarity with the brand. Moreover, our study is the first to investigate the role of self-brand connections in vertical line extension research. Our results indicate that stronger negative feedback effects occur when a consumer has a high level of identification with the brand. However, our research is subject to some limitations. We created ads from actual information elements to expose the respondents to stimuli that approximated market conditions. Although we carefully checked the external variables related to the ad, we cannot ignore the possibility that these documents might have influenced answers. Moreover, clothes are products whose use is "public". Thus, it would be useful to investigate the feedback effects of step-down line extension when the products of luxury brands are used in "private" situations (e.g., underwear, body care and skin care products) or in the service sector (e.g., luxury hotels, restaurants and credit cards such as American Express). A brand's vertical range (i.e., the different quality levels it covers) and the number of product categories it occupies could also affect the effects of dilution. Therefore, future studies could compare the feedback effects for brands that have never launched step-down line extensions (e.g., Gucci) with brands that are vertically extended (e.g., Armani). Finally, other explanatory variables need to be investigated. For example, Buil, de Chernatony and Hem (2009) show that feedback effects of brand extensions on core brand equity differ across countries. Thus, it would be interesting to analyze the cross cultural variations in vertical line extension research.

## APPENDIX

Influence of branding strategy and distribution channel on core brand attitude (MANCOVA):

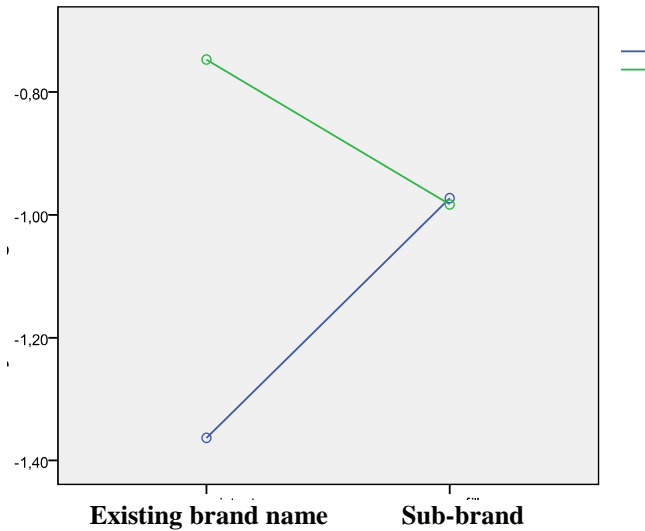
	<b>F</b>	<b>p</b>	<b>Partial Eta<sup>2</sup></b>	<b>Observed power</b>
<b>Δ Evaluation</b>	<b>3.849</b>	<b>0.051</b>	0.020	0.497
<b>Δ P. Intention</b>	<b>5.782</b>	<b>0.017</b>	0.030	0.667

Interaction effects: *Branding strategy* x *Distribution channel* on core brand evaluation and core brand purchasing intention:

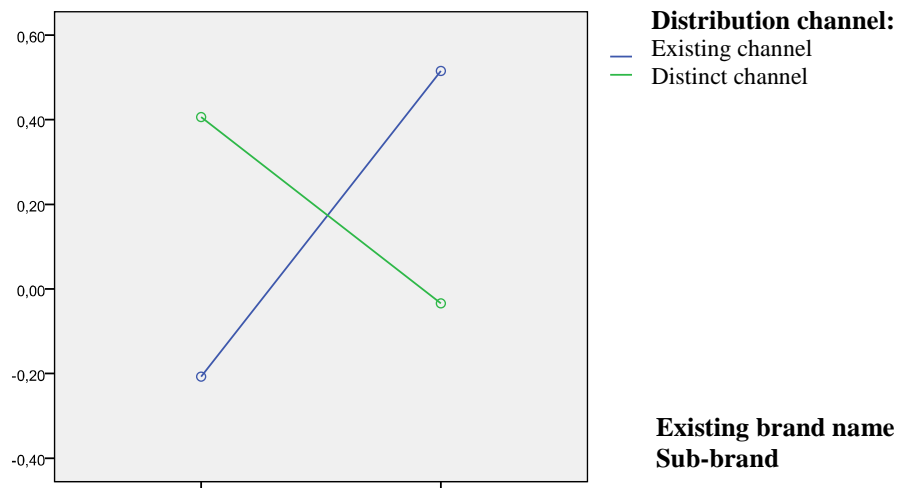
### Estimated Marginal Means of Δ Evaluation

#### Distribution channel:

Existing channel  
Distinct channel



**Estimated Marginal Means of  $\Delta P$ . Intention**



## REFERENCES

- Aaker D. A. Should you take your brand to where the action is? *Harvard Business Review* 1997; September-October: 135-143.
- Alba J.W. Hutchinson J. W. Dimensions of consumer expertise. *Journal of Consumer Research* 1987; 13(4): 411-453.
- Belk R.W. Possessions and the extended self. *Journal of Consumer Research* 1988; 15(2): 139-168.
- Broniarczyk A. Alba. J. The importance of the brand in brand extension. *Journal of Marketing Research* 1994; 31: 214-228.
- Buil, I. de Chernatony L. Hem L. E. Brand extension strategies: Perceived fit, brand type and culture influences. *European Journal of Marketing* 2009; 43 (11/12): 1300-1324.
- Chang T. Z. Wildt A.R. Price. Product information and purchase intention: an empirical study. *Journal of the Academy of Marketing Science* 1994; 22(1): 16-27.
- Danziger P. Let them eat cake: Marketing luxury to the masses, as well as the classes. Deerborn, Trade Publishing, Chicago, 2005.
- Dubois B., Laurent G., Czellar S. Consumer rapport to luxury: Analyzing complex and ambivalent attitudes. Working Paper 736 2001, HEC School of Management, France.
- Escalas J. E. Bettman J. R. You are what they eat: The influence of reference groups on consumer connections to brands. *Journal of Consumer Psychology* 2003; 13(3): 339-348.

Fornell, C. Larcker D. F. Evaluating structural equation models with unobservable variables and measurement error. *Journal of Marketing Research* 1981; 18(1): 39-50.

Fournier S. Consumers and their brands: Developing relationship theory in consumer research. *Journal of Consumer Research* 1998; 24(4): 343-373.

Garfein R.T. Cross-cultural perspectives on the dynamics of prestige. *Journal of Services Marketing* 1989; 3(Summer): 17-24.

Gürhan-Canli Z. Maheswaran D. The effects of extensions on brand name dilution and enhancement. *Journal of Marketing Research* 1998; 35(4): 464-473.

Hamilton R. Chernev A. The impact of product line extensions and consumer goals on the formation of price image. *Journal of Marketing Research* 2010; 47(1): 51-62.

Hem L. E. Iversen N. M. Decomposed similarity measures in brand extensions. *Advances in Consumer Research* 2002; 29(1): 199-206.

Hem L. E. Iversen N. M. Transfer of brand equity in brand extensions: The importance of brand loyalty. *Advances in Consumer Research* 2003; 30(1): 72-79.

Huvé-Nabec L. Fontaine I. L'extension du circuit de distribution de la marque sélective : Le rôle explicatif de la familiarité sur le changement d'attitude envers la marque, *Congrès International de l'Association Française du Marketing* 2003, Tunis, Tunisie, 853-867.

Jevons C. Pontes N. Price. Effects on vertical brand extensions: A conceptual framework. 6<sup>th</sup> International Conference Thought Leaders in Brand Management 2010; Lugano, Switzerland.

Kapferer J.N. Bastien V. *The luxury strategy: break the rules of marketing to build luxury brands*. Kogan Page, 2008.

Keller K. L. Conceptualizing, measuring, and managing customer-based brand equity. *Journal of Marketing* 1993; 57(January): 1-22.

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

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

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

Kirmani A. Sood S. Bridges S. The ownership effect in consumer responses to brand line stretches. *Journal of Marketing* 1999; 63: 88-101.

Kleine S. S. Kleine R. E. Allen C. T. How is a possession me or not me? Characterizing types and antecedent of material possession attachment. *Journal of Consumer Research* 1995; 22(December): 327-343.

Lipovetsky G. Roux E. *Le Luxe Eternel, de l'Age du Sacré au Temps des Marques*. Gallimard, Paris, 2003.

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

Magnoni F., Roux E. *Stretching the Brand Down: Does it Affect Consumer-Brand Relationship?* Proceedings of The 2008 Thought Leaders International Conference on Brand Management 2008; Birmingham Business School (United Kingdom).

Martinez E. De Chernatony L. The effect of brand extension strategies upon brand image. *Journal of Consumer Marketing* 2004 ; 21(1): 39-50.

McKinsey. *L'industrie du luxe : un atout pour la France*, Rapport McKinsey for Comité Colbert, Paris, June, 1990.

Milberg S. J. Park C. W. McCarthy M. S. Managing negative feedback effects associated with brand extensions: The impact of alternative branding strategies. *Journal of Consumer Psychology* 1997; 6(2): 119-140.

Monroe K. B. *Pricing: Making profitable decisions*. 2<sup>e</sup> ed., McGraw-Hill, New York, 1990.

Olavarrieta S. Torres E. Vasquez-Parrage A. Barra C. Derived versus full name brand extensions. *Journal of Business Research* 2009; 62(9): 899-905.

Park C. W. McCarthy M. S. Milberg S. The effects of direct and associative brand extension strategies on consumer response to brand extensions. *Advances in Consumer Research* 1993; 20: 28-33.

Perdue B. C. Summers J. O. Checking the success of manipulations in marketing experiments. *Journal of Marketing Research* 1986; 23(4): 317-326.

Randall T. Ulrich K. Reibstein D. Brand equity and vertical product line extension. *Marketing Science* 1998; 17(4): 356-379.

Richins M. L. Valuing Things: The public and private meanings of possessions. *Journal of Consumer Research* 1994; 21(December): 504-521.

Rosch E. Mervis C. B. Family resemblances: Studies in the internal structure of categories. *Cognitive Psychology* 1975; 7(4): 573-605.

Roux E. Comment se positionnent les marques de luxe. *Revue Française du Marketing* 1991; 132-133(2-3): 111-118.

Sheinin D. A. The effects of experience with brand extensions on parent brand knowledge. *Journal of Business Research* 2000; 49(1): 47-56.

Silverstein M. J. Fiske N. Luxury for the masses. *Harvard Business Review* 2003; 81(4): 48-57.

Sullivan M. Measuring image spillovers in umbrella-branded products. *Journal of Business* 1990; 63(3): 309-329.

Tafari E. Michel G. Rosa E. Stratégie d'extension de gamme verticale : Analyse de l'effet de halo de la marque selon les niveaux de gamme. *Research and Applications in Marketing* 2009; 24(2): 73-89.

Thorbjørnsen H. Brand extensions: Brand concept congruency and feedback effects revisited. *Journal of Product & Brand Management* 2005; 14(4): 250-257.

Weber R. Crocker J. Cognitive processes in the revision of stereotypic beliefs. *Journal of Personality and Social Psychology* 1983; 45: 961-977.

Wernerfelt B. Umbrella branding as a signal of new product quality: An example of signaling by posting a bond. *Rand Journal of Economics* 1988; 19(Autumn): 458-466.

Wiedmann K.P. Hennings N. Siebels A. Value-based segmentation of luxury consumption behavior. *Psychology and Marketing* 2009; 26(7): 625-651.

Zeithaml V. Consumer perceptions of price, quality and value: A means-end model and synthesis of evidence. *Journal of Marketing* 1988; 52: 2-22.

## TABLES

	Existing brand name		Sub-brand		TOTAL
	Customers	Non-customers	Customers	Non-customers	
Existing channel	25	25	25	25	100
Distinct channel	25	25	25	25	100
<b>TOTAL</b>	50	50	50	50	200

**Table 1. Assignment of the respondents to the four treatment of the quasi-experiment**

	Mean	F	<i>p</i>	Partial Eta <sup>2</sup>	Observed power
<b>Before</b>	5.400	<b>121.588</b>	<b>0.000</b>	0.388	1.000
<b>After</b>	4.383				

**Table 2. Evolution of core brand evaluation after the extension**

	Mean	F	<i>p</i>	Partial Eta <sup>2</sup>	Observed power
<b>Before</b>	3.920	1.778	0.184	0.009	0.264
<b>After</b>	4.090				

**Table 3. Evolution of core brand purchasing intention after the extension**

	F	<i>p</i>	Partial Eta <sup>2</sup>	Observed power
<b>Δ Evaluation</b>	<b>67.044</b>	<b>0.000</b>	0.261	1.000
<b>Δ P. Intention</b>	<b>24.005</b>	<b>0.000</b>	0.112	0.998

**Table 4. Influence of similarity-quality on core brand attitude**

	<b>F</b>	<b><i>p</i></b>	<b>Partial Eta<sup>2</sup></b>	<b>Observed power</b>
<b>Δ Evaluation</b>	0.236	0.628	0.001	0.077
<b>Δ P. Intention</b>	0.344	0.558	0.002	0.090

**Table 5. Influence of the branding strategy of the extension on core brand attitude**

	<b>F</b>	<b><i>p</i></b>	<b>Partial Eta<sup>2</sup></b>	<b>Observed power</b>
<b>Δ Evaluation</b>	<b>3.600</b>	<b>0.059</b>	0.019	0.471
<b>Δ P. Intention</b>	0.017	0.896	0.000	0.052

**Table 6. Influence of the distribution channel of the extension on core brand attitude**

	<b>F</b>	<b><i>p</i></b>	<b>Partial Eta<sup>2</sup></b>	<b>Observed power</b>
<b>Δ Evaluation</b>	0.250	0.618	0.001	0.079
<b>Δ P. Intention</b>	<b>7.126</b>	<b>0.008</b>	0.036	0.757

**Table 7. Influence of self-brand connections on core brand attitude**

	<b>F</b>	<b><i>p</i></b>	<b>Partial Eta<sup>2</sup></b>	<b>Observed power</b>
<b>Δ Evaluation</b>	<b>15.623</b>	<b>0.000</b>	0.076	0.976
<b>Δ P. Intention</b>	<b>5.015</b>	<b>0.026</b>	0.026	0.606

**Table 8. Influence of objective familiarity on core brand attitude**