The effect of product conspicuousness in vertical downscale extensions: a replication

Abstract

Purpose of the Paper - This study tests the effect of product category conspicuousness on the evaluation of downscale extensions and on the brand image of premium brands.

Theoretical background – Dall’Olmo Riley, Pina and Bravo (2013) suggested that, for brands with similar positioning, the evaluation of vertical extensions and the relative feedback effects may vary, depending upon the conspicuousness of the product category to peer assessment. Such suggestion has important implications for downscale extensions of brands at the higher end of prestige/luxury image.

Methodology - This study is a partial replication of Dall’Olmo Riley et al.’s (2013) study, with a modification in one of the product categories. The same experimental method is adopted, with the same two independent variables: price and product category (the more conspicuous cars vs. the less conspicuous mobile phones). The brand concept is held fixed (premium brands).

Findings - Results confirm that the image of the car brand is diluted more than the brand image of the phone brand; no differences are found in extension evaluations.

Limitations - The paper considers only two brands in two product categories.

Practical Implications - Brand managers should consider product conspicuousness when deciding whether or not to introduce a vertical extension for a premium brand.

Contribution of Paper - The study contributes to brand extension research by corroborating the importance of product conspicuousness.

Keywords: vertical extension; brand image; feedback effect; replication

Track: Marketing Research and Research Methodology
The effect of product conspicuousness in vertical downscale extensions: a replication

1. Background

The vast literature on brand extensions has focused mainly on category extensions although line extensions are more frequent than either category extensions or new brand launches (Les Échos, 2004). This imbalance may be explained, in part, by the fact that most researchers have been concerned with the level of fit between a brand and its extension from the point of view of product feature similarity (perceived product fit). Since, in line extensions, an existing brand is applied to a new product within the same product category or product class, product fit is less of an issue than for category extensions. Therefore researchers have not always recognised the need to investigate line extensions. However, line extensions are not without risks. Often line extensions target a new market segment, which may result in increased overall sales, but may also foster market fragmentation. A second issue relevant to line extensions is the extent to which the new product “cannibalizes” sales from existing products and whether cannibalization contributes or detracts from the success of the line extension. These risks may be aggravated with vertical line extensions which involve entering into a new market segment through upscale or downscale changes in price and positioning (Michel & Salha, 2005). An important issue for vertical extensions is the “feedback” effect of the extension on the core brand image. Indeed, previous research has suggested that vertical extensions may have a negative impact on the core brand image (e.g., Loken & John, 1993). This is a particularly serious problem for brands whose core associations are status and high price (e.g., Kim & Lavack, 1996). Yet, only a few studies have explicitly examined downscale vertical extensions in the context of luxury brands (Kim & Lavack, 1996; Kirmani, Sood, & Bridges, 1999; Magnoni & Roux, 2012). These studies have focused mainly on the effect of a vertical extension on the image of the luxury parent brand and to a lesser extent on factors affecting the evaluation of the extension itself. A few studies have identified potential differences between luxury brands and other types of brands with regards to consumers’ evaluation of vertical extensions (e.g., Albrecht, Backhaus, Gurzki, & Woiwetschläger, 2013; Dall’Olmo Riley, Pina, & Bravo, 2013; Kim & Lavack, 1996; Kirmani et al., 1999).

Dall’Olmo Riley, Pina and Bravo (2013) (hereafter DPB) compared downscale extensions of luxury and premium brands and found that the brand positioning (premium or luxury) interacted with the product category (cars v. fashion shoes), both in terms of extension evaluation and feedback effects of the extensions on the core brands’ images. For example, the premium car brand (Audi) suffered a dilution effect in its image status, image conspicuousness and general brand image after the downscale extension, while only the image status of the premium fashion brand Diesel was marginally affected. In contrast, neither the luxury car brand (Porsche) nor the luxury fashion brand (Prada) suffered a dilution effect in the respective brand images (status, conspicuousness and general brand image), as a result of the downscale extensions. Product category and brand positioning interacted also in the evaluation of the downscale vertical extensions. From this, DPB suggested that vertical downscale extensions of brands with a similar positioning on the luxury/prestige continuum may have dissimilar evaluations and feedback effects, depending on the conspicuousness of the product category to peer assessment. This is consistent with DelVecchio and Smith’s (2005) proposition that social risk increases if the product is one that is visibly branded.

In the general extension literature, the degree of differentiation within a product category is thought to have an impact on the acceptance of an extension (e.g. Desai & Hoyer,
However, in vertical brand extensions research prior to DPB, product characteristics such as conspicuousness are not explicitly considered. Therefore, this paper focuses on the effect of the product category in the context of downscale vertical extensions of premium brands.

2. **Aims of the Study and Methodology**

This research is a partial replication in the same country of DPB’s study, with a modification in one of the product categories used in the research. The purpose is to test DPB’s suggestion that vertical downscale extensions of brands with a similar positioning on the luxury/prestige continuum may have dissimilar evaluations and feedback effects, depending on the conspicuousness of the product category. Conspicuous products are those which are more visibly branded to reference groups. For instance, ‘identifying the brand of a dress shoe or belt as they are being worn is typically a difficult task’ (DelVecchio & Smith, 2005: 188), compared with identifying the brand of a car. This paper examines whether the result concerning the difference between a conspicuous product such as cars and a less conspicuous product such as fashion shoes, in the way premium brands are evaluated after a vertical downscale extension are replicated, when the vertical brand extensions of a car premium brand and of a mobile phone premium brand are compared. The same experimental method used in the original study is adopted, with the same two independent variables: price (-25% v. -50%) and product category (the more conspicuous cars vs. the less conspicuous mobile phones). Unlike the original study, the brand concept is held fixed and we only consider premium brands, since the objective is to test the effect of the conspicuousness of the product category.

2.1. **Pre-test**

Firstly, a pre-test was necessary to select high-end car and mobile phone brands. The two chosen brands had to meet the criteria of being similar in terms of familiarity and also had to be similarly perceived as ‘premium’ on the prestige continuum; hence the brands had to be positioned lower than ‘very prestigious’, ‘luxury’ brands, such as Ferrari and Vertu, but still had to score above the mid-point of the scale to be classified as premium brands. The pre-test employed a convenience sample of 36 postgraduate students at a UK University, who assessed familiarity (Milberg, Park, & McCarthy, 1997) and rated the prestige (Lei, Dawar, & Lemmink, 2008) of ten car brands (Alfa Romeo, Aston Martin, Audi, BMW, Ferrari, Maserati, Range Rover, Mercedez-Benz, Porsche, Volvo) and ten mobile phone brands (Apple iPhone, Blackberry, Gresso, HTC, LG, Motorola, Nokia, Samsung, Mobiato, Vertu) on 7-point scales (1 = totally unfamiliar/ 7 = very familiar; 1 = not very prestigious/ 7=very prestigious). The lists of cars and mobile phone brands were derived on the basis of price ranges above the median. From the pre-test, the car brand Audi and the mobile phone brand iPhone met the criteria for the study: no significant difference in familiarity and similar premium position on the respective prestige scale, in comparison with the most prestigious brand in the respective category (Porsche and Vertu).

The pre-test was also used to check the relative conspicuousness of the two chosen product categories, since the main purpose of the study was to test whether this was a factor in the evaluation of vertical brand extensions (and feedback effects). Three items were adopted from Truong, Simmons, McColl and Kitchen (2008), and related to the degree to which each product category was: a symbol of prestige, could be used to impress other people and it attracted attention. Paired samples t-tests were used to test the difference of the two product categories in this respect and confirmed that, for all three items, cars were rated as more conspicuous products than mobile phones.

2.2. **Measures and sampling**
After the pre-test, the main study consisted of two types of questionnaires for each product category. The control questionnaire measured the original, pre-extension, images of the two brands. This acted as a control against which to compare the post-extension images, as collected with the main questionnaire. The use of a control group is consistent with the procedure of DPB and other studies (e.g., Loken & John, 1993; Lei et al., 2008). Both control and main questionnaires employed the same format, structure and scales used in the study by DPB (2013). All questionnaires opened with questions regarding consumer expertise with the product category (Mishra, Umesh, & Stem, 1993), brand familiarity (Milberg et al., 1997), parent brand market position (Lei et al., 2008) and parent brand attitude (Musante, 2007). In the main questionnaire, individuals then read the statement: “AUDI (iPhone) is considering the introduction of a new car model (mobile phone), at a price of £X. This new model would be the first in a new line priced 25% (or 50%) below the current price range of £Y to £Z”. This was followed by a question on the market position of the extension, assessing the appropriateness of the manipulation: the market position of the vertical extension should be considered lower than the market position before the extension (Lei et al., 2008). Next, interviewers also asked respondents to indicate the attitude towards the extension (Kirmani et al., 1999; Musante, 2007), the value perceptions (Lei et al., 2008) and the likelihood of purchasing the vertical extension (O’Cass & Grace, 2004). In both control and main questionnaires, individuals assessed the image of the brands in terms of status and conspicuousness (Truong et al., 2008). Finally, all questionnaires included classification questions relating to gender, age and annual household income. Except for demographic information, the questionnaires employed 7-point scales throughout.

The sample size for the control questionnaire was 60. In addition to this questionnaire, four versions of the main questionnaire were used. In each version, respondents were asked for their attitude towards a hypothetical vertical downscale extension priced 25% or 50% below the current lowest price of each of the two brands. Each version of the main questionnaire was completed by 30 respondents, for a total of 120 cases. The data were collected via mall intercept in London, employing a computer assisted face-to-face survey method and using quota sampling. The samples in each questionnaire version broadly matched the demographics of the UK population, with an equal split between males and females and between four income groups.

3. Results

After tests for missing or invalid data, the researchers tested the psychometric properties of the scales. Cronbach’s Alpha and inter-item correlations confirmed that all scales were statistically reliable (Alphas > 0.7 or r > 0.6). This was followed by checks of experimental manipulations. These checks confirmed that both brands achieved mean familiarity scores above the mid-point of 4, in both control and main questionnaires. There was no difference in the familiarity scores of the two brands, nor any differences between the control and main questionnaires. Checks on the brands’ market position and on the attitude towards the brands also showed means above the mid-point and no significant differences between the two brands and questionnaire versions. These tests confirmed that in terms of familiarity, market positioning and brand attitude, the two chosen brands were comparable and at the premium (but not top) end of the prestige scale, in both questionnaires (control and main).

Next, the analysis focused on two independent variables (product category and extension price) and five dependent variables relevant to measuring the feedback effects of the vertical extensions on the image of the brands (BIS = brand image status; BIC = brand image conspicuousness) and the evaluation of the extensions (VAL = value perceptions; EAT = overall extension attitude; INT = purchase intention).
The feedback effects of the extension on the image of the brands were examined first. The results are presented in Table 1 below, compared with the equivalent results from DPB (2013).

### Table 1 – Brand Image Means – Control and Post-Extension

<table>
<thead>
<tr>
<th></th>
<th>Results from current study</th>
<th>Results from Dall’Olmo Riley et al. (2013)</th>
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<tbody>
<tr>
<td></td>
<td>BIS</td>
<td>Audi</td>
</tr>
<tr>
<td>Control</td>
<td>4.9</td>
<td>4.1</td>
</tr>
<tr>
<td>-25%</td>
<td>4.8 (-0.1)</td>
<td>3.8 (-0.3)</td>
</tr>
<tr>
<td>-50%</td>
<td>3.8 (-1.1)</td>
<td>3.3 (-0.8)</td>
</tr>
<tr>
<td>Average</td>
<td>4.3 (-0.6)***</td>
<td>3.6 (-0.5)***</td>
</tr>
</tbody>
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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BIC</td>
<td>Audi</td>
</tr>
<tr>
<td>Control</td>
<td>5.0</td>
<td>3.9</td>
</tr>
<tr>
<td>-25%</td>
<td>4.7 (-0.2)</td>
<td>4.0 (+0.1)</td>
</tr>
<tr>
<td>-50%</td>
<td>3.7 (-1.3)</td>
<td>3.2 (-0.7)</td>
</tr>
<tr>
<td>Average</td>
<td>4.2 (-0.8)***</td>
<td>3.6 (-0.3)***</td>
</tr>
</tbody>
</table>

BIS: Brand Image Status; BIC: Brand Image Conspicuousness; Control: Brand image before the extension; Average: average for the -25% and -50% downscale extensions; ***<0.01; *=<0.1

Results in Table 1 show similar average dilution effects to those in the DPB study. ANOVA results indicate statistically significant, negative impact of the downscale extensions on both the average BIS (p = 0.00) and the BIC (p = 0.00) of the car brand Audi compared with the equivalent measures in the control questionnaire. This is consistent with the DPB results that Audi suffered a dilution effect in both its BIS and BIC. In contrast, results in Table 1 show that only the average BIS of the mobile phone brand is significantly affected by the vertical extension (p = 0.00). The average BIC of iPhone after the extension is not significantly different from the pre-extension BIC. This is again consistent with DPB’s results, where the fashion brand Diesel was more resistant than Audi to dilution effects of the vertical extensions; the only significant dilution for Diesel was for brand image status at 90% level.

Finally, in the DPB study, the greatest dilution effects had occurred as a consequence of the -25% downscale extension, indicating that a -50% discount may help to ‘distance’ the extension and reduce its impact on the core brand images. However, there is no evidence in Table 1 of ‘distancing’ effects for the -50% downscale extension; in all cases brand image dilution in this study is greater for the -50% than for the -25% extensions.

Results for the evaluation of the extensions are examined next, in comparison with the results of the DPB study.

### Table 2 – Extension Evaluation

<table>
<thead>
<tr>
<th></th>
<th>Results from current study</th>
<th>Results from Dall’Olmo Riley et al. (2013)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Audi</td>
<td>iPhone</td>
</tr>
<tr>
<td>-25%</td>
<td>-50%</td>
<td>Avg.</td>
</tr>
<tr>
<td>VAL</td>
<td>4.8</td>
<td>4.0</td>
</tr>
<tr>
<td>EAT</td>
<td>5.0</td>
<td>3.4</td>
</tr>
<tr>
<td>INT</td>
<td>4.8</td>
<td>3.5</td>
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</tbody>
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<table>
<thead>
<tr>
<th></th>
<th>VAL</th>
<th>EAT</th>
<th>INT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audi Diesel</td>
<td>5.3</td>
<td>5.1</td>
<td>4.8</td>
</tr>
<tr>
<td>Audi Diesel</td>
<td>5.5</td>
<td>5.1</td>
<td>4.7</td>
</tr>
</tbody>
</table>

VAL: value perception; EAT: extension attitude; INT: purchase intention; Avg.: average for the -25% and -50% downscale extensions

Our results, reported in Table 2, show that mobile phone brand extensions tend to be evaluated more positively than car brand extensions, although the difference is significant only for EAT, at the 90% level. Furthermore, for both brands, the size of the discount does make a difference on the three measures of extension evaluation: the larger the discount, the less positive are VAL, EAT and INT (p = 0.00 in all cases). In contrast, DPB found that premium car downscale extensions tended to be evaluated more highly than premium fashion
extensions for all three measures (VAL, EAT and INT), although the differences were not very big. Furthermore, there were no significant differences between the two discount levels. Finally, we note that in this study mobile phone premium brand extensions are evaluated less positively than the corresponding extensions of the fashion shoe premium brand Diesel in the DPB study. The findings are discussed in the next section.

4. Discussion

This paper has tested DPB’s (2013) suggestion that vertical downscale extensions of brands with a similar positioning on the luxury/prestige continuum may have dissimilar evaluations and feedback effects, depending on the conspicuousness of the product category. Our results provide further evidence that a premium brand in a conspicuous product category like cars runs a stronger risk of brand image dilution than a premium brand in a less conspicuous category like mobile phones (or fashion shoes). The explanation for the latter is that, ‘it is mainly the more inward, self-reward image element of status which suffers as a consequence of the downscale extensions, rather than the more outward element of conspicuousness.’ (DPB, 2013: 205).

However, our results do not replicate the distancing effect of the larger discount level: for both brands / product categories, the dilution effects for BIS and BIC are larger for the 50% downscale extensions than for the 25% extension. This is in contrast with DPB’s finding that the lower discount of 25% affected brand image status and conspicuousness more than a discount twice as large.

In terms of evaluation of the downscale extensions, DPB found no significant difference in extension evaluation between the two discount levels and slightly higher evaluations for the extensions of the premium car brand than for the premium fashion brand. However, results in the DPB study also showed that for more prestigious, luxury brands, consumers attributed higher value, held more positive attitudes and expressed higher purchase intentions towards downscale extensions of fashion brands than of car brands. Our results here are in line with the latter and suggest that the downscale extensions in the less conspicuous product category (mobile phones) are evaluated more positively than the corresponding extensions in the more conspicuous category (cars), particularly when the discount is larger. Our results are also in line with the explanation given by DPB for the effect of the product category: driving a cheaper model of the premium brand Audi is more obvious to reference groups than using a cheaper mobile phone from the premium brand iPhone. In case of the cheaper Audi, the model and the brand are highly visible and the social risk (DelVecchio & Smith, 2005; Liu & Choi, 2009) is greater than when using a cheaper mobile phone where the model and the brand are less conspicuous.

Finally, the finding that respondents rate the downscale extensions of the premium brand Diesel more highly than those of the premium brand iPhone is consistent with the notion that consumers evaluate the extensions of a narrow single-line brands less positively than the extensions of broad brands which already embrace different products and extensions at different price points (e.g. McWilliam, 1993).

A limitation of this paper is that it considers only two brands in two product categories. Despite this limitation, results confirm that the conspicuousness of the product category should be considered in vertical brand extensions research. Brand managers should also consider product conspicuousness as a factor when deciding whether or not to introduce a vertical line extension for a premium brand. Ignoring this factor may lead to unexpected outcomes in terms of dilution of the parent brand image.
References


