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**The Effect of Vertical Extensions on the Evaluation
of the Brand Extension and the Original Brand Name**

Margo J. Smith

A Thesis

in the

Faculty of

Commerce and Administration

Presented in Partial Fulfilment of the Requirements
for the Degree of Master of Science

at

Concordia University
Montreal, Quebec, Canada

October, 1993

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ABSTRACT

The Effect of Vertical Extensions on the Evaluation of the Brand Extension and the Original Brand Name

Margo J. Smith

The purpose of this study was to examine the effects on the original brand name image and that of the extension when a vertical extension of the brand is introduced. Three variables were examined in the context of step-up and step-down extensions to determine their effect on the evaluation of the core brand and extension: brand concepts, distancing techniques and the presence of an information or attribute elaboration cue. An experiment was conducted using four well-known brand names (Rolex, Timex, Lexus and Toyota) from two product categories. The differences in evaluations between the three types of vertical extensions (prestige-oriented downscale, function-oriented upscale and function-oriented downscale) were examined.

The findings indicate that introducing the step-down Rolex, Lexus and Toyota, and an upscale Toyota and Timex lower brand name evaluations. The downscale extensions for Rolex and Timex and upscale extensions for Timex and Toyota received favourable evaluations. Both the step-down Timex and Toyota extensions received unfavourable evaluations.

Distancing the step-down extension name from Rolex led to a significantly more favourable evaluation of the Rolex name than when the extension name was closely tied to Rolex. Having the Toyota name closely associated with the downscale extension was also found to significantly improve the evaluation of the brand name than when the

Toyota name was not salient.

Further experimental findings showed that extension evaluations can be significantly improved, for all types of vertical extensions, by introducing an attribute elaboration cue which is designed to reduce concerns consumers may have about the extension.

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Finally, this thesis is dedicated to my parents, Audrey and Alan Smith, with thanks for the constant support they have given me for all my endeavours.

Having gifts that differ according to the grace
given to us, let us use them.

ROMANS 12:6

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SECTION 1
INTRODUCTION

A great deal of research has been done concerning brand extensions and the advantages and disadvantages of following this strategy whereby a company will capitalize on the use of its established name to capture new market segments. The brand extension decision is strategically critical to an organization (Aaker and Keller, 1990). Although extensions help in generating consumer acceptance for a new product by linking the new product with a known brand or company name it also risks decreasing the equity of the company name. The incorrect extension could create damaging associations which may be very difficult for a firm to overcome (Ries and Trout, 1981).

Brand extensions come in two forms: horizontal and vertical. Usually a horizontal brand extension involves the application of an existing brand name to a new brand introduction in the same product class or a product category new to the firm. There are primarily two varieties of horizontal brand extensions: line extensions and franchise extensions (Aaker and Keller, 1990). A line extension involves a current brand name being used to enter a new market segment in its product class. Finesse Conditioner and Diet Pepsi are examples of line extensions. Another form of horizontal brand extensions is franchise extension and occurs when a current brand name is used to enter a category new to the parent firm (Tauber, 1981). Examples of franchise extensions include Ivory Shampoo and Jello Frozen Pudding Pops.

A vertical extension, on the other hand, involves introducing a similar brand in the same product category but at a different price or quality point. Recent examples of vertical extensions include Marriott Courtyard Inn and Purina O.N.E. cat and dog food. Marriott Courtyard Inn is a downscale extension for the Marriott hotel chain and Purina

O.N.E. is an upscale line of cat and dog foods. Park, Milberg and Lawson (1991), Romeo (1991), and Aaker and Keller (1990) are key studies which examined how horizontal extensions effect the evaluation of the extension and the core brand name. A few important articles have discussed and studied vertical extensions (Keller and Aaker, 1992; and Sullivan, 1990). Keller (1993) provides an excellent summary of key studies and research issues for both horizontal and vertical extensions. These articles and additional studies will be discussed further in the Literature Review section.

Vertical extensions will be the focus of this study. Vertical extensions are an important issue since many companies have been launching downscale or upscale versions of their products in an attempt to capture new market segments. Attracting new markets is one positive aspect of vertical extensions but they may also damage the brand image or cannibalize the sales of the core brand. The impact of vertical extensions on the core brand remains unclear (Aaker and Keller, 1990).

The fashion industry has been extending designer lines of clothing. Many "haute couture" labels are creating second lines which are spin-offs from the couture-level collections (Monohan, 1992a). The "second lines" have lower price tags with fashion identity. Alfred Sung has four collections: Alfred Sung, Alfred Sung Sport, Alfred Sung Express and his newest, Alfred. The Alfred collection is "positioned somewhere between Alfred Sung and Express in price and is geared to the 15 to 25 year olds" (Monohan, 1992b). The different lines or collections from designers are each targeted to separate market segments but it has not been determined to what extent cannibalization is a problem and whether the introduction of so many lines has made the Alfred Sung name

less prestigious and exclusive as compared to when his first collection was introduced.

Aaker and Keller (1990), and Park, Milberg and Lawson (1991) feel that the effects of an extension on the original brand name is an important issue but research is needed to determine whether certain positive aspects of vertical extensions could be stimulated or negative effects minimized. Keller (1993) also discusses the possibilities of negative feedback from downscale extensions. Aaker and Keller (1990) suggest that future research on brand extensions should try to carefully examine the effects of an extension on the original name.

The main purpose of this study is to examine the evaluations of the vertical extensions and the effect on the original brand name after the introduction of the extension. This study will evaluate some constructs which have been examined in horizontal extension studies and found to be important variables. It has been concluded that "brand concepts" and the use of an information cue have significant effects on the evaluation of horizontal extensions and will be reexamined in the vertical extension context.

Distancing techniques have been discussed in extension research literature and case studies but they have never ^{been} formally tested. This research will also study whether reducing the salience of the original or family brand name by distancing is helpful or a hindrance. Certain distancing techniques may be found to have either a positive or negative effect on the core brand name evaluation but the evaluation may depend on the brand's concept.

SECTION 2
LITERATURE REVIEW

BRAND EXTENSION RESEARCH

It is important for vertical extensions to be examined because no studies have formally addressed the effects of an extension on the evaluation of the core brand name in the vertical extension context. The effects of brand concepts, distancing techniques and information cues have not been studied in terms of vertical extensions.

This section will focus on a review of the key studies dealing with brand extension that serve as a background to this study. Most of the recent literature which examines brand extensions focuses on the introduction of horizontal extensions. A review of the principal and relevant studies for this research will be made, focusing on horizontal extensions first. Following the discussion of research for horizontal extensions the few studies which examined aspects of vertical extensions will be reviewed.

Research on Horizontal Brand Extensions

In one of the first studies on the subject of brand extensions Aaker and Keller (1990) researched consumer evaluations of brand extensions. They wanted to obtain insights on how consumers formed attitudes toward brand extensions. The constructs examined were: brand attribute association, the perceived quality of the brand, the fit between the two products and the difficulty of making the brand extension. The study evaluated 18 proposed extensions for six brand names - McDonald's, Vuarnet, Crest, Vidal Sassoon, Häagen Dazs, and Heineken. One finding was that the perceived quality of the evaluation of the extension, had a positive effect on the attitude toward the extension as long as a fit existed between the two product classes. This indicates that

extensions will tend to be accepted more easily if the fit is good and the original brand perceived to be of high quality.

Positioning can also be accomplished through brand extensions. If the firm wants to emphasize attributes that a new product shares with an established product, extending that brand will position the new product with respect to the brand's attributes (Sullivan, 1991). Sappington and Wernerfelt (1985) developed a formal model in which a firm will position a new product using extension if the new product is close to the parent brand. The model is supported through an analysis of U.S. liquor brands. Romeo (1991) also looked at the evaluations of brand extensions and the family brand. Romeo found that when negative information was introduced while extensions were in the same product category as the family brand, the negative information damaged the extension evaluations and evaluations of the family brand. Romeo felt that while introducing brand extensions that are closely related to the family brand did increase the probability of consumer acceptance, this strategy can be detrimental to the family brand if the new extension is the target of negative information. This study will add to Romeo's (1991) and Keller and Aaker's (1992) research by examining the evaluations of extensions and the core brand name for products which are introduced in the same product category.

Park, Jaworski and MacInnis (1986) added to brand extension research by developing a framework for managing a brand's image over time which they called Brand Concept-Image Management. In this framework, the final stage (after introduction and elaboration) of brand image management is the fortification stage where the brand image is strengthened by linking it to products manufactured by the firm in different

product classes (Romeo, 1991). They suggest that many products with similar images reinforce one another and strengthen the image of the brand. It is uncertain whether most vertical extensions strengthen the image of the core brand. One objective of this study then is to evaluate whether vertical extensions will confuse or strengthen the brand image for both prestige-oriented and function-oriented brands. Whether the core brand name is weakened or strengthened may depend on the original brand name concept.

Building upon the above theory, Park, Milberg and Lawson (1991) found that a product's brand concept was an important construct for the evaluation of horizontal brand extensions. Park et al. (1991) conducted a study examining the role of product feature similarity and brand concept consistency in evaluating successful and unsuccessful brand extensions. They felt that the effect on the core products image may depend on whether the product is associated with prestige or function-oriented attributes. Brand concepts position products in the minds of consumers and differentiate given products from other brands in the same product category (Park, Jaworski and MacInnis, 1986). Their study found that the Rolex name was significantly more helpful for extending products such as a bracelet, necktie, or cufflinks but the Timex name was found to improve evaluations for functionally oriented extensions, for example, a flashlight, batteries or a calculator. Brand concepts were also examined and discussed in detail by Park, Lawson and Milberg (1989) and Park, Jaworski and MacInnis (1986).

The Park et al. (1991) study focused on horizontal extensions but it would be interesting to determine if brand concepts such as prestige and functionality play a role in the evaluation of vertical extensions and the core brand image. Keller (1993) provided

guidelines to help marketers manage brand equity. Keller suggested that marketers should define the knowledge structures that they would like to create in the minds of consumers including functional, and symbolic benefits. Keller's guidelines show the importance of examining these constructs. Table 1 provides a summary of the recent research on horizontal extensions.

Table 1
Principal Studies on *Horizontal* Brand Extensions

Authors	Objectives	Product Category	Data
Keller and Aaker (1992)	Short-run effect of intervening extension on the extension evaluation and core brand evaluation	Snack, cookies and ice-cream	Experiment
Smith and Park (1992)	Examine the effect of brand extension on market share and advertising efficiency	Consumer goods, fragrances	Regression
Park, Milberg Lawson (1991)	Evaluation of brand extensions: Roles of product feature similarity and brand concept consistency	Watches: Rolex and Timex	Survey and Experiment
Romeo (1991)	Evaluate the effect of negative information on the evaluations of brand extensions and the family brand	Juice: Tropicana	Survey and Experiment
Aaker and Keller (1990)	Study consumer evaluations of brand extensions and formation of attitudes	Six consumer goods: Vuarnet, Vidal Sassoon, McDonalds, Heineken, Crest and Häagen Dazs	Survey and Experiment
Park, Jaworski and MacInnis (1986)	Discuss Brand-Concept image management strategies	Non-durables	Theory
Sappington and Wernerfelt (1985)	Address a theoretical and empirical question on when and where to brand	Liquor	Industry

Research on Vertical Brand Extensions

Some recent studies have evaluated and discussed the effects of vertical extensions. Roedder John and Loken (1990) examined situations where brand extensions were more or less likely to dilute beliefs associated with the family brand name. The results indicated that dilution effects do occur when extension attributes are inconsistent with the family brand beliefs. They found that perceptions of quality for a core brand in the health and beauty aids area decreased with the hypothetical introduction of a lower quality extension in a similar product category. Dilution effects were less likely to emerge when consumers perceived the brand extension as atypical of the family brand. That is, quality perceptions of the core brand were not affected when the proposed extension was in a dissimilar product category such as facial tissue. This study will examine the evaluations of the core brand name and the extension and will add to Roedder John and Loken's research by examining the effect on the brand name instead of just the effect of the specific attributes.

Wernerfelt (1988) also discussed quality and developed a signalling model whereby consumers rely on the reputation of an established brand's existing product to infer the quality of the brand's new product. He concluded that in equilibrium brand extension will be used by high-quality producers but not by low-quality producers. If a firm has a high-quality established product, extending its name will increase demand for the new product. However, if the firm extends the brand name to a low-quality product, the brand's reputation will be damaged and demand for the firm's core product will fall.

Aaker (1991) found that extending an established brand transfers the perception of quality from the parent brand to the new product. Other factors can transfer perceptions from the parent brand to an extension. Sullivan (1990) measured image spillovers in umbrella-branded products and showed that distancing is an important issue. She studied the instance of spillover effects for the Audi 5000's sudden acceleration problem and the resulting negative publicity. The study by Sullivan indicates that the Audi 4000, which had no acceleration problem, was impacted nearly as much as the Audi 5000 whereas the Audi Quattro only suffered a small effect. The fact that Quattro only suffered a small effect may be the result of the Quattro name not being closely tied to Audi. The Quattro name was separated from the Audi identity on the car, and the Audi name was not featured in Quattro advertisements. Other Volkswagen names such as Porsche and Volkswagen were also not affected. It can be concluded that spillover effects are a particularly important issue for vertical extensions. These spillover effects are most likely to occur when there is little difference between the original brand and the extension (Keller, 1993) and the names are closely tied to each other. This study will reexamine some of the issues regarding distancing and spillovers in the case of vertical extensions.

Keller and Aaker's 1992 study examined the factors effecting evaluations of proposed extensions from a core brand that has or has not already been extended into other product categories. They found that unsuccessful intervening extensions in dissimilar product categories did not affect evaluations of the core brand. Table 2 provides a summary of the recent research conducted concerning vertical brand

extensions.

Many of these studies will be referred to again in the Conceptual Background and Hypotheses section.

Table 2
Principal Studies on Vertical Brand Extensions

Authors	Objectives	Product Category	Data
Keller (1993)	Conceptualizing, measuring and managing customer-based brand equity	A variety	Theory
Keller and Aaker (1992)	Short-run effect of intervening extension on the extension evaluation and core brand evaluation	Snack, cookies and ice-cream	Experiment
Loken and Roedder John (1992)	Examine when brand extensions have a negative impact	Shampoo and tissue	Experiment
Sullivan (1990)	Measuring image spillovers in umbrella-branded products	Cars: Audi and Jaguar	Industry data
Wernerfelt (1988)	Examine umbrella branding as a signal of new product quality	Experience goods	No data

CONCEPTUAL BACKGROUND AND HYPOTHESES

The three different areas of interest concerning vertical extensions for this study will be reviewed and the hypotheses will be presented within the framework of three variables: brand concept, distancing techniques, and information cue.

Brand Concept

It is through brand concept-management activities that the Rolex name has become associated with the concepts of luxury and high status. A prestige-oriented concept is understood primarily in terms of consumers' expression of self-concepts or images such as luxury and status. A function-oriented brand concept is understood mainly in terms of brand unique aspects that are related to product performance such as reliability and durability. There are four possible cases of vertical extension when examining prestige-oriented and function-oriented brand concepts: prestige-oriented brands introducing an upscale or downscale extension, and function-oriented brands introducing an upscale or downscale extension.

The case of a prestige-oriented brand introducing an upscale extension is not being examined in this study because not many examples have been reported and that type of extension may simply reinforce associations that are already established and present in the minds of consumers. Some companies which have prestige-oriented brand names may introduce "special" editions, and anniversary offerings or collections which may be available for a limited time. Table 3 provides a summary of some examples of successful and unsuccessful vertical extensions broken down into brand concepts and type

of extension.

Table 3
Examples of Vertical Extensions by Type or Extensions

Prestige-oriented Downscale Extensions:

- * Cadillac Cimarron
- * Marriott Courtyard Inn
- * Donna Karan's DKNY collection

Function-oriented Upscale Extensions:

- * Purina O.N.E.
- * Honda Acura
- * Cutty 12
- * Weight Watchers Candle Lite Dinners

Function-oriented Downscale Extensions:

- * Gillette Good News!
 - * Kimberly-Clark's Delsey
-

The first case to be examined is a downscale extension introduced by prestige-oriented brands.

Prestige-oriented Downscale Extensions

The Cadillac Cimarron is one example of a prestige-oriented step-down extension which hurt the company or core brand image. In the early 1980's Cadillac, a line which is positioned as prestigious, introduced the Cimarron model as a version of General Motors' Pontiac and Chevrolet Cavalier (Aaker, 1992; Ries and Trout, 1981; and Keller, 1993). The Cimarron was not targeted to the traditional Cadillac buyer but at a less

affluent one who wished to buy a Cadillac but not pay a high price. Cadillac did not incur cannibalization problems but the Cadillac name was damaged with the introduction of the Cimarron. The Cimarron was dropped in 1988. Although there is no precise estimate of the Cimarrons' cost to Cadillac's brand equity a survey by Landor's Associates in 1988 provides some interesting insights. Cadillac was ranked 16th in public awareness of brand name which was considered a high standing. However, Cadillac ranked 84th on the other measurement component which was opinion or esteem for the brand (Aaker, 1991).

It is expected that a downscale extension for prestige-oriented brand names will have a negative effect on consumers' evaluation of the original brand name's image. Consumers tend to associate prestige names with luxury and status, therefore, creating a low-end version of the brand will confuse their current associations. The hypothesis is consistent with observations and cases examined by Aaker, 1991, and Ries and Trout, 1986.

Hypothesis 1a: For a prestige-oriented brand name, the introduction of a downscale extension will lead to an unfavourable evaluation of the firms' core brand name when compared to the original brand name evaluation.

It is expected that the extension will not be evaluated favourably by the members of the original consumer franchise who will resent the market expansion. Keller (1993) feels that brands with an exclusivity and prestige image who introduce extensions and broaden the target market may produce negative feedback effects. This study will not

be sampling the customer base of a prestige-oriented product specifically. It is predicted that most non-original consumers will evaluate the extension favourably. It is important however that consumers do not feel that the company is unfairly trying to capitalize on its reputation or stretching too far in making the extension as in the case of dissimilar horizontal extensions (Keller, 1993).

The Cadillac Cimarron and the Packard Clipper (Ries and Trout, 1986) were very successful cars with high sales. These extensions were evaluated very favourably by non-original consumers but harmed Cadillac's and Packard's prestige position. The extensions, however, were probably not evaluated as favourably as the original brand name simply because the extensions are step-down versions of the original brand name products.

Hypothesis 1b: The proposed downscale extension for a prestige-oriented product will receive a favourable evaluation and it will be significantly lower than the original evaluation of the brand name.

Function-oriented Upscale Extensions

There are many examples of step-up extensions for function-oriented products including Weight Watchers and their Candle Lite Dinner line (Aaker, 1991) and Cutty 12 (Ries and Trout 1986). In 1986, Weight Watchers introduced a new line of frozen entrées positioned as the best-quality, low-calorie frozen food. It was introduced under the Candle Lite Dinner name with the Weight Watchers name present but de-emphasized. The name, price, and the entrée selection all signalled top quality. The Candle Lite line

did not succeed and was soon withdrawn. Aaker (1992) feels that perhaps going that far upscale with the Weight Watchers line was too much of a stretch. Customers were willing to buy into a good-quality, competitively priced entry from Weight Watchers but maybe not one so upscale.

It is expected that upscale extensions of a function-oriented product will have a negative impact on the evaluation of the firm's original brand name. This hypothesis is consistent with observations made by Aaker and the case of the Candle Lite dinner extension as well as observations made by Ries and Trout (1986). Step-up examples of line extensions usually result in anaemic sales at the higher-priced end. People do not want to pay premium prices for a low-price name (Ries and Trout, 1986).

Hypothesis 2a: For a function-oriented brand name, the introduction of an upscale extension will lead to an unfavourable evaluation of the firm's core brand name when compared to the original brand name evaluation.

It is predicted that the original evaluation of the brand name extension will be evaluated unfavourably by consumers. Intuitively it is felt that consumers will not want to pay a premium for a product whose reputation is based upon functional attributes when they could pay a similar price for a prestigious product. For this reason, it is expected that the extension will not receive a favourable evaluation and that the evaluation of the original brand name will be higher than the evaluation of the extension.

Hypothesis 2b: The proposed upscale extension for a function-oriented product will receive an unfavourable evaluation and it will be significantly lower than the original evaluation of the brand name.

Function-oriented Downscale Extensions

Downscale extensions of a functional brand will probably not have a significantly negative impact on the firm's image. Functional brands tend to be associated with reliability and durability, therefore, downscale extensions will not hurt the image in the same way as it would if the products were considered status symbols. Cannibalization would probably be a stronger concern. Aaker (1991) discussed Gillette's low-end entry, Good News!, which was introduced to attack Barbasol. The Good News! line of razors was positioned as a low-end line of razors and was low priced. Gillette tested a Good News! shaving cream by Gillette which showed that the new shaving cream took sales away from another Gillette product, Right Guard. Aaker believed that part of the problem was that consumers felt that they could save money by purchasing Good News! shaving cream and still buy a Gillette product. The lower end entry is not believed to have negatively affected the Gillette name.

Hypothesis 3a: For a function-oriented brand name, the introduction of a downscale extension will not significantly effect the evaluation of the firm's core brand name when compared to the original brand name evaluation.

It is also expected that the downscale extension for a function-oriented concept will be evaluated favourably as it enables consumers to purchase a product with a

reputation for reliability, durability and good-value at a lower price. Gillette's Good News! shaving cream supports this hypothesis. This type of product extension should not be significantly lower or higher than the original evaluation of the brand name.

Hypothesis 3b: The proposed downscale extension for a function-oriented product will receive a favourable evaluation but it will not be significantly lower or higher than the original evaluation of the brand name.

Distancing Techniques

The second issue to be examined in relation to vertical extensions is distancing techniques. Attaching a brand to a lower price point enhances the risk that the quality image of the core brand itself will be affected, as indicated in H1a, and H2a. Aaker (1991) feels that distancing the brand name from the extension is particularly helpful in vertical extensions, whereby a brand is extended down to a lower-quality product, and it is important that the original price/quality positioning remain unaffected by the extension. Depending on the brand concept or product category, the risk associated with brand extension may be reduced if the brand name is not linked too closely with the new product. Aaker (1991) provided the Marriott example to illustrate this point. Marriott was concerned about the names for their new hotel lines. The top-line Suites Hotel carries the Marriott name and should reinforce the quality image while the other lines are a cut below the Marriott name and have a "by Marriott" connotation. For example, "Courtyard by Marriott" in which Courtyard is the featured name provides reassurance

because of the Marriott association, but with less risk to the parent organization than would a name that prominently featured the word Marriott.

Aaker and Keller (1990) feel that market research is needed to determine whether certain positive aspects of vertical extensions could be stimulated or negative effects minimized. Various degrees of distancing the brand extension name will be evaluated to determine whether negative effects could be minimized or positive effects stimulated. As was seen in the Marriott example, different companies will use various degrees of association between the extension and the core brand. Acura is a vertical upscale extension of the Honda Motor Company but the Honda name is not featured on Acura advertisements and Acura has established separate dealerships. This is an example of distancing.

The results from Sullivan's (1990) study dealing with Audi's sudden acceleration problem and the resulting harm to company image is important for a company such as Aston Martin, a prestigious British car maker, who is planning the launch of a step-down model for 1994 (Dwek, 1992). Aston Martin currently produces 100 cars per year each costing £132,000. They are now working on the launch of a model which will cost £75,000 and will have a production run of 700 a year. Aston Martin has the option of using the Aston Martin name, creating a brand new name or creating a brand new name and use a "by Aston Martin" connotation. This study will evaluate these different distancing techniques. The degree of association a downscale or upscale extension should have may depend on whether the extension is associated with prestige or function-oriented attributes.

In hindsight, the use of a distancing technique could have helped Cadillac when they introduced the Cimarron. Ries and Trout (1986) felt that for General Motors to have established a small luxury brand, such as the Cimarron, GM needed to introduce a separate high-price name and a separate dealer organization. This explanation concerning the failure of the Cimarron has not been tested formally but may have important implications for introductions of vertical extensions. It is expected that reducing the salience of the core brand name or distancing a downscale extension for a prestige-oriented brand will not hurt brand image to the same degree as when the extension is closely tied to the core brand name. Distancing the extension for a prestige-oriented brand name will reduce the negative image effects since consumers of status or luxury items may want the name of the brand to be kept somewhat exclusive but still allow new consumers to buy into the prestige image.

Hypothesis 4a: For prestige-oriented downscale extensions, distancing the extension name from the core brand name will lead to a more favourable evaluation of the original brand name than having the extension name closely tied to the core brand name.

If a brand name has a function-oriented brand concept, distancing the upscale extension will also have a positive impact on the evaluation of the original brand name. The Weight Watchers Candle Lite Dinner line may have been more readily accepted if the upscale entry had not been so closely associated with the Weight Watchers name.

The Acura and Infinity division of Honda and Nissan are examples of function-

oriented step-up extensions which have fared well since they are not closely tied to the parent name (Ries and Trout, 1986). Therefore, it is predicted that reducing the saliency of the brand name for a functional step-up extension will not hurt the evaluation of the original brand name as significantly.

Hypothesis 4b: For function-oriented upscale extensions, distancing the extension name from the core brand name will lead to a more favourable evaluation of the original brand name than having the extension name closely tied to the core brand name.

If a brand name has function-oriented attributes, distancing a downscale extension may not have a negative impact on the brand name image. If a brand is known for reliability and durability it may be better not to distance the extension from the core brand.

Hypothesis 4c: For function-oriented downscale extensions, distancing the extension name from the core brand name will lead to a less favourable evaluation of the original brand name than having the extension name closely tied to the core brand name.

This set of hypotheses is consistent with studies and observations made by Aaker, 1991; Sullivan, 1990; Ries and Trout, 1986; and Roedder John and Loken, 1990.

Information Cue

The content of information concerning the extension may have some effect on consumer evaluations of the original brand name and that of the extension. Aaker and Keller (1990) examined the evaluations of extensions when further information was provided concerning the new product or extensions. Aaker and Keller wanted to address the question of how consumer evaluations are affected when different types of information are provided in the extension context. They found that providing a brief elaboration of an extension attribute about which subjects may have been uncertain and which had the potential to damage the extension led to more favourable extension evaluations.

Their study examined the effectiveness of two positioning strategies. The first focused on elaboration concerning the *quality* of the original brand name. The second strategy was to elaborate on a brand extension *attribute* that would minimize the negative beliefs that consumers might infer concerning the proposed extension. The elaboration on a brand extension attribute may hamper the development of any potentially negative beliefs. Aaker and Keller (1990) tested the quality and attribute elaborations for four proposed horizontal extension ideas, which included Crest introducing a chewing gum. Aaker and Keller had found that respondents were initially concerned that Crest chewing gum would taste like toothpaste. Therefore, the attribute elaboration cue for Crest was "featuring spearmint and peppermint flavours." That cue was believed to reduce the probability that consumers believe the gum has a taste like toothpaste.

The findings from the study showed that potentially negative associations can be offset more effectively by elaborating on the attributes of the brand extension. Focusing on the general quality associations with the original brand name was found not to have any effect on the evaluation of the extension.

This study will also determine, for the case of vertical extensions, whether the presence of extension attribute elaborations will lead to favourable extension evaluations. We will not test the general quality associations since it was not found to have any effect on the evaluation of the extensions when tested by Aaker and Keller (1990).

Hypothesis 5: For all types of extensions, the presence of brand extension attribute elaborations will lead to a more favourable evaluation of the extension than evaluations with no information cue.

This hypothesis is consistent with the results from Aaker and Keller's (1990) study.

Summary of Hypotheses

Brand Name Evaluation

- Hypothesis 1a:** For a prestige-oriented brand name, the introduction of a downscale extension will lead to an unfavourable evaluation of the firms' core brand name when compared to the original brand name evaluation.
- Hypothesis 2a:** For a function-oriented brand name, the introduction of an upscale extension will lead to an unfavourable evaluation of the firm's core brand name when compared to the original brand name evaluation.
- Hypothesis 3a:** For a function-oriented brand name, the introduction of a downscale extension will not significantly effect the evaluation of the firm's core brand name when compared to the original brand name evaluation.

Extension Evaluation

- Hypothesis 1b:** The proposed downscale extension for a prestige-oriented product will receive a favourable evaluation and it will be significantly lower than the original evaluation of the original brand name.
- Hypothesis 2b:** The proposed upscale extension for a function-oriented product will receive an unfavourable evaluation and it will be significantly lower than the original evaluation of the brand name.
- Hypothesis 3b:** The proposed downscale extension for a function-oriented product will receive a favourable evaluation but it will not be significantly lower or higher than the original evaluation of the brand name.

Distancing Techniques

- Hypothesis 4a:** For prestige-oriented downscale extensions, distancing the extension name from the core brand name will lead to a more favourable evaluation of the original brand name than having the extension name closely tied to the core brand name.
- Hypothesis 4b:** For function-oriented upscale extensions, distancing the extension name from the core brand name will lead to a more favourable evaluation of the original brand name than having the extension name closely tied to the core brand name.
- Hypothesis 4c:** For function-oriented downscale extensions, distancing the extension name from the core brand name will lead to a less favourable evaluation of the original brand name than having the extension name closely tied to the core brand name.

Information Cue

- Hypothesis 5:** For all types of extensions, the presence of brand extension attribute elaborations will lead to a more favourable evaluation of the extension than evaluations with no information cue.

ACADEMIC CONTRIBUTION AND MANAGERIAL IMPLICATIONS

Building a successful brand name requires the commitment of a large pool of resources for a considerable amount of time. Brand extensions are attractive to firms that face the reality of high new product failure rates because they provide a way to take advantage of brand name recognition and image to enter new markets. When a brand name has high brand equity, one natural way to capitalize on it is to offer brand extensions, to which consumers should respond favourably because of their attitude toward existing products from the same marketer.

However, the effect of vertical extensions is unclear. Vertical extensions may cannibalize the sales of the core brand or, as this study examines, damage the image by creating new associations or confusing the current ones. The reciprocal impact on the core brand may be especially important concerning vertical extensions in which a downscale or upscale version of the brand is introduced. Aaker and Keller (1990) suggest that future research on brand extensions try to carefully examine the reciprocal effects of an extension on the core brand name.

Aaker and Keller feel that one important area for future study is the impact of vertical extensions on the core brand. The effect of such an extension is unclear and research is needed to determine whether certain positive aspects of the extension could be stimulated or negative effects minimized. The purpose of this research, then, is to examine the evaluations of extensions and core brand image when a vertical version of the brand is introduced.

Previous research will be extended by examining the brand concept variable in

the context of vertical brand extensions. Park, Milberg and Lawson (1991) examined prestige-oriented and function-oriented extensions for horizontal extensions using Rolex and Timex as the experimental brands. The brand concept variable was found to have a significant effect on the evaluation of the extension. Downscale extensions for prestige-oriented and function-oriented brand concepts will be examined as well as upscale extensions for function-oriented brand concepts.

This study will contribute to research in brand extensions by examining distancing techniques, that is how closely the brand name and extension name are tied to each other. Three distancing techniques will be evaluated to determine whether positive effects can be stimulated or negative effects minimized by reducing the saliency of the family name. Sullivan (1991) found that the negative publicity for the Audi 5000 did not spillover to the Audi Quattro as it had for the Audi 4000, because the degree of association between the brand and the family name was smaller. Aaker (1990) and Ries and Trout (1986) discussed many cases concerning distancing successes and failures but distancing has not been tested formally in an experimental condition. This study will therefore add to current research on brand extensions by examining different distancing techniques and measuring their effect on the evaluation of brand name.

The use of an information cue was found to have a significant effect on the evaluation of extensions in Aaker and Keller's 1990 study. This construct will again be studied in the case of vertical extensions to determine whether the presence of an information cue will improve or harm the evaluation of the vertical extensions and the evaluation of the core brand name.

Some important implications for marketing managers who are considering introducing vertical extensions should be developed from this research. Keller (1993) discusses how marketers should define the knowledge structures that they would like to create in the minds of consumers. The knowledge structures could be uniqueness of product- and non-product-related attributes such as functional or prestigious benefits. Marketers should decide on the core needs and wants of consumers to be satisfied by the brand. This is particularly true in the case of vertical extensions. By targeting a new segment with a vertical extension, cannibalization may occur and original consumers of the product may abandon the original product because the positioning was damaged. Marketers need to know how consumers perceive their products and understand how a vertical extension may harm the original brand image positioning and the image of the extension if the extension is not introduced with caution.

The extensions may be more readily accepted and successful if the extension is not closely associated with the core brand name in the case of prestige-oriented downscale extensions but the reverse may be found to be true of downscale extensions for function-oriented brand concepts. The findings from the examination of these variables could be very useful for marketers. The marketing manager may want to determine the products' brand concept and the type of extension proposed and then examine the results from this study for suggestions concerning distancing techniques and the use of information cues. The presence of an information cue could help with the introduction of a vertical extension and may have important implications for marketers deciding on how to successfully introduce an extension.

SECTION 3
METHODOLOGY

OVERVIEW

This study examines consumers' reactions to an extension in relation to brand concept, type of extension, distancing techniques and the use of information for three varieties of extensions for different brand names.

In order to test the hypotheses, we went through three stages of pretests to develop the final study. Several functional and prestige brand names were pretested to measure the subjects familiarity and attitudes towards the brands. The pretest stage results indicated that the subjects associate certain brands to represent status and luxury and others reliability and durability. It was important for the study to confirm that the subjects view the prestige brand names as prestige and not functional or vice versa. Brand names which were also evaluated favourably were chosen to be included in the study. The third stage of pretest helped in the development of information cues used in the study.

The actual study involved the manipulation of the prestige and function-oriented brand names, distancing techniques, and the use of an information cue. The impact on the evaluation of the brand name image and extension were then measured.

PRETEST

The methodology for the pretest is based on studies by Park, Milberg and Lawson (1991) and Aaker and Keller (1990).

Stage 1

The purpose of this stage of the pretest was to identify brand names of the same product category which were strongly associated with one product but also had widely divergent brand name concepts. 55 undergraduate students served as the sample. The students were asked to list up to three thoughts that represented their understanding of the meanings associated with the fifteen brand names presented. Appendix 1 containing a copy of the questionnaire. The function-oriented names included: Timex, Gap, Toyota, Volkswagen, Adidas, Mazda and Revlon. The prestige-oriented names were: Rolex, Chanel, Lexus, Audi, Nike, Reebok, Jaguar and Estée-Lauder.

Timex and Rolex were brand names used by Park, Milberg and Lawson (1991) to examine horizontal extensions and were found to represent the two different brand concepts effectively. Reebok and Jaguar were also listed as prestigious products in Park, Lawson and Milberg's 1989 study.

The brand names chosen should not be well-known or known to have been widely extended into other product categories or vertically previously. However, some brand names which were pretested were closely tied to each other. For example, Volkswagen produces both Volkswagen and Audi cars while The Toyota Motor Company also

manufactures Lexus. It was felt by also including one "real" but not highly promoted or well-known example that some interesting findings may be concluded. Both the Volkswagen and Toyota extensions have already been accomplished but the connection between the brands is not promoted and may not be known by the general public.

Wristwatches were chosen as the product category in Park et al.'s 1991 study because two brands (Rolex and Timex) were found to have very different brand concepts and were strongly associated with this product category. Clothing, running shoes, cars and lipstick were the other four product categories pretested for this study.

The thought statements generated by the respondents about the brand names were coded into functional and prestige categories. For example, if the brand name was described as either durable, reliable, or good value the name would then be classified as function-oriented. If the statements about the name reflected aspects of wealth, status symbol, luxury, or fashion the brand name would be categorized as prestigious. This process ensures that only the product categories which found strong responses would be used for the test and that the brand names are classified under the appropriate brand name concepts.

Stage 1 of the pretest also serves as a control for the experiment whereby future respondents will hopefully associate the brand names with prestige or functional concepts.

The results indicated that Rolex and Timex were strongly associated with the appropriate brand concepts and both scored quite high. 72% (117 out of 155) of the total statements about the Rolex brand concept were related to prestige concepts (e.g. rich, luxury, prestigious etc.). 82% (108 out of 132) of the total statements concerning the

Timex concept corresponded to functional aspects (e.g. performance, durability, value etc.). Table 4 shows a summary of these results.

Table 4
Results of Pretest - Stage 1

BRAND NAMES	TOTAL # OF ITEMS	PRESTIGE		FUNCTION	
		TOTAL # OF ITEMS	%	TOTAL # OF ITEMS	%
Rolex *	155 - 100%	117	75%		
Timex *	132 - 100%			108	83%
Lexus *	58 - 100%	45	80%		
Toyota *	71 - 100%			41	55%
Chanel	143 - 100%	102	72%		
Gap	134 - 100%			75	57%
Audi	74 - 100%	27	45%		
Volkswagen	60 - 100%			26	33%
Estée-Lauder	68 - 100%	68	23%		
Revlon	31 - 100%			31	48%
Nike	76 - 100%	23	30%		
Reebok	74 - 100%	6	8%		
Adidas	73 - 100%			18	25%
Jaguar	84 - 100%	53	63%		
Mazda	71 - 100%			31	48%

* Brand names which will be used in the principal study.

Park, Milberg and Lawson's 1991 study found 82% of the total statements to reflect functional aspects while 90% of the association about Rolex corresponded to prestige-oriented aspects. The results from our study were quite similar which suggested that respondents continued to associate the two brand names with the same brand concepts.

The results for Lexus, Toyota, Chanel and Gap were also good. Audi and Volkswagen did not score very high on either brand concept measures while Jaguar was

seen as prestigious but Mazda not strongly associated with functional aspects.

The results for Nike, Reebok, Adidas and Estée-Lauder and Revlon were also not considered high enough and acceptable to be included in the study.

Stage 2

To control for subjects' familiarity with and attitudes towards the brand names, fifty university students were asked to indicate their familiarity and attitudinal predispositions to six brands. This stage is important for the study because the names chosen should be viewed by respondents as good-quality brand names and not considered inferior as that would affect control and our results. A copy of the questionnaire can be found in Appendix 2. The subjects were asked to indicate on a seven-point scale (1=very familiar and 7=very unfamiliar) their level of familiarity with the meanings of the six brand names which were chosen based on the results from Stage 1 of the pretest.

The results showed that subjects were equally familiar with the meanings of most of the prestige and functional brand names. The results for Lexus are slightly lower than the other brand names because the line was only introduced in 1989 and respondents may have felt that they were less familiar with that brand when presented with other more well-known names such as Rolex and Chanel. Lexus will be included in the test and evaluated again carefully.

Table 5
Results of Pretest for Familiarity Measure - Stage 2

BRAND NAMES	MEAN FOR FAMILIARITY
Rolex *	5.45
Timex *	5.68
Lexus *	4.44
Toyota *	6.00
Chanel	4.61
Gap	5.14

* Brand names which will be used in the principal study.

The respondents were also asked how favourable their attitudes were to the six brand names. The average of the items indicated that subjects were equally favourable towards most of the functional and prestige names. The means for Chanel and Gap were a bit lower than the means for the other four brands. This result may be due to the subjects' personal preferences for clothing, however, because of the low results these two names will not be included in the principal study.

Table 6
Results of Pretest For Favourability Measure - Stage 2

BRAND NAMES	MEAN FOR FAVOURABILITY
Rolex *	5.71
Timex *	5.04
Lexus *	5.04
Toyota *	5.51
Chanel	4.37
Gap	4.71

* Brand names which will be used in the principal study.

Stage 3

This stage of the pretest was needed in order to generate appropriate information cues to be used for the study. Open-ended associations were obtained for the set of six proposed extensions. An undergraduate class of 40 students were asked to write down associations or thoughts that came to mind when they considered the idea of purchasing each type of extension. Because the descriptions of the association cues were similar, students were presented with three types of proposed extensions instead of six to prevent fatigue. It was found that respondents were concerned about the features, that is, whether the extension would come with standard features or if a new feature would be added. The cues were developed in response to the comments from this stage of the pretest and were chosen using promotional material from the actual companies and common sense. The cues are described in detail in Table 10.

MAJOR TEST

Procedure

Subjects in the study were 314 undergraduate and graduate students from Concordia University. Eight undergraduate and two graduate classes were visited and the questionnaires distributed during the first fifteen minutes of class time. The instructions given at the beginning of the questionnaire were similar to the cover letter used by Aaker and Keller (1990) and are shown in Appendix 5.

To encourage support and describe the purpose of the questionnaire, it was explained to the respondents that the results would be used for the completion of a Master's thesis at Concordia. It was felt that by revealing that information and providing a small token of appreciation, respondents would be more supportive and take the questionnaires seriously. A package of gum was given as a "thank-you" and respondents were very appreciative.

The respondents answered questions about their attitude towards the original brand name, and then read three different descriptions for each extension scenario. Subjects then evaluated each of the proposed extensions and the brand name again.

Design

Ten different extension scenarios were used. The study design for watches is a 3 x 2 x 3 mixed design with distancing techniques (close, medium and far) and the presence of information cues (cue, no cue) as the between-subjects factor, and type of extension (prestige-oriented downscale, function-oriented upscale and function-oriented

downscale) as the within-subjects factor. This overall design is based on the study by Park, Milberg and Lawson (1991) which featured brand concept dominance (function-oriented and prestige-oriented) as a within-subject factor. Table 7 and 8 show the experimental design for watches and cars respectively.

Table 7
Experimental Design for Watches^a

WATCH CASE		<i>Distancing Techniques</i>		
		Close	Medium	Far
<i>Cue</i>	Cue	1. WCC	3. WMC	5. WFC
	No Cue	2. WCN	4. WMN	6. WFN

^a WCC - watch, close distancing technique, cue; WCN - watch, close distancing technique, no cue, WMC - watch, medium distancing technique, cue, WMN - watch, medium distancing technique, no cue, WFC - watch, far distancing technique, cue; WFN - watch, far distancing technique, no cue.

The study design for cars was a 2 x 2 x 3 mixed design with only two distancing techniques (close and far) as opposed to the three used for watches. Only two distancing techniques were employed for the case of cars because of the name strategies used by major automobile companies. Cars tend to have either a close association with the family brand such as the Mazda CRX or are clearly separated such as Ford's Lincoln Continental. A "medium" distancing technique for cars would not be easily manipulated and significant differences were not expected to be likely.

The presence of an information cue versus no information cue will also be tested and the three types of extensions will serve again as the within-subject factor.

Table 8
Experimental Design for Cars^a

CAR CASE		<i>Distancing Techniques</i>	
		Close	Far
<i>Cue</i>	Cue No cue	7. CCC 8. CCN	9. CFC 10. CFN

^a CCC - car, close distancing techniques, cue; CCN - car, close distancing technique, no cue; CFC - car, far distancing technique, cue; CFN - car, far distancing technique, no cue.

The "close" technique is to continue using the brand name with a new name associated in smaller lettering. The second technique, a "medium" distance, will feature a new brand name but still include "(by original name)". The brand name is still included but de-emphasized. The last technique and also the "far" distancing technique is to feature a completely new name for the proposed vertical extension. Table 9 provides the descriptions for distancing techniques using prestige-oriented downscale as an example. For the other two types of extensions (function-oriented upscale and function-oriented downscale) the distancing descriptions are identical except that the core brand names are changed (i.e. Timex and Toyota).

Table 9
Example of Distancing Techniques Using Prestige-Oriented Downscale Extensions

Watches

- | | |
|----------------|---|
| Close- | Rolex will introduce this new watch under the Rolex name and it will be called, Rolex Monaco . |
| Medium- | Rolex will introduce this new watch under a new name, Monaco, but will still display the Rolex name prominently on the watch.
e.g. Monaco <small>by Rolex</small> . |
| Far- | Rolex will introduce this new watch under a new name, <i>Monaco</i> , and the Rolex name will not be present on the watch. Only the new name, <i>Monaco</i> , will be displayed on the watch. |

Cars

- | | |
|---------------|--|
| Close- | Lexus will introduce this new car under the name, <i>Lexus CS200</i> , therefore, still featuring the Lexus name and logo still on the car. |
| Far- | Lexus will introduce this new car under the name, <i>Savana</i> , and the Lexus name or logo will not be present on the car. Only the new name, <i>Savana</i> , will be featured on the car. |

Shown below are the attribute elaboration cues which were developed from Stage 3 of the pretest. For further discussion please review Stage 3.

Table 10
Description of Information Cues

- | | |
|-------------------|---|
| Rolex-downscale: | lighter and will have some modernized features. |
| Timex-upscale: | elegant and attractive styling and come with a two-year warranty. |
| Timex-downscale: | have all the standard features. |
| Lexus-downscale: | one of the most advanced transmissions and a leather interior. |
| Toyota-upscale: | one of the most advanced transmissions and a leather interior. |
| Toyota-downscale: | equipped with all the standard features. |

Appendix 4 contains the complete descriptions for each of the proposed extensions used in the questionnaire.

Approximately 30 subjects were assigned to each treatment group. The order of presentation of the three extension scenarios was random. For example, one individual may have first evaluated a prestige-oriented downscale, followed by a function-oriented upscale extension and the last scenario would be a function-oriented downscale extension. Another individual may have been presented with the scenarios in the following order: function-oriented downscale, prestige-oriented downscale and function-oriented upscale. Subjects were then randomly assigned to one of the ten different cells.

Stimuli and Product Category

Two product categories (watches and cars) with four brand names (Timex, Rolex, Toyota and Lexus) were used.

The only information subjects received about the proposed extensions is that the company is planning to introduce a similar product in the same product category but at a different price point. A distancing technique and the presence of an information cue are also manipulated. Two sample questionnaires are provided in Appendix 5 and Appendix 6. Appendix 5 contains a questionnaire for watches which had a close distancing technique and an information cue. The questionnaire in Appendix 6 was for cars and employed a medium distancing technique and the presence of an information cue.

Measures

Dependent Variables

The dependent variables are the evaluation of brand name and the evaluation of the extension. The difference between the evaluation of the original brand image and the evaluation of the post brand name was also examined as a dependent variable as well as the difference between the evaluation of the original brand name and the evaluation of the extension.

The measures were borrowed from Keller and Aaker's (1992) study where the evaluations of proposed brand extensions and the core brand were examined. The evaluations of the proposed extension were measured by three 7-point scales (low quality/high quality, not at all likely to try/very likely to try, inferior product/superior product). The evaluations of the core brand after the presentation of the proposed extensions were then measured using the identical scales.

Independent Variables

The three independent variables are the types of extension (i.e. function-oriented product introducing an upscale extension and function-oriented or prestige-oriented introducing a downscale extension), distancing techniques, and the presentation of an information cue.

Other Additional Measures

Two items on the questionnaire ask for ratings on the importance of the characteristics "reliability" and "durability", and the importance of the characteristics of "luxury" and "status" when consumers are deciding which brand to purchase. These

questions were used by Park, Milberg and Lawson (1990) and provide a manipulation check of the extension categorizations (function-oriented v. prestige-oriented) that were generated from Stage 1 of the pretest.

Two additional questions which were used in the second stage of the pretest were also asked again. One question verified that the respondents were familiar with the brand names provided and the second question confirmed that the subjects had favourable attitudes towards the brand names.

Two questions from Keller and Aaker (1992) were also included to measure the perceived fit of the proposed extension with the company. Perceived "fit" is the similarity between the two involved product classes in the formation of brand extension evaluations (Aaker and Keller, 1990). The perceived fit was measured with two 7-point scales (1=strongly disagree/7=strongly agree) that (1) there was a good fit between the company and the new extension and (2) the introduction of the extension was appropriate for the company. These measures were included in order to explain the results for extension evaluations.

Analysis

The principal technique for analyzing the results was ANOVA. ANOVA was performed to determine the significance of the relationship between the dependent variables, and the independent variables. Dummy regression was also used to test results and to identify the direction of the significant differences. T-tests were used for planned comparisons for the differences in means between different experimental conditions.

SECTION 4

DATA ANALYSIS AND MAJOR RESULTS

PRELIMINARY RESULTS

Table 11
Demographic Profile of Sample

<u>Gender:</u>		
Male	=	46.5%
Female	=	53.5%
<u>First Language:</u>		
English	=	50.7%
French	=	10.3%
Other	=	39.0%
<u>Age:</u>		
< 18	=	0
19-22	=	22.7%
23-26	=	36.8%
27-40	=	30.4%
40 >	=	10.1%
<u>Individual Income:</u>		
< \$5,000	=	31.0%
\$5,000-\$14,999	=	36.6%
\$15,000-\$29,999	=	16.3%
\$30,000-\$49,999	=	13.2%
\$50,000-\$74,999	=	2.0%
\$75,000 >	=	.9%
<u>Household Income:</u>		
< \$5,000	=	3.8%
\$5,000-\$14,999	=	11.0%
\$15,000-\$29,999	=	12.0%
\$30,000-\$49,999	=	32.0%
\$50,000-\$74,999	=	27.9%
\$75,000 >	=	13.3%
<u>Student Status:</u>		
Full-time	=	70.4%
Part-time	=	27.2%
Other	=	2.4%
<u>Student Status:</u>		
Undergraduate	=	79.8%
Graduate	=	17.5%
Other	=	2.7%
<u>Faculty of Study:</u>		
Arts and Science	=	7.5%
Commerce	=	86.8%
Engineering	=	3.2%
Fine Arts	=	1.45%
Independent Studies	=	1.05%
Other	=	0

Demographics

314 subjects participated in this study and a demographic profile of the sample is found in Table 11. Dummy regression was performed on some of the key demographic variables. None of the demographic variables had significant effects on the evaluation of the extension and the brand name.

Manipulation Checks and Fit Variables

The manipulation checks of Rolex, Timex, Lexus and Toyota yielded results which were highly consistent with those of stage 2 of the pretest. One question had asked respondents if they strongly agreed or disagreed that luxury and status were important attributes for Rolex (Lexus) customers. The second question also asked respondents if they strongly agreed or disagreed that reliability and durability were important attributes for Timex (Toyota) customers. A seven-point scale with 7=strongly agree and 1=strongly disagree was employed. The means indicated that respondents found luxury and status to be important for Rolex ($\bar{x}=6.62$) and Lexus ($\bar{x}=6.10$) customers. Timex and Toyota were found to be perceived as function-oriented. The mean 5.97 for Timex and 5.92 for Toyota. This indicates that participants did perceive Rolex and Lexus as having prestige-oriented brand concepts and Toyota and Timex as having function-oriented brand concepts. These results were consistent with those found in Stage 1 of the pretest.

Respondents in the study were familiar with the brand names being used.

Subjects were asked how familiar they were with the brand names (7=very familiar and 1=very unfamiliar). The results for the mean of familiarity are as follows:

Rolex=	5.16
Timex=	5.13
Lexus=	4.54
Toyota=	5.66

These results were similar to those gathered in Stage 2 of the pretest. This result was important as it ensured that subjects were aware of the brand names and brand name concepts, therefore, it can be concluded that the categorizations of the brand names was successful.

Three items which measured subjects' reactions to brand names and extensions were averaged to obtain a single dependant measure. The items which were averaged were: low quality/high quality, inferior product/superior product, and not at all likely to purchase/very likely to purchase. These were the three measures used by Keller and Aaker, 1992. A few other combinations which included the not very favourable/very favourable component were also examined but the results were similar and consistent with those found using Keller and Aaker's measure, therefore, it was decided to employ the measure used by them.

Table 12 provides the mean values from the two fit variables by type of extension for both watches and cars. The perceived fit was measured by two 7-point scales (1=strongly disagree and 7=strongly agree) that (1) there is a fit between the product and company and (2) it is appropriate for the company to introduce a vertical extension.

Table 12
Mean Values for Fit Measures

<u>Watches</u>	<u>Fit</u>	<u>Appropriate</u>
Rolex downscale	4.26	4.24
Timex upscale	4.36	3.99
Timex downscale	3.84	3.84
<u>Cars</u>		
Lexus downscale	4.26	3.95
Toyota upscale	4.28	4.01
Toyota downscale	4.11	3.92

The mean scores and standard deviations for the combined measures for the 30 different experimental conditions are shown in Table 12.

A 3 (type of extension) X 3 (distancing technique) X 2 (presence of information cue) mixed-design analysis of variance (ANOVA) was used to test the hypotheses for the case of watches. A 3 (type of extension) X 2 (distancing technique) X 2 (presence of information cue) ANOVA was employed to test the hypotheses for the car cases.

Table 14 summarizes the means and standard deviations by type of extension for both watches and cars. Table 14 will be referred to when planned comparisons are made between cell means.

The testing of the hypotheses and the discussion of results will be divided into two separate sections. The first part of the analysis will deal specifically with watches (Rolex and Timex) and the second section will focus only on results for cars (Lexus and Toyota).

After the results of the hypothesis tests are reported for each product category, implications from the findings of the study will be reported in the Discussion section.

Table 13
Cell Means (Standard Deviations) of Principal Study^a

Cell	N	Type of Extension	Cue	Distancing Technique	Evaluation of Name	Evaluation of Extension	Post Name Evaluation
<u>Watches</u>							
1	28	Pr.Downscales	Yes	Close	5.79 (.104)	5.04 (1.26)	4.56 (.99)
2	28	Fun.Upscale	Yes	Close	4.02 (.84)	4.11 (.86)	3.48 (1.18)
3	28	Fun.Downscales	Yes	Close	4.02 (.84)	3.90 (1.17)	4.00 (1.08)
4	33	Pr.Downscales	No	Close	5.64 (.91)	4.54 (1.33)	4.92 (1.04)
5	33	Fun.Upscale	No	Close	4.06 (1.13)	4.19 (1.03)	3.82 (1.30)
6	33	Fun.Downscales	No	Close	4.06 (1.13)	2.86 (1.55)	3.92 (1.07)
7	31	Pr.Downscales	Yes	Medium	5.68 (.76)	5.03 (1.16)	5.37 (.87)
8	31	Fun.Upscale	Yes	Medium	3.97 (.99)	4.65 (.86)	3.83 (1.24)
9	31	Fun.Downscales	Yes	Medium	3.97 (.99)	3.32 (1.19)	4.11 (1.33)
10	31	Pr.Downscales	No	Medium	5.83 (1.04)	5.03 (1.15)	5.38 (1.00)
11	31	Fun.Upscale	No	Medium	3.95 (1.34)	4.02 (1.65)	3.58 (1.21)
12	31	Fun.Downscales	No	Medium	3.95 (1.34)	3.55 (1.63)	3.74 (1.26)
13	32	Pr.Downscales	Yes	Far	5.98 (.73)	4.53 (1.13)	5.46 (1.15)
14	32	Fun.Upscale	Yes	Far	4.44 (1.27)	4.64 (1.04)	4.00 (1.08)
15	32	Fun.Downscales	Yes	Far	4.44 (1.27)	3.44 (.88)	4.26 (1.09)
16	34	Pr.Downscales	No	Far	5.79 (.97)	4.01 (1.22)	5.10 (1.10)
17	34	Fun.Upscale	No	Far	3.92 (.91)	4.12 (1.19)	3.65 (1.26)
18	34	Fun.Downscales	No	Far	3.92 (.91)	2.74 (1.12)	3.84 (1.19)
<u>Cars</u>							
19	31	Pr.Downscales	Yes	Close	5.16 (.82)	4.69 (1.17)	4.39 (.91)
20	31	Fun.Upscale	Yes	Close	4.87 (1.13)	4.81 (1.03)	4.02 (1.22)
21	31	Fun.Downscales	Yes	Close	4.87 (1.13)	3.97 (1.24)	4.26 (.75)
22	35	Pr.Downscales	No	Close	4.99 (.84)	4.48 (1.35)	4.70 (1.35)
23	35	Fun.Upscale	No	Close	4.90 (.95)	4.91 (1.00)	4.43 (1.25)
24	35	Fun.Downscales	No	Close	4.90 (.95)	3.62 (1.09)	4.37 (.74)
25	26	Pr.Downscales	Yes	Far	4.94 (.93)	4.38 (.91)	4.27 (.82)
26	26	Fun.Upscale	Yes	Far	4.86 (1.02)	4.59 (1.02)	4.55 (1.00)
27	26	Fun.Downscales	Yes	Far	4.86 (1.02)	3.58 (1.21)	4.18 (.92)
28	33	Pr.Downscales	No	Far	5.07 (.88)	3.82 (1.04)	4.46 (1.06)
29	33	Fun.Upscale	No	Far	4.46 (1.18)	4.14 (1.03)	4.34 (1.00)
30	33	Fun.Downscales	No	Far	4.46 (1.18)	2.64 (1.01)	3.80 (1.15)

^a Type of Extension = Pr. Downscale (Prestige-oriented Downscale Extension)

= Fun. Upscale (Function-oriented Upscale Extension)

= Fun. Downscale (Function-oriented Downscale Extension)

Table 14
Means (Standard Deviations) by Types of Extension for Watches and Cars

WATCHES

N=189

	Total	Cue		Distancing Technique		
		Cue	No Cue	Close	Medium	Far
Prestige Downscale Extension						
Original Name Evaluation	5.80 (.91)	5.85 (.85)	5.75 (.97)	5.70 (.96)	5.75 (.91)	5.93 (.87)
Extension Evaluation	4.65 (1.26)	4.80 (1.21)	4.51 (1.29)	4.77 (1.31)	5.03 (1.14)	4.18 (1.18)
Post Name Evaluation	5.13 (1.06)	5.13 (1.08)	5.13 (1.05)	4.75 (1.02)	5.37 (.93)	5.25 (1.13)
Function Upscale Extension						
Original Name Evaluation	4.04 (1.09)	4.12 (1.06)	3.98 (1.12)	4.04 (1.00)	3.96 (1.16)	4.13 (1.11)
Extension Evaluation	4.28 (1.15)	4.47 (.94)	4.11 (1.30)	4.15 (.95)	4.33 (1.34)	4.36 (1.13)
Post Name Evaluation	3.71 (1.20)	3.73 (1.15)	3.69 (1.25)	3.66 (1.25)	3.70 (1.22)	3.75 (1.15)
Function Downscale Extension						
Original Name Evaluation	4.04 (1.09)	4.12 (1.06)	3.98 (1.12)	4.04 (1.00)	3.96 (1.16)	4.13 (1.11)
Extension Evaluation	3.28 (1.33)	3.54 (1.11)	3.04 (1.47)	3.34 (1.48)	3.44 (1.42)	3.08 (1.06)
Post Name Evaluation	3.97 (1.18)	4.11 (1.19)	3.84 (1.16)	3.96 (1.07)	3.92 (1.30)	4.02 (1.19)

CARS

N = 125

	Total	Cue		Distancing Technique	
		Cue	No Cue	Close	Far
Prestige Downscale Extension					
Original Name Evaluation	5.04 (.86)	5.06 (.87)	5.03 (.85)	5.07 (.83)	5.01 (.89)
Extension Evaluation	4.34 (1.18)	4.55 (1.06)	4.16 (1.25)	4.57 (1.27)	4.07 (1.01)
Post Name Evaluation	4.47 (.96)	4.33 (.86)	4.59 (1.03)	4.56 (.96)	4.38 (.96)
Function Upscale Extension					
Original Name Evaluation	4.77 (1.08)	4.87 (1.07)	4.69 (1.08)	4.89 (1.03)	4.64 (1.12)
Extension Evaluation	4.62 (1.05)	4.71 (1.02)	4.54 (1.08)	4.86 (1.01)	4.34 (1.04)
Post Name Evaluation	4.30 (1.13)	4.34 (1.15)	4.26 (1.13)	4.24 (1.24)	4.38 (1.00)
Function Downscale Extension					
Original Name Evaluation	4.77 (1.08)	4.87 (1.07)	4.69 (1.08)	4.89 (1.03)	4.64 (1.12)
Extension Evaluation	3.44 (1.23)	3.79 (1.23)	3.14 (1.16)	3.78 (1.17)	3.05 (1.19)
Post Name Evaluation	4.15 (.92)	4.22 (.82)	4.09 (.99)	4.32 (.74)	3.97 (1.06)

MAJOR RESULTS AND HYPOTHESIS TESTING FOR WATCHES

Effect of Brand Concept and Type of Extension

ANOVA was performed to determine the significance of the relationship between the dependent variables (core brand evaluations and the evaluations of the extension) and the independent variables (type of extension, distancing techniques and the presence of an information cue). The difference between the original brand name evaluation and the post brand name evaluation and the difference between the original brand evaluation and the extension evaluation also served as dependent variables. When each of the original brand name evaluations were compared across the different cue and distancing conditions, no significant differences in evaluations were found. This finding is important for the validity when the differences in the original brand and post brand evaluations, and the differences in the original brand and extension evaluations are being examined.

Evaluation of Brand Name

Hypotheses 1a, 2a and 3a predict that brand concepts and the type of extension will effect the evaluation of the original brand name either favourably or unfavourably. When all three types of extensions (prestige-downscale, function-upscale and function-downscale) are being examined together the F-test results indicate that the "type" of extension leads to significant differences in post brand name evaluations [$F(2,558)=82.99, p<.001$]. Table 15 provides the significant and insignificant F-values

for watches by type of extension when the post brand name evaluation and the difference between the original and post name evaluation are used as dependent variables.

Table 15
Summary of F-values for the Evaluation of Brand Name for Watches

<u>POST BRAND NAME EVALUATIONS</u>	<u>F-VALUES</u>
Rolex downscale	
Distancing	* [F(2,188)= 6.16, p<.003]
Cue	[F(1,188)= 0.00, p<.994]
Distancing * Cue	[F(2,188)= 1.56, p<.213]
Timex upscale	
Distancing	[F(2,188)= .09, p<.001]
Cue	[F(1,188)= .06, p<.812]
Distancing * Cue	[F(2,188)= 1.12, p<.328]
Timex downscale	
Distancing	[F(2,188)= .11, p<.896]
Cue	[F(1,188)= 2.51, p<.115]
Distancing * Cue	[F(2,188)= .29, p<.746]
<u>DIFFERENCE IN ORIGINAL AND POST BRAND NAME EVALUATIONS</u>	<u>F-VALUES</u>
Rolex downscale	
Distancing	* [F(2,188)= 4.53, p<.012]
Cue	[F(1,188)= .45, p<.502]
Distancing * Cue	[F(2,188)= 1.69, p<.187]
Timex upscale	
Distancing	[F(2,188)= .26, p<.773]
Cue	[F(1,188)= .36, p<.547]
Distancing * Cue	[F(2,188)= 1.01, p<.366]
Timex downscale	
Distancing	[F(2,188)= .04, p<.965]
Cue	[F(1,188)= .45, p<.504]
Distancing * Cue	[F(2,188)= .36, p<.698]

* Significant result

Table 16 reports the results of the t-tests which compared the cell mean evaluations for the difference between the original and post evaluations of brand name.

Table 16
Differences in Means for the Evaluation of Brand Name for Watches

<u>Type of Extension</u>	<u>Original Evaluation</u>	<u>Post Evaluation</u>	<u>t-value</u>
Rolex downscale	* $x = 5.80$ vs. 5.13 ; $t(189) = 8.63$, $p < .001$		
Timex upscale	* $x = 4.04$ vs. 3.71 ; $t(189) = 4.13$, $p < .001$		
Timex downscale	$x = 4.04$ vs. 3.97 ; $t(189) = .92$, $p < .359$		

* - Denotes significant difference in means

The difference in means is found to be significant between the original brand name and the post evaluation of the brand name for many of the different types of extensions examined in this study. Hypothesis 1a posits that for a prestige-oriented brand name, the introduction of a downscale extension will lead to an unfavourable evaluation of the firm's brand name when compared to the original brand name evaluation. The evaluation of the Rolex name was significantly lower after the introduction of the proposed downscale extension ($x=5.80$ vs. 5.13 ; $t(189)=8.63$, $p < .001$) supporting H1a. This result is consistent with the case studies and observations provided by Aaker (1991) and Ries and Trout (1986).

Hypothesis 2a is also supported. Hypothesis 2a states that for a function-oriented brand extension, the introduction of an upscale extension will lead to an unfavourable evaluation on the firm's core brand name when compared to the original brand name evaluation. The difference in means between the original and post evaluation of brand name for Timex introducing an upscale watch is significant ($x=4.04$ vs. 3.71 ; $t(189)=4.13$, $p < .001$) and also supports previous findings from Aaker (1990) and Ries and Trout (1986).

Timex introducing a downscale extension is the third type of extension to be examined. It was hypothesized that for a function-oriented brand name, the introduction of a downscale extension will not significantly change the evaluation of the firm's brand name when compared to the original brand name evaluation. It was felt that respondents would view a function-oriented downscale extension favourably as it enables them to purchase a product with a reputation for reliability and good-value at a lower price and would not significantly change their brand name evaluation. The difference in means for the evaluation of the Timex name and post name evaluation was not found to be significant when Timex introduced a downscale extension ($\bar{x}=4.04$ vs. 3.97 ; $t(189)=.92$, $p<.359$) supporting H3a.

Evaluation of Extension

Hypotheses 1b, 2b and 3b deal with brand concepts and the evaluations of the different types of extensions. When all three types of extensions are examined together the F-test results indicated that the independent variable "type of extension" leads to significant differences in the evaluation of the extension [$F(2,558)=64.71$, $p<.001$]. The difference between the original brand name evaluation and the evaluation of the extension is found to be significant by the type of extension [$F(2,566)=60.71$, $p<.001$]. Table 17 reports the significant and insignificant F-values when the extension evaluations and the difference between the original brand name evaluation and the extension are used as dependent measures.

Table 17
Summary of F-values for the Evaluation of Extensions for Watches

<u>EXTENSION EVALUATIONS</u>	<u>F-VALUES</u>
Rolex downscale	
Distancing	* [F(2,188)= 8.32, p<.001]
Cue	* [F(1,188)= 2.61, p<.108]
Distancing * Cue	[F(2,188)= .64, p<.527]
Timex upscale	
Distancing	[F(2,188)= .60, p<.548]
Cue	* [F(1,188)= 4.63, p<.033]
Distancing * Cue	[F(2,188)= 1.62, p<.200]
Timex downscale	
Distancing	[F(2,188)= 1.31, p<.271]
Cue	* [F(1,188)= 7.30, p<.008]
Distancing * Cue	* [F(2,188)= 4.02, p<.020]
 <u>DIFFERENCE IN ORIGINAL NAME AND EXTENSION EVALUATIONS</u>	 <u>F-VALUES</u>
Rolex downscale	
Distancing	* [F(2,188)=11.70, p<.001]
Cue	[F(1,188)= .96, p<.327]
Distancing * Cue	[F(2,188)= .18, p<.833]
Timex upscale	
Distancing	[F(2,188)= .83, p<.437]
Cue	[F(1,188)= 1.66, p<.199]
Distancing * Cue	[F(2,188)= 1.34, p<.264]
Timex downscale	
Distancing	[F(2,188)= 2.46, p<.089]
Cue	* [F(1,188)= 3.37, p<.068]
Distancing * Cue	* [F(2,188)= 3.70, p<.027]

* Significant result

Table 18 provides the differences in means between the original brand name and the extension evaluations.

Table 18
Differences in Means for the Evaluation of Extensions for Watches

<u>Type of Extension</u>	<u>Original Evaluation</u>	<u>Extension Evaluation</u>	<u>t-values</u>
Rolex downscale			* $x = 5.80$ vs. 4.65 ; $t(189) = 11.77$, $p < .001$
Timex upscale			* $x = 4.04$ vs. 4.28 ; $t(189) = -2.86$, $p < .001$
Timex downscale			* $x = 4.04$ vs. 3.28 ; $t(189) = 7.51$, $p < .001$

* - Denotes significant difference in means

An evaluation is considered favourable if the mean value is higher than four and unfavourable if the mean is lower than three. This value is consistent with the measures employed for the questionnaire.

An examination of the summary means shows that the prestige-oriented downscale extension receives the highest evaluation ($x=4.65$) and the function-oriented upscale extension is favourable ($x=4.28$) while the evaluation of the function-oriented downscale extension is much lower ($x=3.23$). Hypothesis 1b predicts that the proposed extension for a prestige-oriented extension will be evaluated favourably but significantly lower than the evaluation of the original brand name. The Rolex downscale extension is evaluated favourably and since the difference in the original brand name evaluation is significantly higher than the extension evaluation ($x=5.80$ vs. 4.65 ; $t(189)=11.77$, $p < .001$) H2b is therefore accepted. This finding is also consistent with many actual prestigious step-down introductions such as the Packard Clipper and the successful extensions by clothing designers.

Hypothesis 2b claims that the proposed extension for a function-oriented product will be evaluated unfavourably and will be significantly lower than the evaluation of the

original brand name. The mean values for the Timex upscale extension were fairly favourable ($\bar{x}=4.28$) which does not support Hypothesis 2b. The second part of the hypothesis deals with the evaluation of the extension when compared to the original brand name evaluation. It was expected that a higher-priced Timex would receive a significantly lower evaluation than the original evaluation of Timex. This hypothesis was not supported in the case of a Timex upscale extension. The extension received a significantly higher evaluation than the original evaluation of the Timex name ($\bar{x}=4.04$ vs. 4.28 ; $t(189) = -2.86$, $p < .001$). This finding may be the result of the original evaluation of the Timex name being favourable. If the Timex name had a lower evaluation and was thought of as low-quality by the respondents than the upscale extension would likely have received a poor evaluation. Respondents may have felt that an upscale positioning may not be a harmful or inconsistent strategy for Timex and felt that quality would be high. The two questions which respondents were asked concerning the fit variables may help to explain the positive extension evaluation for the step-up Timex. The results from these measures reported in Table 12 suggest that respondents felt it was appropriate for Timex to introduce an upscale extension ($\bar{x}=4.35$) when compared to Rolex downscale ($\bar{x}=4.26$) and Timex downscale ($\bar{x}=3.84$). When asked if they felt there was a good fit between the extension and the original brand name the students believed there was a good fit for the step-up Timex ($\bar{x}=4.51$) as well as the Rolex downscale extension ($\bar{x}=4.21$) while the Timex downscale received a lower evaluation ($\bar{x}=3.84$). The subjects felt an upscale Timex was an appropriate introduction for Timex and that there was a good fit between Timex and the extension which helps

to explain the positive evaluation of the extension. If the respondents felt Timex was a low-quality name the results would be very different.

The final type of extension evaluation to examine is for function-oriented downscale extensions. It was hypothesized that the evaluation for a lower-priced Timex would be favourable and no significant difference between the extension and the original brand name evaluation would be found. The evaluation for a function-oriented downscale extension was unfavourable ($\bar{x}=3.28$) and the difference in means between the extension and the original name was significantly lower [$\bar{x}=4.04$ vs. 3.28 ; $t(189)=7.51$, $p<.001$]. Hypothesis 3b is therefore not supported. Respondents may have felt that the step-down position would strongly effect the quality. The Timex subjects had favourable evaluations of the original Timex name but may have believed that the downscale extensions would be of much lower quality even though it was not indicated through the information provided to the respondents. The results are consistent with the evaluations for a step-down Timex extension concerning fit ($\bar{x}=3.84$) and appropriateness ($\bar{x}=3.84$) which were discussed earlier and found to be quite low for a Timex downscale extension.

Effect of Distancing Techniques on the Evaluation of the Brand Name

ANOVA and F-tests were conducted to determine if the effect of distancing techniques had an effect on the evaluation of the brand name. The results by type of extension when using post brand name evaluation and the difference between the original and the core brand name evaluation as dependent variables are shown in Table 15. It

was felt that by including the difference between the evaluation of the original brand name and the core brand name as dependent measures further informative results would be found. Dummy regression was also performed as a more rigorous test to indicate the direction of the significant results. An evaluation of the mean scores from Table 14 indicates which distancing technique had the more favourable effect on the brand name evaluations.

Hypotheses 4a, 4b and 4c deal with the effects of distancing techniques on the evaluation of the original brand name. Distancing techniques are found to have a significant effect on the evaluation of the brand name when all types of extensions for watches are examined together [$F(2,564)=2.34, p<.108$].

Hypothesis 4a posits that for prestige-oriented downscale extensions, distancing the extension name from the core brand name will lead to a more favourable evaluation of the original brand name than having the extension name closely tied to the core brand name. When examining the results from Table 14 it is indicated that distancing had a significant effect on the evaluation of the Rolex name [$F(2,188)=6.16, p<.003$]. Dummy regression was performed and it indicated there was a significant difference between the original and post brand name evaluation when close and medium distancing techniques were examined [$F(1,188)=-3.021, p<.003$]. The post evaluation of the brand name was significantly more favourable when a medium distancing was used than when a close distancing technique was present. Therefore, distancing helped improve the evaluation of the Rolex name when a lower-priced Rolex was introduced which supports H4a. A medium distancing technique resulted in the highest evaluation for the

case of a Rolex downscale extension and was also the same strategy followed by the prestigious and successful Marriott hotel chain when they introduced a chain of step-down hotels.

Hypothesis 4b predicts that for function-oriented upscale extensions, distancing the brand name from the core brand name will lead to a more favourable evaluation of the original name than having the extension closely tied to the core brand name. Distancing the Timex name from the upscale extension was not found to have a significant effect on the post brand name evaluation [$F(2,188) = .09, p < .913$]. The post brand name evaluation is very similar between the three distancing techniques ($x_{\text{close}} = 3.66$ vs. $x_{\text{medium}} = 3.70$ vs. $x_{\text{far}} = 3.75$). It is possible Hypothesis 4b is not supported because not enough information was provided for respondents to judge in the case of a step-up Timex. Further pricing and distribution information may have been needed to differentiate and help the respondents decide.

Hypothesis 4c posits that for function-oriented downscale extensions, distancing the extension name from the core brand name will lead to a less favourable evaluation of the original brand name than having the extension name closely tied to the core brand name. Distancing the Timex step-down extension was not found to have a significant effect on the evaluation of the post brand name evaluation [$F(2,188) = .11, p < .896$]. The "far" distancing technique results in the highest evaluation ($x = 4.02$) but not significantly higher than medium ($x = 3.92$) or close ($x = 3.96$). The difference between the three distancing techniques may not have had a significant effect on the evaluations of the Timex name because Timex can support further lines and models in a wider range of

prices. A downscale extension may not be that much of a stretch for Timex and whether the product was introduced under the Timex name or a new name may not significantly improve the evaluation of the Timex name.

Effect of Information Cue on the Evaluation of the Extension

ANOVA was also conducted to determine whether the use of an information cue had a significant effect on the evaluation of the extension. The summary of the F-test results for the presence of an information cue on the evaluation of the extension and the difference between the original evaluation and that of the extension are shown in Table 17. The mean values which are compared are outlined in Table 14. The mean values are higher for all evaluations of the vertical extension for the different types of extensions than conditions which received no cue.

H5 states that for all types of extensions, the presence of brand extension attribute elaborations will lead to a more favourable evaluation of an extension than evaluations which received no information cue. As shown in Table 17 the presence of an information cue was found to lead to significant differences in the evaluations of extensions for all three types of extensions. The presence of a cue lead to significantly higher evaluations for the Rolex downscale extension [$F(1,188)=2.61, p<.108$]. The higher-priced Timex also received a significantly more favourable evaluation when a cue was presented [$F(1,188)=4.63, p<.033$]. Similar results were found if Timex were to introduce a downscale extension. The step-down extension for Timex received a

significantly higher evaluation when an information cue was present [$F(1,188)=7.30$, $p<.008$]. These results support the findings from Aaker and Keller (1990) where the use of an information cue was found to lead to more favourable extension evaluations for horizontal extensions.

MAJOR RESULTS AND HYPOTHESIS TESTING FOR CARS

The second part of the analysis focuses on the results from examining the car category. The same procedures were used to test the hypotheses for cars that were used testing the hypotheses for watches. Table 14 contains the means and standard deviations by type of extension for the car product category and will be referred to when planned comparisons are made between means.

Effect of Brand Concept and Type of Extension

ANOVA was performed to determine the significance of the relationship between the dependent variables (core brand evaluations and the evaluations of the extensions) and the independent variables (type of extension, distancing techniques and the presence of an information cue). The difference between the original brand name evaluation and the difference between the post brand name and extension evaluations also will serve as dependent variables. As in the case of watches, when each of the original brand name evaluations were compared across the different cue and distancing conditions, no significant differences in evaluation of the original brand names were found.

Evaluation of Brand Name

There are three hypotheses concerning brand concepts and the type of extension that effect the evaluation of the brand name. When all three types of extensions (i.e.

prestige-downscale, function-upscale and function-downscale) are examined the F-test results indicated that "type" of extension led to significant differences in post brand name evaluations [$F(2,374)=3.19$, $p<.042$]. Table 19 summarizes the significant and insignificant F-values for cars by type of extension when the post brand name evaluation and the difference between the original and post brand name evaluations are used as dependent measures.

Table 19
Summary of F-values for Evaluation of Brand Name for Cars

<u>POST BRAND NAME EVALUATIONS</u>	<u>F-VALUES</u>
Lexus downscale	
Distancing	[F(1,124)= 1.07, p<.304]
Cue	[F(1,124)= 2.30, p<.141]
Distancing * Cue	[F(1,124)= 2.32, p<.642]
Toyota upscale	
Distancing	[F(1,124)= .49, p<.488]
Cue	[F(1,124)= .14, p<.713]
Distancing * Cue	* [F(1,124)= 3.08, p<.082]
Toyota downscale	
Distancing	* [F(1,124)= 4.75, p<.031]
Cue	[F(1,124)= .64, p<.427]
Distancing * Cue	[F(1,124)= 2.23, p<.138]
<u>DIFFERENCE IN ORIGINAL AND POST BRAND NAME EVALUATIONS</u>	<u>F-VALUES</u>
Lexus downscale	
Distancing	[F(1,124)= .40, p<.531]
Cue	[F(1,124)= 2.29, p<.133]
Distancing * Cue	[F(1,124)= 1.35, p<.147]
Toyota upscale	
Distancing	* [F(1,124)= 3.26, p<.073]
Cue	[F(1,124)= 1.32, p<.254]
Distancing * Cue	[F(1,124)= .32, p<.573]
Toyota downscale	
Distancing	[F(1,124)= .32, p<.571]
Cue	[F(1,124)= .06, p<.801]
Distancing * Cue	[F(1,124)= .04, p<.836]

* Significant result

Table 20 shows the summary t-values when mean comparison are made.

Table 20
Differences in Means for the Evaluation of Brand Name for Cars

<u>Type of Extension</u>	<u>Original Evaluation</u>	<u>Post Evaluation</u>	<u>t-values</u>
Lexus downscale	* $x = 5.04$ vs. 4.47 ; $t(125) = 6.08$, $p < .001$		
Toyota upscale	* $x = 4.77$ vs. 4.30 ; $t(125) = 4.28$, $p < .001$		
Toyota downscale	* $x = 4.77$ vs. 4.15 ; $t(125) = 7.00$, $p < .001$		

* - Denotes significant difference in means

The difference in means is again found to be significant between the original brand name and the post evaluation of the brand name for many of the different types of extensions examined in this study. Hypothesis 1a predicts that if a downscale extension was introduced by Lexus, the Lexus name would then receive a lower evaluation. The evaluation of the Lexus name was significantly lower after the proposed introduction of a downscale extension [$x=5.04$ vs. 4.47 ; $t(125)=6.08$, $p < .001$]. This finding supports H1a and is consistent with many case studies including Rolex introducing a lower-priced watch.

Hypothesis 2a is also supported again. H2a predicts that the evaluation of the Toyota name will be lower if Toyota introduced an upscale car. The difference in means between the original and post evaluation of brand image when Toyota introduces an upscale car is significant [$x=4.77$ v. 4.30 ; $t(125)=4.28$, $p < .001$]. This result supports H2a and the results from Timex introducing an upscale watch.

The third type of extension to be examined is for the introduction of a downscale extension by Toyota. H3a predicts that for a function-oriented brand name, the introduction of a downscale extension will not significantly change the evaluation of the

firm's brand name when compared to the original brand name evaluation. However, the differences in means for the evaluation of the brand name and the post brand name was found to be significantly lower [$x=4.77$ v. 4.15 ; $t(125)=7.00$, $p<.001$]. It had been felt that respondents would view the extension favourably and that the brand name evaluation would not change. The evaluation of the Timex name did not change significantly for the proposed introduction of a downscale extension. Respondents for the Toyota downscale extension may have felt that because cars are more complex to produce and quality is a very important issue, a downscale Toyota extension would be of lower quality, thus harming the brand name evaluation significantly. This result is consistent with the Lexus and Rolex downscale brand name evaluations.

Evaluation of Extension

A second set of hypotheses, H1b, H2b and H3b deal with brand concepts and the evaluations of the different types of extensions. When all three types of extensions are examined together the F-test results indicate that the type of extension leads to significant differences in the extension evaluations [$F(2,374)=39.09$, $p<.001$]. Table 21 shows a summary of the significant and insignificant F-values using the extension evaluation and the difference between the original brand name evaluation and the extension as dependent measures.

Table 21
Summary of F-values for the Evaluations of Extensions for Cars

<u>EXTENSION EVALUATIONS</u>	<u>F-VALUES</u>
Lexus downscale	
Distancing	* [F(1,124)= 6.14, p<.015]
Cue	* [F(1,124)= 3.65, p<.058]
Distancing * Cue	[F(1,124)= .47, p<.493]
Toyota upscale	
Distancing	* [F(1,124)= 8.26, p<.005]
Cue	* [F(1,124)= .85, p<.359]
Distancing * Cue	[F(1,124)= 2.15, p<.145]
Toyota downscale	
Distancing	* [F(1,124)= 12.94, p<.005]
Cue	* [F(1,124)= 10.07, p<.002]
Distancing * Cue	[F(1,124)= 1.45, p<.231]
<u>DIFFERENCE IN ORIGINAL NAME AND EXTENSION EVALUATIONS</u>	<u>F-VALUES</u>
Lexus downscale	
Distancing	* [F(1,124)= 5.63, p<.019]
Cue	* [F(1,124)= 3.69, p<.057]
Distancing * Cue	[F(1,124)= 2.76, p<.099]
Toyota upscale	
Distancing	[F(1,124)= 1.85, p<.176]
Cue	[F(1,124)= 0.00, p<.977]
Distancing * Cue	[F(1,124)= .10, p<.748]
Toyota downscale	
Distancing	* [F(1,124)= 4.95, p<.028]
Cue	* [F(1,124)= 4.76, p<.031]
Distancing * Cue	[F(1,124)= 0.00, p<1.00]

* Significant result

Table 22 provides the differences in means between the original brand name and the extension evaluations.

Table 22
Differences in Means for the Evaluation of Extensions for Cars

<u>Type of Extension</u>	<u>Original Evaluation</u>	<u>Extension Evaluation</u>	<u>t-values</u>
Lexus downscale			* $x = 5.04$ vs. 4.34 ; $t(189) = 7.23$, $p < .001$
Toyota upscale			* $x = 4.77$ vs. 4.62 ; $t(189) = 1.54$, $p < .040$
Toyota downscale			* $x = 4.77$ vs. 3.44 ; $t(189) = 12.03$, $p < .001$

* - Denotes significant difference in means

Hypothesis 1b predicts that the proposed downscale extension for Lexus will be evaluated favourably but significantly lower than the evaluation of the original Lexus name. An examination and comparison of cell means from Table 14 shows that although the downscale Lexus is evaluated favourably ($x=4.34$) it is still significantly lower than the original brand name evaluation [$x=5.04$ vs. 4.34 ; $t(125)=7.23$, $p < .001$]. This finding supports H1b and is consistent with the findings from the step-down Rolex.

H2b posits that the proposed extension for a function-oriented product will be evaluated unfavourably and will be significantly lower than the evaluation of the original brand name. The mean value for the upscale Toyota extension was favourable ($x=4.62$) and higher than the Lexus downscale extension ($x=4.34$). The favourable evaluation of the extension does not support H2b and for probably the same reason H2b was not supported for the case of a step-down Timex. From the results in Table 12 it was shown that respondents felt it was appropriate ($x=4.28$) for Toyota to introduce an upscale extension and that there was a good fit between Toyota and the new extension ($x=4.01$). The Toyota name received a favourable evaluation and the step-up extension also was

viewed favourably. The second part of the hypothesis deals with the evaluation of the extension when compared to the original brand name evaluation. A higher-priced Toyota was predicted to receive a significantly lower evaluation than the original Toyota name evaluation and is supported [$x=4.77$ v. 4.62 ; $t(125)=1.54$, $p<.040$].

The final type of extension evaluation to be examined is for the introduction of a lower-priced Toyota. H3b predicts that the evaluation of a downscale extension for a Toyota would be favourable and that no significant difference in evaluations between the extension and the original brand name would be found. The evaluation for a lower-priced Toyota was unfavourable ($x=3.44$) and the difference in means between the extension and the original name was significantly lower [$x=4.77$ vs. 3.44 ; $t(125)=12.03$, $p<.001$]. Hypothesis 3b is therefore not supported. A Timex downscale extension was also evaluated unfavourably but did not effect the brand name evaluation significantly. The respondents for Toyota may have felt that the step-down position would strongly effect the quality. The subjects had favourable evaluations of Toyota but may have believed that the downscale extensions would be of much lower quality although it was not indicated through the information provided.

Effect of Distancing Technique on the Evaluation of the Brand Name

ANOVA and F-tests were also conducted for cars to determine if the effect of distancing techniques had an effect on the evaluation of the brand name and the difference between the original brand name and the post brand name evaluation. The

results using these measures as dependent variables are shown in Table 19.

Hypotheses 4a, 4b and 4c examine the effects of distancing techniques on the evaluation of the original brand name. Distancing techniques are not found to have a significant effect on the evaluation of the brand name when all types of car extensions are examined together [$F(1,374)=1.56, p<.213$]. Some significant results are found, however, when each type of extension is examined separately.

Hypothesis 4a predicts that for a lower-priced Lexus, distancing the extension name from the Lexus name will lead to a more favourable evaluation of the Lexus name. The results from Table 20 indicate that distancing did not have a significant effect on the evaluation of the brand name [$F(1, 124)=1.07, p<.304$]. These findings do not support H4a although distancing was found to help in the brand name evaluations for Rolex. Perhaps distancing needed to be more overt and respondents may have needed further information concerning distribution or dealership issues. Although the difference between "close" and "far" is not significant a "close" distancing technique resulted in the higher mean value ($\bar{x}=4.56$) than a far distancing technique ($\bar{x}=4.38$). This may be due in part to a more subjective attitude towards the Lexus name where some respondents may wish to own even a lower-priced Lexus and want the Lexus association present on the cars. This result is similar to the success of the Packard Clipper and Cadillac Cimarron where the new target market still wanted to buy into the Packard or Cadillac name but the original customers would want the extension distanced from the core name.

Hypothesis 4b predicts that for function-oriented upscale extensions, distancing the brand name from the core brand name will lead to a more favourable evaluation of

the original name than having the extension name closely tied to the core brand name. Distancing the Toyota name from the upscale extension was not found to have a significant effect on the post brand name evaluation [$F(1,124)=.49, p < .488$]. However, the interaction of cue and distancing is found to be significant [$F(1,124)=3.08, p < .082$]. The mean value for a "far" distancing technique is higher than the "close" which indicates that reducing the saliency of the Toyota name will lead to a more favourable evaluation of the Toyota name than having the extension name closely tied to Toyota.

Hypothesis 4c posits that for a downscale extension introduced by Toyota, distancing the extension name from the Toyota name will lead to a less favourable evaluation of the Toyota name than having the extension name closely tied to the core brand name. Distancing was found to have a significant effect on the evaluation of the post brand name [$F(1,124)=4.75, p < .031$]. Since there was a significant difference in the post brand name evaluation and the close distancing technique received a significantly higher evaluation hypothesis 4c can be accepted.

Effect of Information Cues on the Evaluation of the Extension

ANOVA was conducted to determine whether the use of an information cue had a significant effect on the evaluation of the extension for cars. The summary of the F-tests conducted using extension evaluation and the difference between the original brand name evaluation and the extension as dependent variables are shown in Table 21.

H5 states that for all types of extensions, the presence of brand extension attribute

elaboration will lead to a more favourable evaluation than evaluations which received no cue.

The presence of an information cue resulted in a higher mean cell value ($\bar{x}=4.55$ vs. 4.16) and a significant difference in extension evaluations [$F(1,124)=3.65$, $p<.0583$].

The presence of a cue resulted in a higher evaluation for the Toyota upscale extension ($\bar{x}=4.71$ v. 4.54) but the difference was not significant when the extension evaluation was used as a dependent variable. The cue provided was "one of the most advanced transmissions and a leather interior" which was the same cue provided for the Lexus downscale extension. Perhaps the respondents still required further information or that simply was not the correct cue to provide them of reassurance concerning an upscale extension.

The extension evaluation was significantly different when a cue was present for the case of a lower-priced Toyota [$F(1,124)=10.07$, $p<.002$]. These results are similar to those found in the case of watches and the findings from Aaker and Keller (1990).

SECTION 5
DISCUSSION

SUMMARY OF PRINCIPAL FINDINGS

This study examined the effects from the type of extension, distancing techniques, and the presence of an information cue on the evaluations of (1) a proposed new extension and (2) the core brand. The experiment used four actual brand names from two product categories. Comparisons were made between the original brand and post brand name evaluations when the salience of the brand name was reduced. The presence of an information cue was also examined for improvements in the evaluation of the extension. Differences between the original and post brand name evaluations for different types of vertical extensions (prestige-downscale, function-upscale and function-downscale) were also studied.

Table 23
Summary of Hypotheses Results for Watches and Cars

<u>Brand name evaluation</u>		Watches	Cars
H1a:	For a prestige-oriented brand name, the introduction of a downscale extension will lead to an unfavourable evaluation of the firm's core brand name when compared to the original brand name evaluation.	Accepted	Accepted
H2a:	For a function-oriented brand name, the introduction of an upscale extension will lead to an unfavourable evaluation of the firm's core brand name when compared to the original brand name evaluation.	Accepted	Accepted
H3a:	For a function-oriented brand name, the introduction of a downscale extension will not significantly change the evaluation of the firm's core brand name when compared to the original brand name evaluation.	Accepted	Rejected
<u>Extension evaluation</u>			
H1b:	The proposed downscale extension for a prestige-oriented product will receive a favourable evaluation and it will be significantly lower than the original evaluation of the brand name.	Accepted	Accepted
H2b:	The proposed upscale extension for a function-oriented product will receive an unfavourable evaluation and it will be significantly lower than the original evaluation of the brand name.	Rejected	Partially Accepted
H3b:	The proposed downscale extension for a function-oriented product will receive a favourable evaluation and it will not be significantly lower or higher than the original evaluation of the brand name.	Rejected	Rejected
<u>Distancing techniques</u>			
H4a:	For prestige-oriented downscale extensions, distancing the extension name from the core brand name will lead to a more favourable evaluation of the original brand name than having the extension name closely tied to the core brand name.	Accepted	Rejected
H4b:	For function-oriented upscale extensions, distancing the extension name from the core brand name will lead to a more favourable evaluation of the original brand name than having the extension name closely tied to the core brand name.	Rejected	Rejected
H4c:	For function-oriented downscale extensions, distancing the extension name from the core brand name will lead to a less favourable evaluation of the original brand name than having the extension name closely tied to the core brand name.	Rejected	Accepted
<u>Information Cue</u>			
H5:	For all types of extensions, the presence of brand extension attribute elaborations will lead to a more favourable evaluation of the extension than evaluations with no information cue.	Accepted	Accepted (except one case)

Brand Name Evaluation

The type of extension is found to be very significant for determining whether the brand name image will be damaged following a proposed vertical extension. Downscale extensions for both Rolex and Lexus resulted in significantly lower evaluations of the core brand name. The difference in the original and post evaluation was also significantly lower when Timex and Toyota were to introduce an upscale extension. The difference between the original and brand name was not significantly different for a Timex step-down extension which supported H3a. The introduction of a Toyota downscale extension however led to a significant difference between the original and post brand name evaluation. The Toyota name probably received a significantly lower evaluation following the proposed downscale extension because respondents felt that the extension would have quality problems and that damaged the post brand name evaluation. Cars are much more complex to produce and subject to quality problems. Therefore, even if both the Timex and Toyota downscale extensions were evaluated unfavourably the Toyota name would be harmed further.

Extension Evaluation

Three hypotheses examined the evaluation of the vertical extension and the evaluation of the extension compared to the original brand name evaluation.

The proposed downscale extensions for Rolex and Lexus were evaluated favourably but still significantly lower than the original brand name evaluation. This result supports H1b for both watches and cars.

The upscale extensions for both Timex and Lexus were evaluated favourably which does not support H2b. The Timex upscale extension was evaluated significantly more favourably than the original brand name evaluation. It had been predicted that the proposed upscale extension for a function-oriented product would receive an unfavourable evaluation since consumers would not want to pay a premium price for a function-oriented name. The original brand name evaluation for Timex and Toyota did receive favourable evaluations and respondents felt that it was an appropriate extension and that there was a fit between the extension and the core brand evaluation. The Toyota upscale extension was evaluated favourably but still significantly lower than the original brand name evaluation.

H3b predicted that a downscale extension from Timex or Toyota would be evaluated favourably and not significantly lower or higher than the original brand name evaluation. Both of the downscale extensions were evaluated unfavourably and Toyota was evaluated significantly lower than the original brand evaluation. Respondents did not feel it was appropriate ($x_{\text{Timex}}=3.84$ and $x_{\text{Toyota}}=4.01$) for Timex and Toyota to introduce a downscale extension. When respondents were asked if there was a good fit between the original brand and the extension, the fit was also low ($x_{\text{Timex}}=3.84$ and $x_{\text{Toyota}}=3.92$). The subjects had favourable evaluations of the original Timex and Toyota names but may have believed that the downscale extensions would be of much lower quality even though it was not indicated.

Distancing Techniques

Distancing the extension name for the core brand name was predicted to improve the evaluation of the post brand name evaluation for prestige-oriented downscale and function-oriented upscale extensions. However, having the extension name closely tied to the function-oriented downscale core brand name was predicted to lead to higher post brand name evaluations than distancing the extension name.

Distancing the downscale extension name from the Rolex name resulted in a significantly more favourable evaluation of the brand name than having the extension name closely tied to the Rolex name. The distancing technique which improved the post evaluation of the Rolex name was "Medium" (Monaco by Rolex). Distancing was not found to have a significant effect on the evaluation of the post brand name for the case of a Lexus downscale extension. Distancing may not have had an effect because further manipulation was needed to operationalize the distancing variable. Only providing the extension name and not any further information about dealerships or positioning may explain the reason for the post brand name evaluations not being significantly different between the close and far distancing techniques for the Lexus downscale extension.

Distancing alone was not found to have a significant effect on the evaluation of the post brand name for Timex and Toyota and upscale extensions. However, for a Toyota upscale extension the interaction of distancing techniques and cue led to significant differences for the post brand name evaluation. The mean value for the far distancing technique is higher which indicates that a far distancing technique will lead to a more favourable evaluation of the post brand name than when a close distancing

technique is used. The distancing variable may have needed to be manipulated more overtly for this case through pricing and promotion material. Perhaps a picture of the watch or mock-up products and advertisements would lead to further differentiation for the different treatment conditions.

Distancing led to significant results in the case of a Toyota downscale extension. A close distancing technique was predicted to lead to a more favourable evaluation of the core brand name than distancing the extension name. The Toyota EX250 instead of the Encompas led to a more favourable evaluation of the Toyota name. There was no significant difference for distancing between the post brand name evaluations for a Timex downscale extension.

Information Cue

The presence of an attribute elaboration cue was found to lead to significantly more favourable evaluations for all types of extensions when watches are examined. The use of a cue also led to significant differences in extension evaluations for Lexus-downscale and Toyota-downscale extensions. The mean value with the presence of a cue was higher for the Toyota step-up extension than when no cue was present but the difference was not significant. Perhaps the cue "one of the most advanced transmission with a leather interior" was somehow inconsistent with Toyota's positioning or respondents felt that it may not be particularly relevant for the extension.

The presence of a cue was significant, however, for all other types of extensions across the two product categories and the mean value was always higher when a cue had been featured than when no cue was present.

Additional Results

The design of this study also permitted analysis of (1) the use of distancing techniques on the evaluation of the extension and (2) the effect of an information cue on the evaluation of the brand name. The hypotheses developed did not address these issues but some interesting results were found. The effect of distancing techniques on the extension will be examined first followed by the results of an information cue being presented on the evaluation of the brand name.

To determine the effect of distancing on the evaluation of the extension the F-values from Tables 17 (watches) and 21 (cars) can be examined. Distancing is found to have a significant effect on the evaluation of the extension for the case of a step-down Rolex [$F(2,188)=8.32, p<.001$]. When the results of dummy regression are examined the difference between "medium" and "far" is significant with medium receiving the more favourable evaluation. This finding is logical as respondents have a favourable image of Rolex and would want to have the Rolex name featured on the step-down extension. Distancing is not found to have an effect on the evaluation of the step-down and step-up Timex but is significant for all three types of extensions for cars.

The results from Table 21 indicate that a "close" distancing technique received the most favourable evaluation for each of the extension evaluations. This suggests that the respondents preferred having the Lexus or Toyota names with a number and letter combination attached instead of a brand new name. This result is consistent with respondents favourable dispositions towards the brand names. The respondents would want the new product closely tied to the core brand name even for a step-down Toyota.

The evaluation of the Toyota step-down extension is not very favourable when the distancing is close ($\bar{x}=3.78$) but significantly more favourable than when a far ($\bar{x}=3.05$) distancing techniques is used [$F(1,124)=12.94$, $p < .002$].

It was felt that the presence of an attribute elaboration cue concerning the extension may have an effect on the evaluation of the brand name. To examine the effects of an information cue on the evaluation of brand name, the F-values from Table 15 (watches) and Table 19 (for cars) will be studied. The use of an information cue was not found to have a significant effect on the evaluation of the brand name for both watches and cars. The mean values for the evaluation of brand name were the same or higher when a cue was present for all the types of extensions for watches and cars but no significant differences in evaluations for the brand name were found. Having an attribute elaboration cue present was not found to help or harm the evaluation of the brand name. The information cue only had an effect on the evaluation of the extension.

LIMITATIONS AND FUTURE RESEARCH

Three important limitations were evident in the research setting which explains some of our results and restricts the generalizability of the findings.

First, subjects were given very little information describing the proposed extension. Only a small amount of information was provided to ensure control by limiting the number of variable to be tested. However, as in Aaker and Keller's (1992) study, subjects' evaluations of the proposed extension and evaluation of the brand name had to be based primarily on judgements about the company name and image. Further manipulation of the distancing variable may have led to additional significant effects. Distancing the extension name from the core brand name should improve the post brand name evaluations for prestige-oriented downscale and function-oriented upscale extensions and should be manipulated more overtly in future research. The marketing mix for each type of distancing technique should be adjusted accordingly for each research condition.

Second, only two product categories were examined in the study. Because a limited set of brands were included, generalizations should be made with caution. There is a need for future research to examine several brands sharing function-oriented and prestige-oriented concepts across different product categories to adequately generalize the findings.

A third limitation was that the sample was comprised of students. Many other studies which examined brand extension also used a student sample (Aaker and Keller, 1990; Park, Milberg and Lawson, 1991; and Romeo, 1991). The students in this study were familiar with the prestige and function-oriented names but most students' spending

is constrained by monetary budgets and they would not likely own a Rolex or Lexus although they may be owners of a Timex or Toyota. Students are not the target market of regular-priced Rolex watches and Lexus cars but may be interested in lower-priced extensions. Therefore, their evaluations of the extension and brand name would be very different from the evaluations of actual Lexus and Toyota owner. A sample comprised of actual users of the brand names from the various product categories may provide further insight into consumer reactions for the evaluation of the extensions and the brand names.

IMPLICATIONS FOR MARKETING MANAGERS

The objective of a company introducing a vertical extension is to have the extension evaluated favourably by a new market segment without harming the company name or alienating the original consumers of the core brand. Some important implications for managers can be concluded from the results of this study. Companies should be cautious when introducing any type of vertical extension. Marketing managers should have a very clear idea of their product's image in the minds of consumers before introducing an upscale or downscale extension. Whether a brand is associated with function-oriented or prestige-oriented attributes will effect how the extension and brand name will be evaluated.

The core brand name can be harmed particularly when extensions are introduced for prestige-oriented downscale and function-oriented upscale extensions. The downscale extensions for a prestige-oriented brand name will likely receive positive evaluations and if the original brand name is evaluated highly for a function-oriented brand name the extension may also be evaluated favourably. The brand name evaluation for a function-oriented downscale extension may not be evaluated negatively but the extension may receive unfavourable evaluations. The downscale extensions for a prestige-oriented brand name will likely receive positive evaluations and if the original brand name is evaluated highly for a function-oriented brand name the extension may be evaluated favourably.

It would be a very good idea to have a focus group meet to discuss the extension idea and concerns consumers may have with the new product. This will help marketers develop attribute elaboration cues in deciding what information should be used to

promote the extension and position the vertical extension. The use of an attribute elaboration cue was found to improve the evaluation of extensions for all types of extensions and did not significantly harm the brand name evaluation. Therefore, managers should provide information and promotional material which relieves some concerns consumers may hold about the new vertical extension introduction and this will lead to more favourable evaluations of the extension.

No clear-cut strategies can be concluded concerning distancing techniques. *Monaco* by *Rolex*, a medium distancing technique, was found to lead to the most significantly favourable evaluation for a step-down *Rolex* and a close distancing technique, *Toyota EX250*, resulted in a more positive post brand name evaluation for a step-down *Toyota*. The recommendation of this study is to create mock-ups of the products which would feature different names complete with promotional material and discuss each model with separate focus groups. Test marketing the new extension under two or three different names - a new name, a new name associated with the original name and simply the original name - would be ideal if the company budget permits this strategy.

CONCLUSION

Introducing vertical extensions can be a very effective strategy for companies to follow but must be undertaken carefully. This study found that brand concepts do play a role in how vertical extensions and brand names are evaluated. Whether a company has a prestige-oriented or function-oriented brand name will effect the evaluation of its vertical extension and brand name. The brand name was evaluated significantly less favourably for each of type of extension except in the case of a step-down Timex.

Providing an information cue will help in the case of evaluations of the extension but does not have a significant effect on the evaluation of the brand. It is recommended that companies develop attribute elaboration cues through consumer input to position the extension to relieve target market consumers' concerns about the extension.

This study found that both of the variables discussed, brand concepts and the use of an information cue, were found to have significant effects on the evaluations of extensions and brand names which adds to the previous research on brand extensions. Those constructs had been found to be significant for evaluations for horizontal extensions but never tested empirically in the vertical extension context.

Distancing may help in the case of step-down extensions from companies with a prestige position and a close association may improve the post brand name evaluations for a function-oriented downscale extension. Further research is needed to examine the effects of distancing on the evaluation of the brand name.

It is recommended that companies use test marketing or focus groups equipped with prototype extensions and promotional material adjusted according to distancing

techniques prior to introducing vertical extensions.

Vertical extensions are very attractive strategies for companies to increase profits as step-up or step-down extensions enable them to target new markets. Companies should be very cautious, however, not to alienate their original consumers or even target consumers by unfairly trying to capitalize on the equity of the core brand name.

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APPENDIX 1

PRETEST QUESTIONNAIRE - STAGE 1

Please list up to three thoughts that you associate with each of the following brand names:

- | | |
|----------------------|------------------------|
| 1. Rolex watches | 5. Chanel clothing |
| 2. Toyota cars | 6. Timex watches |
| 3. Gap clothing | 7. Lexus cars |
| 4. Audi cars | 8. Volkswagen cars |

Thank you very much for your participation and assistance!

APPENDIX 2

PRETEST QUESTIONNAIRE - STAGE 2

PLEASE CIRCLE THE NUMBER WHICH YOU FEEL IS APPROPRIATE

A. How familiar are you with each of the following brand names?

		Not very Familiar	Very Familiar
1.	Rolex watches	..1....2....3....4....5....6....7..	
2.	Gap clothing	..1....2....3....4....5....6....7..	
3.	Lexus cars	..1....2....3....4....5....6....7..	
4.	Monaco watches	..1....2....3....4....5....6....7..	
5.	Audi cars	..1....2....3....4....5....6....7..	
6.	Chanel clothing	..1....2....3....4....5....6....7..	
7.	Toyota cars	..1....2....3....4....5....6....7..	
8.	Timex watches	..1....2....3....4....5....6....7..	
9.	Savana cars	..1....2....3....4....5....6....7..	
10.	AJ clothing	..1....2....3....4....5....6....7..	
11.	Volkswagen cars	..1....2....3....4....5....6....7..	

PLEASE CIRCLE THE NUMBER WHICH YOU FEEL IS APPROPRIATE

B. How favourable is your attitude towards each of the following brand names?

	Not very Favourable	Very Favourable
1. Rolex watches	..1....2....3....4....5....6....7..	
2. Gap clothing	..1....2....3....4....5....6....7..	
3. Lexus cars	..1....2....3....4....5....6....7..	
4. Monaco watches	..1....2....3....4....5....6....7..	
5. Audi cars	..1....2....3....4....5....6....7..	
6. Chanel clothing	..1....2....3....4....5....6....7..	
7. Toyota cars	..1....2....3....4....5....6....7..	
8. Timex watches	..1....2....3....4....5....6....7..	
9. Savana cars	..1....2....3....4....5....6....7..	
10. AJ clothing	..1....2....3....4....5....6....7..	
11. Volkswagen cars	..1....2....3....4....5....6....7..	

Thank you very much for your participation and assistance!

APPENDIX 3
PRETEST QUESTIONNAIRE - STAGE 3

The following companies are planning the introduction of new products which are very similar to their products that are currently available. We are interested in your opinion, as a consumer, concerning these new product ideas.

Please take a few minutes to list up to three associations or thoughts that come to mind when you consider the idea of purchasing each of the following new product ideas:

- a new lower-priced Rolex watch which has some modern features

- a new lower-priced car from Toyota

- a new more expensive Timex watch

- a new lower-priced car from Lexus

Thank you very much for your participation and assistance!

The following companies are planning the introduction of new products which are very similar to their products that are currently available. We are interested in your opinion, as a consumer, concerning these new product ideas.

Please take a few minutes to list up to three associations or thoughts that come to mind when you consider the idea of purchasing each of the following new product ideas:

- a new lower-priced Timex watch

- a new lower-priced luxury Rolex watch

- a more expensive car from Toyota

Thank you very much for your participation and assistance!

APPENDIX 4

DESCRIPTIONS OF EXTENSIONS FOR QUESTIONNAIRES

DESCRIPTIONS OF EXTENSIONS

Questionnaire # 1 (WCC) Watches - Close Distancing Technique - Cue

Case X (Prestige Downscale)

The Rolex Watch Company Ltd. is planning to introduce a new watch which will be sold in the luxury watch market at a lower price than traditional Rolex watches. The new watch will be lighter and will have some modernized features. Rolex will introduce this new watch under the Rolex name and it will be called, Rolex Monaco.

Case Y (Function Upscale)

The Timex Watch Company Ltd. is planning to introduce a new watch which will be sold at a higher price than traditional Timex watches. The new watch will have elegant and attractive styling and come with a two-year warranty. Timex will introduce this new watch under the Timex name and it will be called, Timex Monaco.

Case Z (Function Downscale)

The Timex Watch Company Ltd. is planning to introduce a new watch which will be sold at a lower price than traditional Timex watches. The new watch will have all the standard features. Timex will introduce this new watch under the Timex name and it will be called, Timex Monaco.

Questionnaire # 2 (WMC) Watches - Medium Distancing Technique - Cue

Case X (Prestige Downscale)

The Rolex Watch Company Ltd. is planning to introduce a new watch which will be sold in the luxury watch market at a lower price than traditional Rolex watches. The new watch will be lighter and will have some modernized features. Rolex will introduce this new watch under a new name, Monaco, but will still display the Rolex name, prominently on the watch. e.g. Monaco by Rolex.

Case Y (Function Upscale)

The Timex Watch Company is planning to introduce a new watch which will be sold at a higher price than traditional Timex watches. The new watch will have elegant and attractive styling and come with a two-year warranty. Timex will introduce this new watch under a new name, Monaco, but will still display the Timex name prominently on the watch. e.g. Monaco by Timex.

Case Z (Function Downscale)

The Timex Watch Company Ltd. is planning to introduce a new watch which will be sold at a lower price than traditional Timex watches. The new watch will have all the standard features. Timex will introduce this new watch under a new name, monaco, but will still display the Timex name prominently on the watch. e.g. Monaco by Timex.

Questionnaire # 3 (WFC) Watches - Far Distancing Technique - Cue

Case X (Prestige Downscale)

The Rolex Watch Company Ltd. is planning to introduce a new watch which will be sold in the luxury watch market at a lower price than traditional Rolex watches. The new watch will be lighter and will have some modernized features. Rolex will introduce this new watch under a new name, Monaco, and the Rolex name will not be present on the watch. Only the new name, Monaco, will be displayed on the watch.

Case Y (Function Upscale)

The Timex Watch Company is planning to introduce a new watch which will be sold at a higher price than traditional Timex watches. The new watch will have elegant and attractive styling and come with a two-year warranty. Timex will introduce this new watch under a new name, *Monaco*, and the Timex name will not be present on the watch. Only the new name, *Monaco*, will be displayed on the watch.

Case Z (Function Downscale)

The Timex Watch Company is planning to introduce a new watch which will be sold at a lower price than traditional Timex watches. The new watch will have all the standard features. Timex will introduce this new watch under a new name, *Monaco*, and the Timex name will not be present on the watch. Only the new name, *Monaco*, will be displayed on the watch.

*Questionnaire # 4 (CCC) Cars - Close Distancing Technique - Cue*Case X (Prestige Downscale)

Lexus is planning to introduce a new car which will be sold at a lower price than traditional Lexus cars. The Lexus ES300 is the least expensive model at approximately \$38,000. The new car will sell for \$28,000 and will have one of the most advanced transmissions and a leather interior. Lexus will introduce this new car under the name, *Lexus CS200*, therefore, still featuring the Lexus name and logo on the car.

Case Y (Function Upscale)

Toyota is planning to introduce a new upscale luxury car which will be sold at a higher price than traditional Toyota cars. The Toyota Camry is the most expensive car at approximately \$18,000. The new car will sell for \$28,000 and will have one of the most advanced transmissions and a leather interior. Toyota will introduce this new car under the name, *Toyota CS200*, therefore, still featuring the Toyota name and logo on the car.

Case Z (Function Downscale)

Toyota is planning to introduce a new car which will be sold at a lower price than traditional Toyota cars. The new car will be equipped with all the standard features and will be priced lower than the Toyota Tercel. Toyota will introduce this new car under the name, *Toyota EX250*, therefore, still featuring the Toyota name and logo on the car.

*Questionnaire # 5 (CFC) Cars - Far Distancing Technique - Cue*Case X (Prestige Downscale)

Lexus is planning to introduce a new car which will be sold at a lower price than traditional Lexus cars. The Lexus ES300 is the least expensive model at approximately \$38,000. The new car will sell for \$28,000 and will have one of the most advanced transmissions and a leather interior. Lexus will introduce this new car under the name, *Savana*, and the Lexus name or logo will not be present on the car. Only the new name, *Savana*, will be featured on the car.

Case Y (Function Upscale)

Toyota is planning to introduce a new upscale luxury car which will be sold at a higher price than traditional Toyota cars. The Toyota Camry is the most expensive car at approximately \$18,000. The new car will sell for \$28,000 and will have one of the most advanced transmissions and a leather interior. Toyota will introduce this new car under the name, *Savana*, and the Toyota name or logo will not be present on the car. Only the new name, *Savana*, will be featured on the car.

Case Z (Function Downscale)

Toyota is planning to introduce a new car which will be sold at a lower price than traditional Toyota cars. The new car will be equipped with all the standard features and will be priced lower than the Toyota Tercel. Toyota will introduce this new car under the name, *Encompas*, and the Toyota name or logo will not be present on the car. Only the new name, *Encompas*, will be featured on the car.

APPENDIX 5

SAMPLE QUESTIONNAIRE: WATCH, MEDIUM DISTANCING TECHNIQUE, AND INFORMATION CUE

INTRODUCTION:

(wmc)

We are interested in your personal opinion, as consumers, about several brands and new product ideas. Your cooperation and thoughtful completion of this survey is greatly appreciated. Honest answers, whether positive or negative are the most helpful. Three different scenarios will be presented to you. Please read the information provided for each scenario carefully and treat each one independently. A small token of appreciation will be given to you when you hand in the completed questionnaire. Thank you again for your participation and assistance.

INSTRUCTIONS: After reading each of the following statements please circle the number which you feel is appropriate.

- | | | | | |
|----|---|------------------------|--------------------|--|
| 1. | How familiar are you with Rolex watches? | Not very
Familiar | Very
Familiar | ...1....2....3....4....5....6....7.... |
| 2. | How favourable is your attitude towards Rolex watches? | Not very
Favourable | Very
Favourable | ...1....2....3....4....5....6....7.... |
| 3. | Rolex watches are seen as? | Low
Quality | High
Quality | ...1....2....3....4....5....6....7.... |
| 4. | Compared to other watches in the luxury market Rolex watches are seen as an? | Inferior
Watch | Superior
Watch | ...1....2....3....4....5....6....7.... |
| 5. | Assuming you were planning to purchase a luxury watch would you likely buy a Rolex? | Not at all
Likely | Very
Likely | ...1....2....3....4....5....6....7.... |
-
- | | | | | |
|----|--|------------------------|--------------------|--|
| 1. | How familiar are you with Timex watches? | Not very
Familiar | Very
Familiar | ...1....2....3....4....5....6....7.... |
| 2. | How favourable is your attitude towards Timex watches? | Not very
Favourable | Very
Favourable | ...1....2....3....4....5....6....7.... |
| 3. | Timex watches are seen as? | Low
Quality | High
Quality | ...1....2....3....4....5....6....7.... |
| 4. | Compared to other similar watches Timex watches are seen as an? | Inferior
Watch | Superior
Watch | ...1....2....3....4....5....6....7.... |
| 5. | Assuming you were planning to purchase a watch would you likely buy a Timex? | Not at all
Likely | Very
Likely | ...1....2....3....4....5....6....7.... |

PLEASE READ THE FOLLOWING INFORMATION VERY CAREFULLY AND CIRCLE THE NUMBER WHICH YOU FEEL IS APPROPRIATE FOR EACH QUESTION

CASE X

The Rolex Watch Company Ltd. is planning to introduce a new watch which will be sold in the luxury watch market at a lower price than traditional Rolex watches. The new watch will be lighter and will have some modernized features. Rolex will introduce this new watch under a new name, Monaco, but will still display the Rolex name prominently on the watch. e.g. Monaco by Rolex.

Please assume that the Monaco by Rolex watch will be competing against other luxury watches and that you are planning to purchase a luxury watch.

- | | | | |
|----|---|--|-------------------|
| 1. | How favourable is your attitude
Favourable | Not very
Favourable | Very |
| | towards the new Monaco by Rolex watch? | ...1....2....3....4....5....6....7.... | |
| 2. | The new Monaco by Rolex watch might be seen as? | Low
Quality | High
Quality |
| | | ...1....2....3....4....5....6....7.... | |
| 3. | The new Monaco by Rolex watch might be seen as a(n)? | Inferior
Watch | Superior
Watch |
| | | ...1....2....3....4....5....6....7.... | |
| 4. | Would you be likely to purchase a
Monaco by Rolex watch? | Not at all
Likely | Very
Likely |
| | | ...1....2....3....4....5....6....7.... | |

When answering questions 5-8 please assume that Rolex has already introduced the Monaco by Rolex watch.

- | | | | |
|-----|--|--|--------------------|
| 5. | How favourable is your attitude now
towards the original Rolex watches? | Less
Favourable | More
Favourable |
| | | ...1....2....3....4....5....6....7.... | |
| 6. | The original Rolex watches are now seen as? | Low
Quality | High
Quality |
| | | ...1....2....3....4....5....6....7.... | |
| 7. | The original Rolex watches may now
be seen as an inferior or superior watch? | Inferior
Watch | Superior
Watch |
| | | ...1....2....3....4....5....6....7.... | |
| 8. | Are you now more or less likely to
purchase one of the original Rolex watches? | Less
Likely | More
Likely |
| | | ...1....2....3....4....5....6....7.... | |
| 9. | It is appropriate for the Rolex Watch Company
to introduce the new Monaco by Rolex watch. | Strongly
Disagree | Strongly
Agree |
| | | ...1....2....3....4....5....6....7.... | |
| 10. | There is a good fit between the Rolex Watch
Company and the new Monaco by Rolex watch. | Strongly
Disagree | Strongly
Agree |
| | | ...1....2....3....4....5....6....7.... | |

PLEASE READ THE FOLLOWING INFORMATION VERY CAREFULLY AND CIRCLE THE NUMBER WHICH YOU FEEL IS APPROPRIATE FOR EACH QUESTION

CASE Y

The Timex Watch Company is planning to introduce a new watch which will be sold at a higher price than traditional Timex watches. The new watch will have elegant and attractive styling and come with a two-year warranty. Timex will introduce this new watch under a new name, Monaco, but will still display the Timex name prominently on the watch. e.g. Monaco by Timex.

Please assume that the Monaco by Timex watch will be competing against other watches and that you are planning to purchase a watch.

- | | | | | |
|----|---|--------------------------|--------------------|--|
| 1. | How favourable is your attitude towards
towards the new Monaco by Timex watch? | Not at all
Favourable | Very
Favourable | ...1....2....3....4....5....6....7.... |
| 2. | The new Monaco by Timex watch might be seen as? | Low
Quality | High
Quality | ...1....2....3....4....5....6....7.... |
| 3. | The new Monaco by Timex watch might be seen as a(n)? | Inferior
Watch | Superior
Watch | ...1....2....3....4....5....6....7.... |
| 4. | Would you be likely to purchase a
Monaco by Timex watch? | Not at all
Likely | Very
Likely | ...1....2....3....4....5....6....7.... |

When answering questions 5-8 please assume that Timex has already introduced the Monaco by Timex watch.

- | | | | | |
|-----|--|----------------------|--------------------|--|
| 5. | How favourable is your attitude now
towards the original Timex watches? | Less
Favourable | More
Favourable | ...1....2....3....4....5....6....7.... |
| 6. | The original Timex watches are now seen as? | Low
Quality | High
Quality | ...1....2....3....4....5....6....7.... |
| 7. | The original Timex watches may now
be seen as an inferior or superior watch? | Inferior
Watch | Superior
Watch | ...1....2....3....4....5....6....7.... |
| 8. | Are you now more or less likely to
purchase one of the original Timex watches? | Less
Likely | More
Likely | ...1....2....3....4....5....6....7.... |
| 9. | It is appropriate for the Timex Watch Company
to introduce the new Monaco by Timex watch. | Strongly
Disagree | Strongly
Agree | ...1....2....3....4....5....6....7.... |
| 10. | There is a good fit between the Timex Watch
Company and the new Monaco by Timex watch. | Strongly
Disagree | Strongly
Agree | ...1....2....3....4....5....6....7.... |

PLEASE READ THE FOLLOWING INFORMATION VERY CAREFULLY AND CIRCLE THE NUMBER WHICH YOU FEEL IS APPROPRIATE FOR EACH QUESTION

CASE Z

The Timex Watch Company is planning to introduce a new watch which will be sold at a lower price than traditional Timex watches. The new watch will have all the standard features. Timex will introduce this new watch under a new name, Monaco, but will still display the Timex name prominently on the watch. e.g. Monaco by Timex.

Please assume that the Monaco by Timex watch will be competing against other watches and that you are planning to purchase a watch.

- | | | | | |
|----|--|--------------------------|--------------------|---------------------------------|
| 1. | How favourable is your attitude towards the new Monaco by Timex watch? | Not at all
Favourable | Very
Favourable | ...1...2...3...4...5...6...7... |
| 2. | The new Monaco by Timex watch might be seen as? | Low
Quality | High
Quality | ...1...2...3...4...5...6...7... |
| 3. | The new Monaco by Timex watch might be seen as a(n)? | Inferior
Watch | Superior
Watch | ...1...2...3...4...5...6...7... |
| 4. | Would you be likely to purchase a Monaco by Timex watch? | Not at all
Likely | Very
Likely | ...1...2...3...4...5...6...7... |

When answering questions 5-8 please assume that Timex has already introduced the Monaco by Timex watch.

- | | | | | |
|-----|---|----------------------|--------------------|---------------------------------|
| 5. | How favourable is your attitude now towards the original Timex watches? | Less
Favourable | More
Favourable | ...1...2...3...4...5...6...7... |
| 6. | The original Timex watches are now seen as? | Low
Quality | High
Quality | ...1...2...3...4...5...6...7... |
| 7. | The original Timex watches may now be seen as an inferior or superior watch? | Inferior
Watch | Superior
Watch | ...1...2...3...4...5...6...7... |
| 8. | Are you now more or less likely to purchase one of the original Timex watches? | Less
Likely | More
Likely | ...1...2...3...4...5...6...7... |
| 9. | It is appropriate for the Timex Watch Company to introduce the new Monaco by Timex watch. | Strongly
Disagree | Strongly
Agree | ...1...2...3...4...5...6...7... |
| 10. | There is a good fit between the Timex Watch Company and the new Monaco by Timex watch. | Strongly
Disagree | Strongly
Agree | ...1...2...3...4...5...6...7... |

FINAL QUESTIONS:

(i). **Luxury and status are important attributes for Rolex customers?**

Strongly Disagree Strongly Agree
...1....2....3....4....5....6....7....

(ii). **Reliability and durability are important attributes for Timex customers?**

Strongly Disagree Strongly Agree
...1....2....3....4....5....6....7....

Now we would like to ask you some brief demographic questions. All answers will be kept confidential. Please check the appropriate categories.

A. GENDER

- () Male
() Female

F. STUDENT STATUS

- () Full-time student
() Part-time student
() Other

B. FIRST LANGUAGE

- () English
() French
() Other

G. STUDENT STATUS

- () Undergraduate student
() Graduate student
() Other

C. AGE

- () 18 or younger
() 19-22
() 23-26
() 27-40
() over 40

H. FACULTY OF STUDY

- () Arts and Science
() Commerce and Administration
() Engineering and Computer Science
() Fine arts
() Independent studies
() Other

D. YOUR INDIVIDUAL YEARLY INCOME

- () less than \$4,999
() \$5,000-\$14,999
() \$15,000-\$29,000
() \$30,000-\$49,999
() \$50,000-\$74,999
() over \$75,000

MAJOR: _____

E. HOUSEHOLD OF FAMILY YEARLY INCOME

- () less than \$4,999
() \$5,000-\$14,999
() \$15,000-\$29,000
() \$30,000-\$49,999
() \$50,000-\$74,999
() over \$75,000

APPENDIX 6

SAMPLE QUESTIONNAIRE CAR, CLOSE DISTANCING TECHNIQUE, AND INFORMATION CUE

We are interested in your personal opinion, as consumers, about several brands and new product ideas. Your cooperation and thoughtful completion of this survey is greatly appreciated. Honest answers, whether positive or negative, are the most helpful. Three different scenarios will be presented to you. Please read the information provided for each scenario carefully and treat each one independently. A small token of appreciation will be given to you when you hand in the completed questionnaire. Thank you again for your participation and assistance.

INSTRUCTIONS: After reading each of the following statements please circle the number which you feel is appropriate.

- | | | | | |
|----|---|------------------------|--------------------|--|
| 1. | How familiar are you with Lexus cars? | Not very
Familiar | Very
Familiar | ...1....2....3....4....5....6....7.... |
| 2. | How favourable is your attitude towards Lexus cars? | Not very
Favourable | Very
Favourable | ...1....2....3....4....5....6....7.... |
| 3. | Lexus cars are seen as? | Low
Quality | High
Quality | ...1....2....3....4....5....6....7.... |
| 4. | Compared to other cars in the luxury car market Lexus cars are seen as a(n)? | Inferior
Car | Superior
Car | ...1....2....3....4....5....6....7.... |
| 5. | Assuming you were planning to purchase a luxury car would you likely buy a Lexus? | Not at all
Likely | Very
Likely | ...1....2....3....4....5....6....7.... |
-
- | | | | | |
|----|---|------------------------|--------------------|--|
| 1. | How familiar are you with Toyota cars? | Not very
Familiar | Very
Familiar | ...1....2....3....4....5....6....7.... |
| 2. | How favourable is your attitude towards Toyota cars? | Not very
Favourable | Very
Favourable | ...1....2....3....4....5....6....7.... |
| 3. | Toyota cars are seen as? | Low
Quality | High
Quality | ...1....2....3....4....5....6....7.... |
| 4. | Compared to other cars Toyota cars are seen as a(n)? | Inferior
Car | Superior
Car | ...1....2....3....4....5....6....7.... |
| 5. | Assuming you were planning to purchase a car would you likely buy a Toyota? | Not at all
Likely | Very
Likely | ...1....2....3....4....5....6....7.... |

PLEASE READ THE FOLLOWING INFORMATION VERY CAREFULLY AND CIRCLE THE NUMBER WHICH YOU FEEL IS APPROPRIATE FOR EACH QUESTION

CASE X

Lexus is planning to introduce a new car which will be sold at a lower price than traditional Lexus cars. The Lexus ES300 is the least expensive model at approximately \$38,000. The new car will sell for \$28,000 and will have one of the most advanced transmissions and a leather interior. Lexus will introduce this new car under the name, *Lexus CS200*, therefore, still featuring the Lexus name and logo on the car.

Please assume that the *Lexus CS200* will be competing against other luxury cars and that you are planning to purchase a luxury car.

- | | | | | |
|----|--|------------------------|--------------------|--|
| 1. | How favourable is your attitude towards the new <i>Lexus CS200</i> ? | Not very
Favourable | Very
Favourable | ...1....2....3....4....5....6....7.... |
| 2. | The new <i>Lexus CS200</i> car might be seen as? | Low
Quality | High
Quality | ...1....2....3....4....5....6....7.... |
| 3. | The new <i>Lexus CS200</i> car might be seen as a(n)? | Inferior
Car | Superior
Car | ...1....2....3....4....5....6....7.... |
| 4. | Would you be likely to purchase a <i>Lexus CS200</i> ? | Not at all
Likely | Very
Likely | ...1....2....3....4....5....6....7.... |

When answering questions 5-8 please assume that Lexus has already introduced the *Lexus CS200*.

- | | | | | |
|-----|--|----------------------|--------------------|--|
| 5. | How favourable is your attitude now towards the original Lexus cars? | Less
Favourable | More
Favourable | ...1....2....3....4....5....6....7.... |
| 6. | The original Lexus cars are now seen as? | Low
Quality | High
Quality | ...1....2....3....4....5....6....7.... |
| 7. | The original Lexus cars may now be seen as an inferior or superior car? | Inferior
Car | Superior
Car | ...1....2....3....4....5....6....7.... |
| 8. | Are you now more or less likely to purchase one of the original Lexus cars? | Less
Likely | More
Likely | ...1....2....3....4....5....6....7.... |
| 9. | It is appropriate for Lexus to introduce the new <i>Lexus CS200</i> car. | Strongly
Disagree | Strongly
Agree | ...1....2....3....4....5....6....7.... |
| 10. | There is a good fit between the original Lexus cars and the new <i>Lexus CS200</i> . | Strongly
Disagree | Strongly
Agree | ...1....2....3....4....5....6....7.... |

PLEASE READ THE FOLLOWING INFORMATION VERY CAREFULLY AND CIRCLE THE NUMBER WHICH YOU FEEL IS APPROPRIATE FOR EACH QUESTION

CASE Y

Toyota is planning to introduce a new upscale luxury car which will be sold at a higher price than traditional Toyota cars. The Toyota Camry is the most expensive model at approximately \$18,000. The new car will sell for \$28,000 and will have one of the most advanced transmissions and a leather interior. Toyota will introduce this new car under the name, *Toyota CS200*, therefore, still featuring the Toyota name and logo on the car.

Please assume that the *Toyota CS200* will be competing against other luxury cars and that you are planning to purchase a luxury car.

- | | | | | |
|----|---|------------------------|--------------------|--|
| 1. | How favourable is your attitude towards the new <i>Toyota CS200</i> ? | Not very
Favourable | Very
Favourable | ...1....2....3....4....5....6....7.... |
| 2. | The new <i>Toyota CS200</i> car might be seen as? | Low
Quality | High
Quality | ...1....2....3....4....5....6....7.... |
| 3. | The new <i>Toyota CS200</i> car might be seen as a(n)? | Inferior
Car | Superior
Car | ...1....2....3....4....5....6....7.... |
| 4. | Would you be likely to purchase a <i>Toyota CS200</i> ? | Not at all
Likely | Very
Likely | ...1....2....3....4....5....6....7.... |

When answering questions 5-8 please assume that Toyota has already introduced the *Toyota CS200*.

- | | | | | |
|-----|--|----------------------|--------------------|--|
| 5. | How favourable is your attitude now towards the original Toyota cars? | Less
Favourable | More
Favourable | ...1....2....3....4....5....6....7.... |
| 6. | The original Toyota cars are now seen as? | Low
Quality | High
Quality | ...1....2....3....4....5....6....7.... |
| 7. | The original Toyota cars may now be seen as an inferior or superior car? | Inferior
Car | Superior
Car | ...1....2....3....4....5....6....7.... |
| 8. | Are you now more or less likely to purchase one of the original Toyota cars? | Less
Likely | More
Likely | ...1....2....3....4....5....6....7.... |
| 9. | It is appropriate for Toyota to introduce the new <i>Toyota CS200</i> car. | Strongly
Disagree | Strongly
Agree | ...1....2....3....4....5....6....7.... |
| 10. | There is a good fit between the original Toyota cars and the new <i>Toyota CS200</i> . | Strongly
Disagree | Strongly
Agree | ...1....2....3....4....5....6....7.... |

PLEASE READ THE FOLLOWING INFORMATION VERY CAREFULLY AND CIRCLE THE NUMBER WHICH YOU FEEL IS APPROPRIATE FOR EACH QUESTION

CASE Z

Toyota is planning to introduce a new car which will be sold at a lower price than traditional Toyota cars. The new car will be equipped with all the standard features and will be priced lower than the Toyota Tercel. Toyota will introduce this new car under the name, *Toyota EX250*, therefore, still featuring the Toyota name and logo on the car.

Please assume that the *Toyota EX250* will be competing against other cars and that you are planning to purchase a car.

- | | | | |
|----|---|--|--|
| 1. | How favourable is your attitude towards the new <i>Toyota EX250</i> ? | Not very
Favourable
...1....2....3....4....5....6....7.... | Very
Favourable
...1....2....3....4....5....6....7.... |
| 2. | The new <i>Toyota EX250</i> car might be seen as? | Low
Quality
...1....2....3....4....5....6....7.... | High
Quality
...1....2....3....4....5....6....7.... |
| 3. | The new <i>Toyota EX250</i> car might be seen as a(n)? | Inferior
Car
...1....2....3....4....5....6....7.... | Superior
Car
...1....2....3....4....5....6....7.... |
| 4. | Would you be likely to purchase a <i>Toyota EX250</i> ? | Not at all
Likely
...1....2....3....4....5....6....7.... | Very
Likely
...1....2....3....4....5....6....7.... |

When answering questions 5-8 please assume that Toyota has already introduced the *Toyota EX250*.

- | | | | |
|-----|--|--|--|
| 5. | How favourable is your attitude now towards the original Toyota cars? | Less
Favourable
...1....2....3....4....5....6....7.... | More
Favourable
...1....2....3....4....5....6....7.... |
| 6. | The original Toyota cars are now seen as? | Low
Quality
...1....2....3....4....5....6....7.... | High
Quality
...1....2....3....4....5....6....7.... |
| 7. | The original Toyota cars may now be seen as an inferior or superior car? | Inferior
Car
...1....2....3....4....5....6....7.... | Superior
Car
...1....2....3....4....5....6....7.... |
| 8. | Are you now more or less likely to purchase one of the original Toyota cars? | Less
Likely
...1....2....3....4....5....6....7.... | More
Likely
...1....2....3....4....5....6....7.... |
| 9. | It is appropriate for Toyota to introduce the new <i>Toyota EX250</i> car. | Strongly
Disagree
...1....2....3....4....5....6....7.... | Strongly
Agree
...1....2....3....4....5....6....7.... |
| 10. | There is a good fit between the original Toyota cars and the new <i>Toyota EX250</i> . | Strongly
Disagree
...1....2....3....4....5....6....7.... | Strongly
Agree
...1....2....3....4....5....6....7.... |

FINAL QUESTIONS

- (i) If you were planning to purchase a luxury car and had to choose between the new *Toyota CS200* and the new *Lexus CS200*, which are very similar cars, which car would you most likely choose?
- | | | |
|--|----------|--------------------|
| <i>Toyota CS200</i> | Not Sure | <i>Lexus CS200</i> |
| ...1....2....3....4....5....6....7.... | | |
- (ii). Luxury and status are important attributes for Lexus customers?
- | | |
|--|----------------|
| Strongly Disagree | Strongly Agree |
| ...1....2....3....4....5....6....7.... | |
- (iii). Reliability and durability are important attributes for Toyota customers?
- | | |
|--|----------------|
| Strongly Disagree | Strongly Agree |
| ...1....2....3....4....5....6....7.... | |

Now we would like to ask you some brief demographic questions. All answers will be kept confidential. Please check the appropriate categories.

- | | |
|--|---|
| <p>A. GENDER</p> <p>() Male</p> <p>() Female</p> | <p>F. STUDENT STATUS</p> <p>() Full-time student</p> <p>() Part-time student</p> <p>() Other</p> |
| <p>B. FIRST LANGUAGE</p> <p>() English</p> <p>() French</p> <p>() Other</p> | <p>G. STUDENT STATUS</p> <p>() Undergraduate student</p> <p>() Graduate student</p> <p>() Other</p> |
| <p>C. AGE</p> <p>() 18 or younger</p> <p>() 19-22</p> <p>() 23-26</p> <p>() 27-40</p> <p>() over 40</p> | <p>H. FACULTY OF STUDY</p> <p>() Arts and Science</p> <p>() Commerce and Administration</p> <p>() Engineering and Computer Science</p> <p>() Fine arts</p> <p>() Independent studies</p> <p>() Other</p> |
- D. YOUR INDIVIDUAL YEARLY INCOME**
- () less than \$4,999
- () \$5,000-\$14,999
- () \$15,000-\$29,000
- () \$30,000-\$49,999
- () \$50,000-\$74,999
- () over \$75,000
- E. HOUSEHOLD OF FAMILY YEARLY INCOME**
- () less than \$4,999
- () \$5,000-\$14,999
- () \$15,000-\$29,000
- () \$30,000-\$49,999
- () \$50,000-\$74,999
- () over \$75,000
- MAJOR:** _____