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Consumer attitudes toward downward extensions: an exploration of Giordano's extension in Hong Kong

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Abstract

Given that numerous fashion brands constantly struggle to survive, it is important to learn how consumers evaluate and change their attitudes toward the downward extensions of mass-production fashion businesses, particularly those that originate in Hong Kong. Through capitalizing on the parent brand's equity earned through enhancing consumer preferences and building loyalty, companies' brand extension strategies can lead to better profits and sales for fashion brands. Based on the categorization theory and the theory of perceived fit, this study examines how consumers' familiarity, trust, perceptions of quality, and perceptions of the brand name of the parent brands influence them when evaluating a business's downward extension. This study also investigates how the effect of the consistency, similarities in product features, and pricing of the extension's brand concept influences consumers' purchase intentions toward products from the downward extension. To achieve the objectives of this study, snowball sampling was used to gather a total of 203 data sets for analysis through methods such as t-tests and stepwise regressions. The results indicated that familiarity with and trust in parent brands, along with the perceived quality of the parent brands' products, were positive influences on consumers' evaluations of downward extensions. The extensions' consistency with the brand concept, product substitutability, product transferability, and pricing positively influenced higher purchase intentions. Consequently, this study highlights that perceptions of the quality of the parent brands contributes most strongly to positive evaluations, and the extension's pricing contributes most significantly to purchase intentions.

Keywords: Downward extension, Parent brand association, Perceived fit, Hong Kong fashion brands, Categorization theory

Introduction

Fashion is a major industry in Hong Kong, a country that has continued to develop into an international fashion center which offers "one of the largest global trade shows, Hong Kong Fashion Week, concurrently with the World Boutique trade show" (HKTDC.com 2018; Kunz et al. 2016, p. 367). The apparel and footwear industries in Hong Kong are the second biggest markets in the globe, reporting HK\$ 47,176 million in sales in 2018 (Euromonitor International 2018a, 2019). As the fashion industry is projected to grow 1% in 2019 from 2018, the industry continues to experience fierce competition, short

product lifecycles, large demand volatility, and weak demand predictability (Businessoffashion.com 2019; Choi 2014). This has led fashion brands to struggle with stagnant sales, in addition to contending with various competitors such as Amazon and e-commerce businesses that are changing the fashion industry (Kim and Sullivan 2019).

In order to survive in such an environment, many brands strive to launch multiple influential and innovative brands within the same corporation (Parker et al. 2018). Brand equity is defined as the degree to which consumers favorably evaluate a brand, including all added values that are provided to consumers by the brand. Brand equity significantly influences the effectiveness of brand extension strategies due to its reflection of consumer preferences and loyalty (Ahn et al. 2018; Chiu et al. 2017; Ferguson et al. 2016). In other words, since brand extensions help to increase the scope of a company's market and therefore reach more consumer groups, brand extension strategies can increase the probability of trial and purchase by consumers, which can lead to increased sales (Choi et al. 2010; Liu and Choi 2009).

Downward extensions (DEs) "often involve the launch of lower quality and lower price points, which suit the needs of the value market" (Boisvert and Ashill 2018a, p. 1037). As one of the brand extension strategies that offers lower priced and lower quality options, the downward extension aims to increase the scope of target groups and increase revenue but to avoid cannibalizing parent brands in same market segments (Mendoza 2011). Since a DE reduces the risk inherent in introducing new products and allows brands to enter different markets and thus attract new consumer groups, DEs have commonly been adopted by Hong Kong fashion brands to leverage brand equity (Choi et al. 2011). For instance, one mass-market Hong Kong fashion brand, Giordano, has adopted a downward extension strategy by extending the Blue Star brand to launch new products and expand its customer base (Choi et al. 2010; Wirtz 2011). In 2017, Blue Star (BSX) experienced HK\$142 million in sales, accounting for approximately 0.2% of the retail value in Hong Kong's market (Euromonitor International 2018b; Giordano International Limited 2017).

According to the categorization theory, consumers are likely to appraise products based on positive associations with the parent brand, and the perceived fit between parent brands and new brands (Dens and De Pelsmacker 2010). Parent brand association can be beneficial to brand extensions because it includes associations with the attributes of and attitudes towards the parent brand (Aaker and Keller 1990). Moreover, when consumers identify similarities (fit) between the new extended brand and the existing brand, consumers are likely to associate the new brand with the attributes of the brand's category stored in their minds (Aaker and Keller 1990; Dalman and Puranam 2017). Thus, previous researchers have found that consumers' attitudes toward brand extensions (e.g., familiarity, trust, quality) changed when evaluating new downward extension brands for consistency and similarity (Choi et al. 2010; Martin et al. 2005).

However, previous literature has posited that the uncertainty inherent in DEs may be due to brands' dilution problem (Magnoni 2016; Dall'Olmo-Riley et al. 2014), while others have suggested that DEs might be profitable only in the short term (Choi et al. 2010). In the fashion industry, downward extension studies have predominately focused on luxury brands (Boisvert and Ashill 2018a, b; Dall'Olmo-Riley et al. 2013; Stankeviciute and Hoffmann 2010). As there are few existing studies focusing on the downward extensions

of mass fashion brands, this study purports to understand the influences of the downward extension of an existing mass fashion brand in Hong Kong. The study's objectives are to investigate how consumers evaluate downward extensions by parent brands, and to examine how associations with parent brands as perceived fit can lead to higher purchase intentions. Consequently, these findings can provide managers a way to understand how downward extension strategies can reach consumers more effectively for both new and existing brands.

Literature review and hypothesis development

Downward extensions and the categorization theory

"Brand extension" is defined as allowing "established brand names to enter new product categories or classes" (Keller and Aaker 1992, p. 35). Two categories of brand extension include (a) horizontal extension, which refers to extending the existing brand name into a new product category or field, and (b) vertical extension, which seeks to enter a target market at a different level of price and quality (Choi et al. 2010; Kim and Chung 2012). In terms of vertical extension, when the price and quality of a new product is set as higher than that of the existing product, this is referred to as upward extension (UE). Conversely, if the price and quality is set as lower than that of the existing brand, then this indicates a downward extension (DE) (Kim et al. 2001). By positioning products differently from their parent brands, the DE may enhance consumer satisfaction and firm performance by establishing new businesses that offer cheaper but acceptable products (Dall'Olmo-Riley et al. 2014). In comparison with the UE, the DE may easily tap into unexplored markets to cover broader consumer territory under the same corporation (Goetz et al. 2014). Thus, numerous fashion brands and retailers attempt to launch lower priced labels, as there is a high demand for products of acceptable quality at lower prices (Magnoni 2016). However, since new DE brands offer lower priced products, consumers may thus associate these lower prices with lower quality, which may result in the dilution of the parent brand's image (Keller 2013). Consequently, it is important to investigate the ways in which consumers evaluate the differences in the DEs of parent brands and their extended brands, and how this can influence purchase intentions toward extended brands. Jung and Seock (2016) found that consumers' attitudes toward brands significantly affected their purchase intentions. When consumers perceive the parent brand more favorably and associate this favorable attitude with its extended brands, this could lead to successful brand extensions (Keller 2013).

The categorization theory posits that consumers store information about existing products as categorical representations, and sort new information into their existing categorical representations through cognitive systems (Loken et al. 2008). Individuals commonly organize objects into different cognitive categories in their memories for better structural information processing (Rosh and Mervis 1975). This explains how individuals' attitudes towards items exist in categories, because people tend to compare new situations to past experiences (Cohen 1982; Read 1983). In this sense, people judge and evaluate new objects through a categorization process based on the existing objects in that category (Fiske 1982). For instance, a brand may be sorted into a category containing its products, brand names, and other attitudes towards the brand (Bhat and Reddy 2001; Park et al. 1991). When attitudes towards a parent brand exist as a category in

consumers' memories, this category may influence consumers' attitudes towards brand extensions, and consumers may go through the categorization process again when they are exposed to new extended brands (Dwivedi and Merrilees 2013). Consumers tend to evaluate products based on two criteria: positive associations with the parent brand, and the perceived fit between parent brands and new brands (Dens and De Pelsmacker 2010). Parent brand associations include associations with the attributes of the parent brand and the attitudes towards the parent brand, both of which can be beneficial to brand extensions (Aaker and Keller 1990). The formation of attitudes is based on certain attributes, and these attributes and attitudes towards the brand may be stored in the same category as associations with the parent brand (Garvin 1984).

When consumers perceive similarities (fit) between the new extended brand and the existing brand, it is easier for them to process information about the extended brand through category-based processing. Subsequently, consumers are able to tie the attributes of the new brand in with the attributes of the category stored in their minds (Aaker and Keller 1990; Dalman and Puranam 2017; Dall'Olmo-Riley et al. 2014). Likewise, perceived fit refers to "the degree of proximity between the parent brand and the extension product" (Chiu et al. 2017, p. 159). A better perceived fit may transfer positive associations with the parent brand to the new extended brand, which may enhance consumers' attitudes towards the brand's extension (Sattler et al. 2010). In other words, perceived fit may influence consumers to develop greater trust toward new products, which can then lead to purchase intentions (Buil et al. 2009). Lower perceived fit or incongruence may result in an inadequate categorization process that can decrease consumers' purchase intentions toward the new brand (Song et al. 2013). Previous studies have found that a high degree of perceived fit was positively associated with the evaluation of brand extensions and also enhanced consumers' intentions to use the brand extension's products (Choi et al. 2010; Hill and Lee 2015; Song et al. 2013). Similarly, Ashton and Scott (2011) emphasized that perceived fit was found to be positively related to consumers' purchase intentions towards the brand extension's products.

Associations with parent brands and evaluation of downward extensions

Brand extension strategies can significantly improve performance through exploiting the parent brand's equity (Ahn et al. 2018). In other words, Keller (2013) argued that strong, preferential, and unique brand associations can act as prerequisites for establishing customer-based brand equity as well as in generating favorable circumstances for brand extensions. "Brand association" is defined as "anything linked in memory to a brand" (Low and Lamb 2000, p. 351). Before consumers become familiar with an extended brand, they may draw on brand association by processing information about the parent brand that is stored in their memories and may be used to evaluate the extended brand (Aaker 1991). Brand association can be formed in many ways, such as consumers' personal experiences, and the brand's own name or trademark (Keller 2013). Consumers may develop a more positive attitude towards familiar brand names than unfamiliar ones, as brand familiarity relates to brand association (Arslan and Altuna 2010). This suggests that when consumers evaluate brand extensions and parent brands, they are likely to pay more attention to new product lines, to search for new products, and to buy products from extended brands as they are associated with

their parent brands (Choi et al. 2010). Moreover, depending on the functional and aesthetic attributes of the products, consumers may differently evaluate the quality, color, brand name and other elements of the products from the parent and extended brands (Romeo 2009).

Likewise, consumers' strong beliefs about parent brands may offset a lack of knowledge toward the new brand, potentially resulting in a more positive attitude toward the brand's downward extension (Hem et al. 2003; Keller and Aaker 1992). Higher perceptions of quality may lead to a more favorable evaluation of the brand's extension (Choi et al. 2010). In addition, the parent brand's name, as the label in a given category, can be considered one of the brand's attributes, thus providing a basis for evaluating its extension (Klink and Smith 2001; Olavarrieta et al. 2009). Thus, this study aims to examine how four aspects of parent brand association (brand familiarity, brand trust, perceived quality and brand name) can influence consumers' evaluations of a brand's downward extension strategy.

Brand familiarity

Brand familiarity is defined as the "consumer's level of exposure to a specific brand and how well it reflects the consumer's level of knowledge about the brand" (Kim and Chung 2012, p. 205). Based on the categorization theory, consumers may have a stronger association between a parent brand and its extended brand when they are familiar with the parent brand (Goetz et al. 2014). When consumers develop a positive initial image of familiar brands, their perceptions of the brands' attributes can help in developing precise opinions and knowledge of the brands under the "halo effect" (Martínez and Pina 2010, p. 1185). Laroche et al. (1996) suggested that repeated exposure can lead to increased familiarity with brands. In this sense, when a brand is repeatedly exposed to consumers, this will lead to the formation of positive attitudes and greater familiarity, which can result in a higher tendency to purchase products from this brand due to the lower perception of risk associated with familiar brands (Park and Stoel 2005).

Conversely, consumers may negatively evaluate a brand if they are unfamiliar with it, as greater risks may be involved (Ghosh et al. 1995). Thus, brand familiarity may have a positive effect on consumers' levels of satisfaction (Tam 2008). Similarly, Kim and Chung (2012) supported this view, indicating that greater familiarity with the parent brand leads to a more positive perception of the brand's extension. However, Dall'Olmo-Riley et al. (2014) pointed out that there may be a high risk of diluting the parent brand's image with vertical brand extensions, especially in the case of a DE. Yet, if the consumer is highly familiar with the parent brand, this may decrease the risk of diluting the brand's image (Arslan and Altuna 2010). Previous research found similar results, indicating that familiarity with the parent brand may enhance consumers' positive perceptions of the brand's extensions (Klink and Smith 2001; Martinez et al. 2008; Sheinin 2000). Kim and Chung (2012) found that brand familiarity had a positive effect on vertical brand extensions. Therefore, the following hypothesis is proposed:

H1: Familiarity with parent brands will positively influence the evaluation of downward extensions.

Brand trust

Brand trust is defined as “the willingness of the average consumer to rely on the ability of the brand to perform its stated function” (Chaudhuri and Holbrook 2001, p. 82). According to the theory of brand equity, brand trust may result in repurchasing intentions (Chen-Yu et al. 2016) and increased brand loyalty (Chae and Ko 2016). When brands are highly trusted, consumers may be more likely to try the extended brand, since they may assume that a trustworthy brand is not likely to launch flawed products (McWilliam 1993). Keller and Aaker (1992) posited that acceptance of brand extensions is highly correlated with brand trust. In this sense, Reast (2003) indicated that consumers tend to rate extensions of trusted brands significantly higher than those of less trusted brands. By measuring brand trust, Vanhoner (2007) found that faith and predictability positively influenced attitudes toward brand extensions. Similarly, Reast (2005) emphasized that credibility and performance satisfaction could improve brand trust and thus may lead to success in brand extension strategies. Therefore, the following hypothesis is proposed:

H2: Trust in parent brands will positively influence the evaluation of downward extensions.

Perceived quality

“Perceived quality” is defined as “judgment about a product’s overall excellence or superiority” (Zeithaml 1988, p. 3). Based on the categorization theory, brand extensions may be associated with previous knowledge of the parent brand (Aaker and Keller 1990; Choi et al. 2010). The quality of the parent brand may greatly influence the success of the brand’s extension (Lahiri and Gupta 2006). This implies that consumers may transfer their perceived quality from the parent brand to the brand’s extension. Similarly, Yeung and Wyer (2005) explained that consumers’ positive perceptions of the parent brand may strongly influence their evaluation of the extended brand. In this sense, Pina et al. (2006) reinforced that perceptions of the quality of parent brands influences perceptions of the quality of the brands’ extensions. A recent study by Milberg et al. (2013) reported that perceived quality was positively related to consumers’ preferences toward brand extensions. Likewise, Carter and Curry (2013) supported that if consumers perceive the parent brand as high quality, then they may develop a positive perception of the quality of the extended brand. Therefore, following hypothesis is proposed:

H3: Parent brands’ perceived quality will positively influence the evaluation of its downward extension.

Brand name

The brand name is one of the most essential elements in evaluating the value of products and is used as a reference in making decisions (Sharma and Garg 2016). When businesses implement brand extensions, it may be better to provide the extension with a new brand name, thereby achieving a competitive advantage (del Río et al. 2001; Kapferer

2008). Courtyard Inn by Marriott is a good example of an extension with a new brand name (Kim et al. 2001). Chen et al. (2015) pointed out that a brand name may affect the success of the brand's extension. If the brand name is simple and more familiar, consumers may be able to remember it longer, as this information can be stored in consumers' long-term memories (Baxter et al. 2015).

Similarly, Goetz and Fassnacht (2015) emphasized that a brand name strategy could positively promote the success of an upward brand extension. A distinctive brand name may lead to a successful brand extension, as this would preserve the association between the new extended brand and the parent brand (Chen et al. 2015; Olavarrieta et al. 2009; Sood and Keller 2012). More importantly, a distinctive brand name may prevent the incursion of negative effects on the parent brand brought on by the failure of its extension. Therefore, the following hypothesis is proposed:

H4: The parent brand name will positively influence consumers' evaluations of its downward extension.

Perceived fit and purchase intention toward downward extensions

"Perceived fit" refers to the degree of consumers' perceptions of the similarities between the new extended brand and the existing parent brand (Smith and Park 1992). Ashton and Scott (2011) stated that perceived fit is positively related to consumers' purchase intentions towards a brand extension's products. Czellar (2003) characterized perceived fit according to the number of common associations between the parent brand and the brand's extension. When a perceived fit exists between a parent brand and its extended brand, how well consumers' knowledge of the new extended brand matches with that of the parent brand may result in a categorization process. This process could then lead to an optimistic evaluation of the brand's extension (Desai et al. 2014; Hill and Lee 2015; Song et al. 2013). In this sense, a higher perceived fit could lead to acceptance of the brand's extension, thereby resulting in a positive attitude towards the brand's extension (Evangeline and Ragel 2016). Conversely, Coleman and Sherrell (2014) found that low perceived fit may diminish consumers' purchase intentions toward products from the downward extension.

Likewise, perceived fit plays a significant role in consumers' preferences for the extended brands (Völckner and Sattler 2006). Bridges (1990) sought to investigate perceived fit from the perspective of the similarities in products' features and the consistency of the brand's concept. Keeping a brand's concept consistent can reduce cognitive tension in the structure of knowledge (Bengtsson et al. 2010). On the other hand, price plays a significant role in evaluating the brand's extension when the new product's concept is not similar to that of the core brand (Taylor and Bearden 2002). If the new product's concept is not like the core brand's products, consumers tend to process information about the new products through piecemeal processing, using available clues such as price to make inferences (Aaker and Keller 1990; Klink and Smith 2001). Thus, perceived fit, as applied to three aspects of product characteristics (similarity, brand concept consistency, and price), was examined to determine its influence on purchase intentions.

Brand concept consistency

“Brand concept consistency” is defined as “category structures in consumers’ minds and consist of attribute interrelations, structured product beliefs and emotions developed through experience with the product” (Even and Lars 2012, p. 1111). When consumers make decisions to purchase the products of extended brands, they may consider their functional attributes such as fit, style, and color (Hill and Lee 2015). If the functional attributes of the new products are similar to the familiar aspects of the existing brand’s products, this will improve the perceived fit and may make consumers decide to purchase the new products (Hill and Lee 2015). “Brand concept” relates the abstract aspects of brands to the brands’ positions in consumers’ minds (Choi et al. 2010). Park et al. (1991) further pointed out that the extended brands may earn consumers’ favor if they think the brand concepts are consistent with those of the parent brands. The process that consumers use to evaluate the similarities between the concepts of two brands on an abstract level is called the “evaluation of brand concept consistency,” which is a category-based processing of information (Even and Lars 2012). “Brand consistency” means “maintaining the strength and favorability of brand associations” (Keller 2013, p. 480).

In this regard, brand consistency is significant in forming consumers’ attitudes towards the vertical extension, as the formation of consumers’ attitudes towards the brand’s extension also involves the processing of information (Dall’Olmo-Riley et al. 2014). Martin et al. (2005) found that the extended product and the original may have positive associations if there is high brand consistency, although this may differ across product categories. Kalamas et al. (2006) posited that attitudes toward parent brands may positively affect perceived fit only when a brand’s extension is consistent with the parent brand. Similarly, Choi et al. (2010) found that brand consistency has a positive influence on consumers’ demand for products from the brand’s extension. Consequently, the following hypothesis is proposed:

H5: The consistency of a brand’s concept in its downward extension will positively influence higher purchase intentions.

Product feature similarity

Fashion consumers tend to evaluate products based on features such as design, pattern, and color (Jeong and Lee 2014). Product feature similarity is positively associated with customer preferences, as well as with the sales of the extension (Chakravarti et al. 1990). According to Park et al. (1991), product features are characteristics that can fluctuate from a concrete level (e.g., engine size) to an abstract level (e.g., used in outdoor activities” (p. 186). Lower perceived fit in terms of product feature similarity was found to result in negative consumer responses (Dens and De Pelsmacker 2015). In contrast, higher similarities resulted in higher purchase intentions (Liang et al. 2010). Aaker and Keller (1990) emphasized the three dimensions of product feature similarity as “(a) transfer explains as the perceived applicability of the skills and assets of a competent manufacturer in the original product

class for making the product extension, (b) complement addresses the perceived product class complementarity, and (c) substitute refers to the perceived product class substitutability” (p. 38). Similarly, Fu et al. (2009) found that complementarity, substitutability and transferability were positively associated with brand extension evaluation. Complementarity and substitutability affect consumers’ attitudes toward fashion brands’ extensions and lead to positive purchase intentions (Choi et al. 2010; Liu and Choi 2009).

Previous literature has also argued that substitutability would positively influence purchase intentions towards a brand’s extension (Nijssen and Hartman 1994). However, a recent study by Fu et al. (2009) found that transferability was highly significant among the three dimensions in determining purchase intention (Fu et al. 2009). Tang et al. (2008) also supported this view, as a high degree of transferability results in favorable evaluations of the brand’s extension. Thus, the following hypothesis is established:

H6: Product feature similarity such as (a) product complementarity, (b) substitutability, and (c) transferability will positively influence higher purchase intentions.

Pricing

The similarity between the prices of the extension’s products and the price–quality image of the parent brand may influence consumers’ evaluations of products from the extended brand (Michel and Salha 2005). Vertical extensions are conceptually similar to the parent brand, as they offer the same product categories at different price–quality points (Dall’Olmo-Riley et al. 2014). In other words, consumers may be more likely to accept extended brands because these brands are associated with the parent brand (Dall’Olmo-Riley et al. 2014). Consumers’ positive feelings could be aroused when the products have discounted prices (Lee and Chen-Yu 2018) as price sensitive consumers may favor more economical products (Saha 2014). DEs often launch new products with lower prices and lower quality than the products of the existing brand (Kim et al. 2001). However, although DEs usually offer low prices and lower quality, these prices may be a strong indicator of value as opposed to the low-quality products provided by high and medium quality brands (Taylor 2009).

Compared to upward pricing or/and increasing prices, the DE’s prices may be more acceptable to price-sensitive consumers, as they might perceive greater monetary value from products offered by the DE (Goetz et al. 2014; Lahiri and Gupta 2006). Therefore, lower prices may result in positive purchase intentions toward fashion brand extensions, as consumers may perceive more value for their money (Dall’Olmo-Riley et al. 2014). Similarly, Taylor and Bearden (2002) found that price plays an important role in shaping consumers’ attitudes toward brand extensions. Thus, the following hypothesis is established:

H7: The prices of the downward extension’s products will positively influence higher purchase intentions.

Methods

Data collection and sampling

An online survey was created through Google Forms, as this platform provided easy accessibility and a higher response rate, while also allowing us to reach out to a large number of respondents in a short period of time (Wright 2005). Since snowball sampling can reach a wider population by offering invitations to participate (David 2008), the snowball approach was deemed appropriate for this study. Once all questionnaires were inputted into Google Forms, the survey's link was distributed to participants.

As a large number of users in Hong Kong can be found on two social media platforms, WhatsApp and Facebook, the online survey link was distributed through these two platforms for data collection during the Spring of 2018. There are a greater number of social media users among millennials (marketingsherpa.com 2015) and only 7% of Facebook and WhatsApp users are below 18 years of age (Cooper 2018). As higher number of Facebook and WhatsApp users are ages 18 through 40 (Goldenberg 2012; Hatch 2018), this study set the age range of the sample frame between 18 and 40. The age question was set as a screening question to filter out those under age 18. For instance, if respondents chose "age below 18," then they were not allowed to proceed further in the survey.

Prior to the main survey, it was essential to conduct a pilot test to assess the feasibility and content validity of the instruments (Lee and Ha-Brookshire 2017; Leon, Davis, and Kraemer 2011; Reast 2005). Moore et al. (2011) suggested that 12 participants who were relevant to the study's objectives might be appropriate as a sample size, thereby a total of 40 data sets were collected. To increase the response and accuracy rate, the survey was constructed in English, but a Chinese translation was provided under each English question. Participants did not report any discrepancies or difficulty with the wording. Therefore, no modification of the wording was needed.

In this study, the leading Hong Kong fashion brand Giordano was selected to investigate consumers' attitudes toward their downward extension (HKTDC.com 2018). Giordano is famous for its basic clothing items including practical T-shirts and comfortable denims (Giordano International Limited 2018). Established in Hong Kong in 1981, Giordano has been ranked as one of the top ten fashion brands in the Hong Kong market, reporting over 5.4 billion in sales in 2017, following G2000, Uniqlo, and H&M (Euromonitor International 2018b; Giordano International Limited 2017). Based on the success of the BSX (Giordano's first brand extension), Giordano launched a downward extension called Beau Monde by Giordano (Giordano International Limited 2014). Beau Monde's products were relatively cheaper than Giordano's, ranging from HKD \$29 to HKD \$99. In this study, target respondents were between 18 and 40 years of age, covering Generation Y and Generation Z, which were the target consumer groups of Giordano and its extended brand, Beau Monde (Bassiouni and Hackley 2014). Consequently, Giordano and Beau Monde appropriately fit this study's objective. Finally, a total 203 data sets were collected and used for hypotheses testing.

Instrument

The main survey was constructed using existing items, on a 7-point Likert scale ranging from (1) strongly disagree to (7) strongly agree. Measurement items were adopted from

previous studies, and wordings were modified to fit the study's objectives by using specific names of parent brands and extended brands.

Associations with parent brands, brand familiarity, brand trust, perceived quality, and brand name were measured in this study. First, to measure brand familiarity, a 5-item scale was adapted from Martínez and Pina (2010) and items were included such as, "I am familiar with Giordano." To assess brand trust, a 4-item scale was adapted from Gurveyez and Korchia (2002), including items such as, "I think Giordano is a trustworthy brand." Perceived quality was measured using a 6-item scale that was adapted from Choi et al. (2010), which included items such as, "The functionality of the Giordano products fulfills my expectations." To measure brand name, a 3-item scale was adapted from Sood and Keller (2012), and items included, "Giordano should name its downward extended brand in a way that is irrelevant to Giordano."

Items to measure the evaluation of the brand's extension were adapted from Choi et al. (2010), and a 3-item scale was used with items such as, "I have the intention to evaluate Giordano's downward extended brand if I am introduced to it." To measure perceived fit, five variables were assessed, including consistency of brand concept, product complementarity, substitutability, transferability, and pricing. The 5-item scale used to measure brand concept consistency was adapted from Choi et al. (2010), and items included, "In terms of product image, I think Giordano and its extension brand Beau Monde are similar to each other." Based on the research of Aaker and Keller (1990), the category for measuring similarities in product features was divided into three dimensions: complementarity, substitutability, and transferability. The 3-item scale for complementarity and the 3-item scale for substitutability was adapted from Chowdhury (2007), and items included, "The products offered by Beau Monde can complement the products offered by Giordano to make a complete look," and "I think Beau Monde products can be substituted for Giordano products to fulfill my needs."

Moreover, the 3-item scale of product transferability was adapted from Aaker and Keller (1990), and items included statements such as, "I feel that the manufacturing labor, facilities, and skills employed in Giordano's production can be transferred and applied to Beau Monde's production effectively." The 3-item scale for price sensitive was adapted from Huber et al. (2012), and included items such as, "I am interested in Beau Monde and its products if they offer competitive prices."

Consumers' purchase intentions were measured using a 3-item scale from O'Cass and Grace (2003), and items included statements such as, "It is very likely that I will buy Beau Monde clothing when I can find it in the market." Lastly, demographic information was asked, such as gender, education level, income level, and age.

Data analysis and results

Characteristics

A total of 203 data sets were analyzed in this study, and approximately 58% of respondents were females between 18 and 25 years of age (59%). The majority of respondents (82.3%) reported their education level as bachelor's degree or above, and around 59% of respondents indicated their monthly income as HK\$5000 or below. Detailed information is shown in Table 1.

Table 1 Characteristics of respondents

Characteristics	N (%)
Gender	
Female	118 (58.1%)
Male	85 (41.9%)
Age	
18–25	120 (59.1%)
26–30	61 (30.1%)
31–35	18 (8.9%)
36–40	4 (2.0%)
Education level	
Middle school or below	1 (0.5%)
Diploma/associate degree	35 (17.2%)
Undergraduate degree or above	167 (82.3%)
Monthly income	
\$5000 or \$10,000	125 (61.6%)
\$10,001–\$20,000	70 (34.5%)
\$20,001–\$30,000	7 (3.5%)
\$30,001–\$35,000	1 (0.5%)

Reliability testing

The reliability test assessed the internal consistency of the items under each variable (Chakrapani 2004). When the Cronbach's alpha score was higher than 0.7, the internal consistency was considered to be acceptable (Pallant 2007). Since measurement items were developed to fit the study's objectives, the reliability of the items' internal consistency was evaluated, and items were excluded that indicated less than 0.7 reliability. In this regard, one of the items used to measure brand familiarity was excluded, thereby four items were used. Moreover, one item from "perceived quality" and one item from "brand concept consistency" was removed for further analysis, as they produced similar results, indicating a poor level of reliability lower than 0.7 (Table 2).

Hypothesis testing

Stepwise regression was conducted to test the hypotheses, and the *t*-value was used as the reference indicator for significant independent variables (Chen and Howard 2016). The *t* test was conducted to evaluate the relationships between each independent and dependent variable. Brand name ($p > 0.5$) was found to be an insignificant influence on downward extension evaluation, and complementarity ($p > 0.5$) was found to insignificantly influence purchase intention. Therefore, two variables were excluded for stepwise regression analysis.

First, in Model 1, perceived quality ($\beta = 0.63$, $p < 0.01$) was examined to determine its influence on evaluating downward extensions. Second, in addition to perceived quality, brand trust ($\beta = 0.23$, $p < 0.01$) was examined to determine its influence on evaluating downward extensions in Model 2. In Model 3, brand familiarity was added, along with perceived quality and brand trust. Among all three models, Model 3 was reported to be the best model ($r^2 = 0.44$, $RMSE = 0.64$). Specifically, brand familiarity (H1: $\beta = 0.14$, $p < 0.05$), brand trust (H2: $\beta = 0.17$, $p < 0.05$) and the perceived quality of parent brands

Table 2 Results of the reliability testing of the items

Variable	α	Items	Mean	Std. deviation	Corrected item-total correlation	Squared multiple correction
Brand familiarity	.84	I know what kinds of product Giordano is selling	5.80	1.06	.69	.50
		I know the price range of the Giordano products	5.34	.96	.68	.46
		I am aware of the range of products sold by Giordano	5.27	1.05	.71	.52
		I am familiar with Giordano	4.69	.95	.61	.38
Brand trust	.80	I think Giordano is a trustworthy brand	5.56	.86	.63	.40
		I think Giordano is a sincere brand	5.20	.80	.59	.37
		I am confident in Giordano because of its well-known reputation	5.15	.75	.63	.41
Perceived quality	.82	I think Giordano sells the good quality products I expect.	5.14	.84	.67	.46
		The quality level of the products provided by Giordano satisfies me	5.07	.82	.63	.42
		Giordano products are durable	5.27	.90	.59	.36
		The functionality of Giordano products fulfills my expectations	5.18	.78	.65	.45
		Giordano cares about the performance of its products	4.87	.88	.54	.29
Brand name	.86	Giordano should not name its downward extended brand in a way that identifies it as Giordano's extension	4.33	1.37	.73	.54
		Giordano should name its downward extended brand in a way that does not identify it with Giordano	4.06	1.34	.70	.49
		I think Giordano's downward extended brand should not have a name that is related to Giordano	4.13	1.41	.76	.59

Table 2 (continued)

Variable	α	Items	Mean	Std. deviation	Corrected item-total correlation	Squared multiple correction
Evaluation intention	.79	I have intention to evaluate the downward extended brand of Giordano if it introduces one	5.30	.98	.68	.47
		I will search for product information about Giordano's downward extended brand if it introduces one	5.05	1.10	.59	.35
		If Giordano launches a downward extended brand, I will consider purchasing the products from this new brand	5.21	.95	.65	.44
Brand concept consistency	.80	I think the products offered by Giordano and its extended brand Beau Monde can be used simultaneously	4.99	1.00	.60	.39
		The products offered by Beau Monde can complement the products offered by Giordano to make a complete look	5.13	.98	.60	.40
		I think the products offered by Giordano and Beau Monde have different values	5.03	1.07	.66	.47
		I think the products offered by Giordano and its extended brand Beau Monde can be used simultaneously	5.23	.980	.60	.37
Product complementarity	.83	I think the products offered by Giordano and its extended brand Beau Monde can be used simultaneously	5.32	.97	.67	.49
		The products offered by Beau Monde can complement the products offered by Giordano to make a complete look	5.32	.91	.76	.58
		I think the products offered by Giordano and Beau Monde have different values	5.35	.94	.63	.42

Table 2 (continued)

Variable	α	Items	Mean	Std. deviation	Corrected item-total correlation	Squared multiple correction
Product substitutability	.87	I think Beau Monde products can replace Giordano products to some extent to fulfill my needs	5.27	1.05	.74	.55
		I think Beau Monde products can be substituted for Giordano products at a certain level to fulfill my needs	5.26	.97	.76	.58
		I think Beau Monde products can supplant Giordano products to some extent to meet my needs	5.32	.95	.74	.55
Product transferability	.84	It would benefit Beau Monde to use the same people, facilities and skills used in Giordano's production to produce Beau Monde products	5.79	1.03	.73	.53
		I feel that the manufacturing labor, facilities, and skills employed in Giordano's production can be transferred and applied to Beau Monde production effectively	5.71	.96	.70	.48
		I think that the technology used to produce Giordano products can be transferred to Beau Monde products.	5.83	1.01	.72	.51
Lower price	.87	I would be tempted by Beau Monde products if they are offered at lower prices	5.85	.95	.76	.59
		I would be attracted to Beau Monde products if they are offered at a favorable price	5.67	1.00	.78	.61
		I am interested in Beau Monde products if they have competitive prices	5.75	1.00	.72	.52

Table 2 (continued)

Variable	α	Items	Mean	Std. deviation	Corrected item-total correlation	Squared multiple correction
Purchase intention	.87	I have the intention to purchase Beau Monde products if they are available in the market	5.07	.95	.78	.61
		It is very likely that I will buy Beau Monde clothing when I can find it in the market	5.07	1.01	.75	.56
		The probability that I will buy clothing from Beau Monde is very high	5.02	.97	.73	.54

Table 3 Stepwise regression results for evaluation intention

Model:	Criterion variables: standardized coefficients (<i>p</i> -values)		
	Evaluation intention		
	Model 1	Model 2	Model 3
Independent variables			
Perceived quality	0.63**	0.51**	0.48**
Brand trust		0.23**	0.17*
Brand familiarity			0.14*
F(ΔF)	133.15**	76.86** (12.77**)	54.08** (5.25*)
R ² (ΔR^2)	0.40	0.44 (0.04)	0.45 (0.02)
Adjusted R ²	0.40	0.43	0.44
RMSE	0.66	0.64	0.64

** Significant at *p*-value < 0.01. * Significant at *p*-value < 0.05

(H3: $\beta = 0.484$, $p < 0.01$) were positive influences on evaluating downward extensions. The perceived quality of the parent brands was demonstrated as the most powerful factor in evaluating downward extensions. However, Hypothesis 4, measuring the positive effect of the parent brand's name on evaluating its DE, was not supported. Detailed information is shown in Table 3.

Regarding consumers' intentions to purchase products from the DE, product complementarity was removed, as the *p*-value of the *t*-test exceeded 0.5. This implied that product complementarity did not have an influence on higher purchase intentions toward the DE. In order to investigate purchase intentions, stepwise regression was conducted, and the *t*-value was used as the reference indicator for significant independent variables. Model 1 was examined with only pricing included ($\beta = 0.59$, $p < 0.01$), and demonstrated a positive influence on higher purchase intentions. In Model 2, substitutability was added as an independent variable. Substitutability ($\beta = 0.27$, $p < 0.01$) had a positive effect on higher purchase intentions. In Model 3, transferability ($\beta = 0.59$, $p < 0.01$) was added, which resulted in a positive influence on higher purchase intentions. Model 4 included all other variables, such as pricing, substitutability, transferability, and brand concept consistency, and indices were reported as $r = 0.66$, adjusted $r^2 = 0.42$, and RMSE = 0.66.

Brand concept consistency (H5: $\beta=0.12$, $p<0.05$), substitutability (H6b: $\beta=0.17$, $p<0.05$), transferability (H6c: $\beta=0.16$, $p<0.05$) and pricing (H7: $\beta=0.41$, $p<0.01$) were a positive influence on higher purchase intentions toward the DE. Based on the results of Model 4, pricing was indicated as the strongest influence on purchase intentions toward the DE. On the other hand, Hypothesis 6a to measure the relationship between product complementarity and purchase intention was not supported in this study. Consequently, the hypotheses about the factors that influence purchase intentions were only partially supported (Table 4).

Results

Given that many fashion brands in Hong Kong pursue extension strategies to survive in an uncertain environment and to meet the volatile demands of consumers, this study investigated how downward extensions could be successfully launched and expanded to reach different age groups and target consumers. Based on the categorization theory and perceived fit as a research framework, this study examined how associations with parent brands could influence consumers' evaluations of their extensions, and how the perceived fit of these extended brands could lead to purchase intentions. In turn, this study extended the theories of categorization and perceived fit to enhance understanding of downward extensions. Based on Aaker and Keller's (1990) study, Kim et al. (2001) extended the categorization theory to help understand consumers' evaluations of vertical extensions (e.g., higher pricing) and their parent brands. Numerous studies (Dens and De Pelsmacker 2015; Dwivedi and Merrilees 2013; Huber et al. 2012) have also adopted the categorization theory to apply to brand extension studies. However, this study is the one of the few to examine downward extensions in the fashion business. Our findings contribute the knowledge that the categorization and perceived fit theories can better explain both vertical and downward extension strategies.

The results of this study found that familiarity with the parent brand had a positive influence on evaluating a downward extension. This indicated that when consumers are familiar with the parent brand, they might have a stronger and more positive association between the parent brand and the extended brand (Musante 2007). Although consumers might not have positive associations with low quality products from parent brands, they

Table 4 Stepwise regression results for evaluation intention

Model:	Criterion variables: standardized coefficients (p-values)			
	Purchase intention			
	Model 1	Model 2	Model 3	Model 4
Independent variables				
Pricing	0.59**	0.46**	0.41**	0.41**
Substitutability		0.27**	0.20**	0.17*
Transferability			0.18**	0.16*
Brand concept consistency				0.12*
F(ΔF)	105.31**	66.44* (18.44**)	48.47** (7.93*)	38.05** (4.34*)
R ² (ΔR^2)	0.34	0.40 (0.06)	0.42 (0.02)	0.44 (0.01)
Adjusted R ²	0.34	0.39	0.41	0.42
RMSE	0.71	0.68	0.67	0.66

** Significant at the p-value < 0.01. * Significant at the p-value < 0.05

might perceive less risk in familiar brands (Park and Stoel 2005). As the DE is only one type of vertical extension, this finding supported a previous study by Kim and Chung (2012) that consumers who were familiar with the parent brand might be more inclined to purchase products from the extended brands and have a more favorable evaluation of the extended brands. This implies that it is important to launch a downward brand that does not pursue a completely different identity from its parent brand, but it is also critical to develop a positive brand image for the parent brand. Therefore, consumers can access positive information about brands more easily, and even alleviate the impact of negative information (Dawar and Lei 2009), allowing them to develop a positive attitude towards those downward extensions that are more familiar in their minds.

Similar to the findings of previous studies (Reast 2005; Wu and Yen 2007), the results of this study indicated that trust in the parent brands might have a positive influence on evaluating a downward extension. This is because consumers might worry about the DE, as the DE features lower quality products. Likewise, when consumers develop better trust in the parent brands, they tend to believe that the parent brand has the ability to perform the stated function and deal with consumers honestly. This implies that consumers will positively evaluate the DE (Dwivedi and Merrilees 2013). In other words, it is important to improve and create brands' integrity and reputations through their product declarations conveyed in advertisements and in personal interactions with consumers (Reast 2005).

The results of this study indicated that perceptions of the quality of parent brands had a positive influence on evaluating their downward extensions. Giordano was used in this study because it is a well-known mass label fashion businesses established in Hong Kong. By using Giordano as the example in this study, consumers demonstrated a greater willingness to consider Giordano's brand extension. This result was similar to a study by Liu and Choi (2009) which found that higher perceptions of the quality of parent brands led to a more favorable evaluation of the brands' extensions. As competition is intense among fashion brands, the quality of products is becoming much more important, and is perceived to be the most fundamental measure of brand identity (Choi et al. 2010). Therefore, managers should not neglect the quality of their products even in their downward extensions.

On the other hand, brand name was not statistically supported in this study. This might be due to Giordano's sub-brand naming strategy for its downward extension. A study by Chen et al. (2015) found that sub-branding naming strategies were insignificant to consumers' evaluations. As sub-branding creates completely different brand names for the DEs, it may be better to generate unique brand images different from the parent brand's identity, but this could also dilute the parent brand's image (Chen et al. 2015).

This study found that consistency of the DE's brand concept was also important and related to consumers' purchase intentions. Previous studies have posited that brand concept consistency has helped to develop stronger associations between brand extensions and their parent brands (Keller 2013; Martin et al. 2005). In other words, when businesses extend downward, it is critical to consider how not to dilute or disrupt core brand images but to consistently carry out core identity markers. Thus, managers and decision makers could consider an umbrella branding strategy, where "a parental brand name is applied to a range of products to create a 'halo effect'" (Kooli et al. 2016,

p. 1005). Several well-known fashion brands, such as Zara (clothing, houseware) and Giorgio Armani (clothing, houseware, perfume, cosmetics, café), have pursued umbrella branding that “leverage[s] the reputation attached to a brand name” (Miklós-Thal 2012; p. 335). This may result in higher satisfaction and a better consumer experience. If the brand is dependable, the extent to which its quality is consistent and meets expectations enhances word-of-mouth communication (Reast 2005).

Moreover, product transferability was found to be a positive influence on higher purchase intentions, which is similar to the findings of Aaker and Keller (1990), Choi et al. (2010), and Liu and Choi (2009). This was because a parent brand with good quality and a better reputation could transfer consumer confidence to the brand’s extension (Liu and Choi 2009). Likewise, as Giordano introduced similar product categories with its DE, this strategy could enhance the product transferability between the original products and the extended products. Moreover, higher product transferability can increase the favorability of DEs when they enter the market. Therefore, it is necessary for managers to ensure the transfer of technologies to the DE.

In addition, product substitutability was found to positively influence higher purchase intentions. This is because if consumers find DE products that could be substituted for the parent brand’s products, they might have a higher intention to purchase products from the DE (Aaker and Keller 1990). Compared to the products from the parent brand, DE’s products sell at lower prices, increasing the demand for the DE’s products and in turn, consumers’ purchase intentions (Pindyck and Rubinfeld 2014). Therefore, product substitutability positively influences higher purchase intentions; however, product complementarity has no effect on purchase intentions. As the extended brand, Beau Monde sells similar products to its parent brand, Giordano, but at cheaper prices. This indicates that products from brand extensions and products from parent brands may not change, but ultimately market the same products. In other words, these two products from parent and brand extensions are perceived to be substitutable rather than complementary (Pindyck and Rubinfeld 2014). As limited studies have found that product substitutability had an effect on purchase intentions toward the DE, this finding could provide better insights to the literature on brand extensions.

Lastly, this study found that pricing played an important role in purchase intentions. This finding aligned with a previous study by Dall’Olmo-Riley et al. (2014) indicating that lower prices might result in positive purchase intentions toward fashion brand extensions, and this could result in positive brand equity. Thus, the DE’s prices should be carefully set as different than that of its parent brand, but affordable and in an acceptable range so as to positively influence consumers’ purchase intentions. Setting lower prices could increase customer acceptance and further reduce the cost of brand development as well as marketing costs (Dall’Olmo-Riley et al. 2014).

Limitations and future studies

Although the findings of this study provide valuable insights, there were some limitations that could suggest expansion into possible future studies. First, this study used the fashion brand Giordano, which is based in Hong Kong. Although the results of this study were valuable, they would be difficult to apply to mass market brands and their extended brands. To enhance the results of this study, future studies could include more

fashion brands that currently have extended brands under parent brands. As the findings of this study indicated that brand name has no statistical effects on evaluations of DEs, future research can explore whether the brand name can possibly dilute or strengthen the brand associations between the parent and extended brands to understand the different effects of brand names between the parent and extended brands. Meanwhile, since this study found that complementarity was not statistically supported, future research could investigate how parent brands and brand extensions can enhance complementarity rather than substitutability. Moreover, future studies could compare fashion brands and their extended brands' performance in other countries. Further, due to this study's objectives, the target sample mainly consisted of students and white-collar workers below age 31 with a low monthly income level. Although downward extended brands' target consumers are young adults in their early 20s and late 30s, further studies could extend the group of respondents to those with different demographic characteristics including higher levels of income and education that might have different attitudes toward the downward extensions of fashion brands. Lastly, as this study was specifically designated to examine existing fashion brands (e.g., Giordano and Beau Monde) in Hong Kong, the survey questions were modified to fit this study's objectives, and a pilot test was conducted to prevent any bias in the survey. However the survey's inclusion of the term "downward extension" could artificially inflate the results of the data. Therefore, future studies could examine downward extensions by introducing a brief summary of brand extensions.

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Authors' contributions

FZ developed the manuscript from the introduction to the discussion. Dr. SL advised and helped conceptualizing whole manuscript. All authors read and approved the final manuscript.

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