Extending a Brand into Another Segment as a Means of Gaining a Competitive Advantage

▪ *Otakar Ungerman, Jitka Burešová*

Abstract

A company's entry into a new segment is a means of gaining a competitive advantage. However, there is a high risk of failure when entering a new segment. The potential for reducing this risk is the motive for conducting the research. The main objective fills the research gap, which is to determine whether the application of the brand extension model makes it possible to increase the company's competitiveness in the European environment and thus eliminate the risk when entering a new segment. Descriptive statistics and a regression model were used for evaluation purposes. For European respondents, six global brands were selected from different segments, which were hypothetically expanded into a new: close, medium-distance, completely different segment. Individual associations as perceived by consumers were evaluated. The research showed that consumers have a positive perception of a brand extension if high product quality is ensured in the new segment, regardless of how far the segment is from the original one. These results were then followed by an evaluation of the regression model, where there was one dependent variable, Attitude toward the extension, and five independent variables, Quality, Transfer, Substitute, Complement, and Difficult. The results show that consumers associate the quality of the parent brand with a new product in situations where they are convinced of the company's ability to manufacture the product. The opposite is the case as regards the closeness of the new product class to the extension. The extension is better perceived when the new product is a Substitute or Complement.

1. INTRODUCTION

Branding is the complex of all the actions that lead to the building of a successful brand. Businesses build their brand using physical and soft tools. As Keller (2016) says on physical branding tools, "A central aspect of branding is naturally the brand itself and all the various elements that make it up names, logos, symbols, slogans, packaging, signage, characters, and so on." Soft tools represent the emotions associated with the given brand, creating an image in

the minds of customers. It is only when a brand evokes an emotion in consumers that it may be described as a brand in the true sense of the word (Japutra et al., 2018). Building a brand requires a great deal of financial investment, as efforts are made to also use the brand for extension into other product classes. This is known as a brand extension (Collins-Dodd & Louviere, 1999). The extension of an existing popular brand to a new product is becoming ever more popular (Pourazad et al., 2019). It is claimed that up to 95 % of new products are marketed under an existing brand (Song et al., 2022). Sometimes this strategy is successful, but in some cases linking a brand with another product class does not work. Successful brand extension is conditional upon a number of factors that have been the subject of a series of specialised articles (Hong et al., 2023; Royo-Vela & Sánchez, 2022). The founders of the modern theory of extending a brand to new product categories are David Aaker and Kevin Lane Keller, who published studies on this topic during the nineteen nineties.

The main inspiration for writing this article was the motivation to follow up on Aaker and Keller and their article "Consumer Evaluations of Brand Extensions" (1990), which is one of the most frequently cited articles on branding in history. The article focuses on the extension of global brands into segments in which those brands have not yet appeared. The research was performed in 1990 on approximately 100 students in the United States. For more than twenty years, the results of this research have been considered the keystone of theory on brand extension into new segments. The authors of this article conducted the research according to the Aaker and Keller's methodology, the difference being that respondents were from Europe, and that the research is a response to current changes in how the brand is perceived by contemporary consumers. Another difference is that the research presented here can be considered representative, as it involved over one thousand respondents. The main objective is to determine whether a company's competitiveness in the European environment can be increased by applying the brand extension model.

The article is divided into six sections. It follows the standard IMRD structure expanded by a section on the theoretical background and hypotheses, including the overview of the research into competitiveness and brand extension; the conclusion comprises a final summary, limits of research, and suggestions for the possible continuation of the research.

2. THEORETICAL BACKGROUND AND HYPOTHESES

Until now, there is no unambiguous definition of competitiveness. The variety of definitions results from different points of view, and different approaches to theory versus the needs of the practice. Another possible view of competitiveness is purely economic, or from a broader socio-economic framework perspective (Pitra, 2006). The competitiveness of a firm is the ability of a firm to consistently perform two roles. The first role is meeting customer demand; the second is making a profit (Chahal et al., 2020). According to Chikán et al. (2022), competitiveness depends on the strategic activities of top management, who makes decisions over a period of several years. The explanation of competitiveness in the Dictionary of Economics and Social Sciences is "the ability of a business or state to maintain or increase its share in the domestic and foreign markets" (Echaudemaison, 1995). Suchánek et al. (2011) state that competitiveness is like

a trait that enables a business to succeed in competition with other businesses. At the corporate level, competitiveness is defined by Marinič (2008) as the ability to produce and sell a specific product while maintaining profitability. Drejer (2002) states that, in the substantive sense of the word, competitiveness is always linked to the answer to the question of what is the source of competitive advantages. Based on the above definitions, it is clear that if a company wants to be successful in the market, it must constantly develop, bring a unique, innovative offer to the market and be better than its competitors.

From this, it generally follows that the source of competitiveness is having a competitive advantage and using it correctly (Beneš, 2006). Therefore, in order for a company to become part of a competitive relationship, it must fulfil two basic prerequisites: it must have a competitive advantage, and it must want to compete (Mikoláš et al., 2011). A company's competitive advantage may lie not only in its product or the price of that product but also in many aspects of the company's activity. Čichovský et al. (2014) mention other areas, including the brand. If the promotion of a well-known brand constitutes a competitive advantage, it is necessary to constantly reach out to consumers who positively see the brand, who need it, and who can buy it. Kim et al. (2019) demonstrated that the brand extension strategy enables the organization to expand its business into new areas, primarily thanks to the security that a well-known parent brand brings.

The current trend is a significant rise in elitism. Today, upper-class consumers are not the only ones who seek luxury products, services, and brands; middle-class consumers seek them as well (Kumar et al., 2020). As stated by Davcik et al. (2017), although loyalty to brands decreases, this does not mean moving away from brands, but rather jumping from one well-known brand to another. The importance of the brand as a competitive tool is growing today thanks to innovation. In the online environment, artificial intelligence and machine learning make it easier for brands to be identified and advertised (Van Trang et al., 2022). The importance of the brand increases by presenting it in augmented reality, for example, when presenting it on smart mobile phones (Rauschnabel et al., 2022). An excellent opportunity to use branded products to gain a competitive advantage is the presentation in the computer games in the form of product placement (Rutter et al., 2021). Brand extension has been thoroughly dealt with by Aaker and Keller (1990) followed up by other authors. A chronological overview of the authors and significant articles is presented in Table 1.

Tab. 1 - Overview of scientific results dealing with brand extension that follow up on the original article. Source: own research

Author	Year	Article title
Aaker & Keller	1990	Consumer Evaluations of Brand Extensions
Park, Milberg, & Lawson	1991	Evaluation of Brand Extensions: The Role of Product Feature Similarity and Brand Concept Consistency
Broniarczyk & Alba	1994	The Importance of the Brand in Brand Extension
Gürhan Canli & Maheswaran	1998	The Effects of Extensions on Brand: Name Dilution and Enhancement

Bottomley & Holden	2001	Do We Really Know How Consumers Evaluate Brand Extensions?
Hou	2003	Brand Extensions: What Do We Know?
Völckner & Sattler	2006	Drivers of Brand Extension Success
Pina, Iversen, & Martinez	2010	Modeling the Brand Extensions' Influence on Brand Image
Batra, Lenk, & Wedel	2010	Brand Extension Strategy Planning: Empirical Estimation of Brand "Category Personality Fit and Atypicality"
Albrecht, Backhaus, Gurzki, & Woisetschläger	2013	Drivers of Brand Extension Success: What Really Matters for Luxury Brands
Keller	2016	Reflections on Customer-Based Brand Equity: Perspectives, Progress, and Priorities

The research on brand extension is more comprehensive, though. Aaker and Keller (1990) used a regression model to verify the link between variables important for successful brand extension. The dependent variable in this model was named Attitude toward extension. The authors measured this variable using two attributes, specifically the perceived quality of the extension and the likelihood of trying the extension measures. In their opinion, this method provides a more reliable measure of the Attitude construct. This procedure will be retained in our research.

The first independent variable in the regression model was the perceived quality of the parent brand. Quality, as perceived by the customer, may differ from the actual quality. This is because each consumer has their own idea of what good and poor quality mean. This idea depends on their concept of quality and to a certain extent on their expectations associated with each product (Konuk, 2021). Zeithaml (1988) defines perceived quality as a global assessment of a consumer's judgment about the superiority or excellence of a product. Ramaseshan and Tsao (2007) also identified perceived quality "perceived quality refers to consumers' intangible perceptions or judgements of the overall quality or superiority of a product or service". Although perceived quality is often a key factor in successful brand extension, in the model, no relationship was proven between perceived quality and attitudes toward the extension. Therefore, the following hypothesis was created: H1: Higher quality perceptions toward the parent brand (i.e., higher quality) are not associated with more favorable attitudes toward the extension.

The second independent variable in the model is Fit. "Perceived fit refers to the degree of proximity between the parent brand and the extension product" (Keller & Aaker, 1992). In other words, perceptions of similarity between the parent brand and the extension improve perceptions of fit between the two (Spiggle et al., 2012). The Fit between the parent brand and the brand extension may be measured using various dimensions (Keller & Aaker, 1992). The model defined three dimensions, these being complement, substitute and transfer. Transfer represents a company's ability to design and produce a certain product. It is essential that customers feel that the company's employees, their expertise, and the company's facilities used to make the parent product may also be effectively used to make the product extension (Burnaz & Bilgin, 2011). Substitutes as the second dimension are products that are very similar, and interchangeable.

Substitutes may be used to satisfy the same needs (Tang et al., 2008). Bottomley and Holden (2001), however, state that in practice, the parent brand is rarely extended to a product that may be considered a true substitute. Complements as the third dimension are products that complement one another, so customers use them together. In this case, the parent product and the product extension may be considered complements (Burnaz & Bilgin, 2011).

If the product extension is very similar to the parent product (Fit variable), associations are easily transferred between them. In this situation, for example, the customer may feel that the quality of the product extension will be similar to the quality of the parent brand. However, the high quality of the parent brand represents a certain commitment to the new product. In this case, the company should not market a new product of lower quality (Deng & Messinger, 2021). Low quality may damage the reputation of the parent product (Völckner et al., 2010). In situations where the parent product and the product extension have very little in common, the amount of perceived quality transferred between those products is minimal (Nguyen et al., 2018). The original regression model showed that only two Fit dimensions are important for the transfer of perceived quality to a new product: substitute and complement. Therefore, the following hypothesis was determined: H2: The transfer of a brand's perceived quality is enhanced when the two product classes in some way Fit together (this applies to substitute and complement). When the fit is weak, the transfer is inhibited.

In general, a high level of perceived Fit facilitates the transfer of associations and emotions between the parent brand and the brand extension, thus improving attitude toward the extensions (Pina et al., 2010). Wu and Lo (2009) have confirmed this fact by determining that consumers' purchase intention to the product extension is influenced by two factors: the core-brand attitude and the customer's perception of Fit. As consumers' purchase intention is a part of attitude toward the extension, we may say that attitude toward the extension is influenced by perceived fit. On the other hand, when the perceived fit between the parent brand and brand extension is very weak, customers see the potential brand extension as less than credible (Bhat & Reddy, 2001). Bottomley and Holden (2001) have shown that it is sufficient to prove the influence of just one dimension from the Fit variable. In this case, the overall perception of the product extension is well received. According to the results of the original regression model, the following hypothesis was therefore determined: H3: The fit between the two involved product classes (this applies to transfer) has a direct positive association with the attitude toward the extension. The third independent variable in the model is difficulty. This variable is defined as the perceived difficulty of manufacturing the product in the extension category. This represents customers' opinion of how difficult they think it is to design and produce a new product. In marketing literature, difficulty is very often described as a key factor in successful brand extension (Bao et al. 2010). It is interesting that the more difficult it is for a company to produce a new product, the more positively customers rate the extension. Aaker and Keller's regression model proved the influence that difficulty has on attitude toward the extension. Therefore, the following hypothesis was determined: H4: The relationship between the difficulty of making the product class of the extension, and the attitude toward the extension, is positive.

3. METHODOLOGY

The methodology of the research was determined by defining the main objective, from which four hypotheses were created. On this basis, the methodology was divided up into three parts. For the sake of clarity, Fig. 1 here shows the methodological framework presenting the sequence of the individual parts of the research.
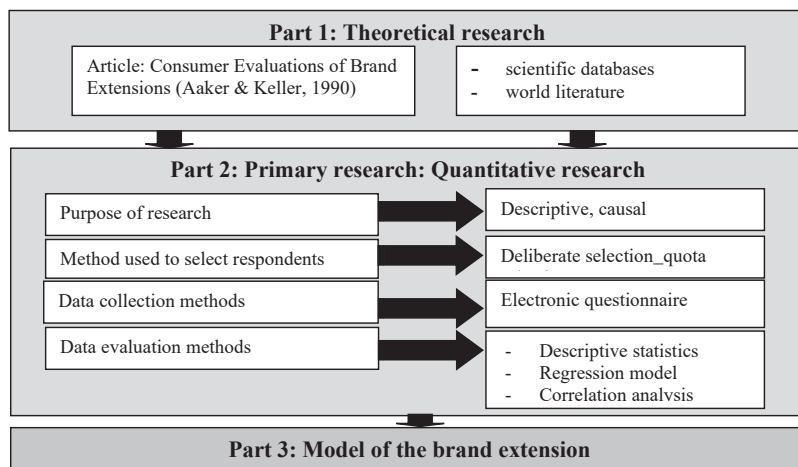

Fig. 1 - Methodology of the research. Source: own research

The evaluation of one part had to be completed before the following part could start. The first part comprised a search of the Czech and foreign literature and scientific articles. The results are presented in the literary research section. The research used six global brands that are very well-known in Europe. Essential criteria were that the brands must be familiar to European respondents, must be seen as being of good quality, and must not be extended to any other product categories.

There are two purposes of the research. The first purpose is descriptive, intending to determine what respondents think about the parent brands and their extensions. The second purpose is causal and is aimed at revealing the relationships between the variables. The respondents were chosen in a deliberate quota selection, where the main characteristic was the country where the respondent lives, to ensure a variety of different opinions.

Tab. 2 - Countries and number of respondents. Source: own research

Country	Number of respondents	Percentage
Czech Republic	150	14.5
Slovak Republic	130	12.6
Poland	110	10.6
Germany	110	10.6
Austria	100	9.7

Romania	90	8.7
Estonia	90	8.7
Spain	70	6.8
Bulgaria	60	5.8
Portugal	60	5.8
Hungary	60	5.8

The evaluation of the quantitative research covered 1030 responses from respondents aged 18 to 70 from 11 European countries. According to Svoboda (2011), if the sample has more than a thousand respondents, it can usually be considered representative. The data were collected in collaboration with several partner European universities. This research was first tested solely on students within the Erasmus exchange program. After testing the questionnaire and removing the questionable parts, a representative survey was launched with a return rate of approximately 10%, which meant that over 10,000 respondents were targeted. The test research was conducted only on students, but representative research was conducted on the entire population of the country. Data collection was provided by each participating university independently. The age structure of the respondents was a condition. The aim was to obtain a representative sample with only one sorting criterion, the age of the respondent. The respondents were divided into five groups by age: 18 – 30 (26 %); 31 – 40 (25 %); 41 – 50 (22 %); 51 – 60 (15 %); 61 – 70 (12 %).

The data were collected through an electronic questionnaire, using scaled questions, measuring a total of five independent variables and one dependent variable. For the independent variable Quality (overall quality of each parent brand), the value of 1 was assigned to inferior quality and 7 to superior quality. The Fit variable comprised three independent variables - Transfer, Complement, and Substitute. Transfer was described in the questionnaire as follows: "Would the people, facilities, and skills used in developing, refining, and making the parent product be helpful if the manufacturer were to make the product extension? (1 = not at all helpful, 7 = very helpful)". The respondents also had to evaluate two claims that the parent brand and the brand extension are Substitute and Complement, respectively (1 = strongly disagree, 7 = strongly agree). The last independent variable was Difficult, described in the questionnaire as follows: "Would specialized people, facilities, and skills be needed to make the extended product class? (1 = not at all difficult, 7 = very difficult)". The dependent variable Attitude toward the extension was measured using two variables: the perceived overall quality of the extension (1 = inferior quality, 7 = superior quality) and the likelihood of trying the extension assuming a purchase was planned in the product class (1 = not at all likely, 7 = very likely). These two variables were used to calculate the mean values, which were analysed jointly as a dependent variable. The research was carried out from December 2021 to March 2022. A total of two assessment methods were used. The basis was descriptive statistics in the form of mean and standard deviation. In the second step, a regression model was created using linear regression (Molnár, 2012). The SPSS software was used for the statistical assessment.

3.1 Selection of the Brands

The researchers tried to select six brands that are well known in all the countries in Europe.

These are brands have a competitive advantage in brand building. Six different segments were selected for the selection of the brand, and the six best-known brands were selected using a short test conducted on European students. Students were tested on their knowledge of the brand. In 100% of the responses, knowledge of the brand and the segment in which it operates was confirmed. The test was carried out at all collaborating universities. However, this was only a confirmation of the right choice of brand. These are global brands well known in all European countries.

Tab. 3 - Parent brands and their extensions. Source: own research.

Parent brand	Segment	Product Class Extension		
		Close segment	Moderately distant segment	Completely different segment
1. Heineken	beer	light beer	wine	popcorn
2. Pandora	jewellery	watches, wallets	sportswear	skis
3. Algida	ice cream	candy bar	cottage cheese	popcorn
4. Shauma	shampoo	skin cream, Sun Lotion	perfume	sportswear
5. Colgate	toothpaste	mouthwash	chewing gum	shaving cream
6. McDonald's	fast food	frozen fries	theme park	photo processing

Table 3 shows the six selected brands which were expanded into new segments. Those segments can be divided into three levels according to the distance of the segment from the parent brand. These are expansion into a close segment, expansion into a slightly distant segment, and expansion into a completely different segment.

4. RESULTS OF THE RESEARCH

The research results are divided into two parts, where the first part examines the potential for expansion into new segments using descriptive statistics. In the second part, a regression model was used to explain the relationship between the segment type and the characteristics of the brand.

4.1 Descriptive statistics

The quantitative research was conducted for the purpose of verifying the hypotheses. However, Table 4 first presents the means of all twenty brand extensions for the dependent variable and the independent variables. The dependent variable Attitute toward the extension (A.T.E) was created from the two variables "the perceived quality of the extension" and "the likelihood of trying the extension measures." There is a strong correlation between these variables; the correlation coefficient is .635 ($p = 0.001$). Therefore, both variables may be averaged out and one variable subsequently created from them. Table 5 also shows all the independent variables Quality (Q), Transfer (T), Substitute (S), Complement (C) and Difficult (D). Explanatory notes are given below the table.

Tab. 4 - Mean brand extension values. Source: own research.

Brand extension	A.T.E	Q	T	S	C	D
McDonald's Photo Processing	2.57	4.17	2.5	1.36	2.25	3.3
Heineken Popcorn	3.29	4.9	2.59	1.73	3.76	3.41
Heineken Wine	2.5	4.9	2.92	3.04	2.07	3.13
Algida Cottage Cheese	4.85	5.55	5.01	3.03	2.6	5.29
Shauma Perfume	2.64	5.01	3.24	1.74	2.7	3.41
Colgate Shaving Cream	3.28	5.51	3.45	1.49	2.22	3.52
Algida Popcorn	3.44	5.55	3.46	2.62	2.4	4.02
McDonald's Frozen French Fries	4.38	4.17	5.83	4.26	3.02	5.98
Colgate Chewing Gum	4.99	5.51	4.52	2.88	3.99	4.65
Shauma Sportswear	1.88	5.01	1.8	1.28	1.8	1.97
McDonald's Theme Park	4.69	4.17	3.87	2.31	4	3.98
Shauma Skin Cream	3.47	5.01	4.1	1.77	3.17	4.29
Pandora Wallets	4.33	5.16	4.22	2.23	3.62	4.39
Pandora Skis	2.09	5.16	1.52	1.41	1.7	1.68
Shauma Sun Lotion	3.33	5.01	3.76	1.75	2.39	3.99
Pandora Watches	4.72	5.16	5.14	3.66	4.47	5.03
Heineken Light Beer	3.74	4.9	5.2	3.04	2.39	5.13
Algida Candy Bar	4.51	5.55	4.44	3.58	2.64	4.72
Colgate Mouthwash	5.23	5.51	6.22	2.91	5.56	5.93
Pandora Sportswear	2.74	5.16	2.49	1.6	2.58	2.59
Mean	3.63	5.05	3.81	2.38	2.97	4.02
Std. deviation	1.71	1.54	2	1.81	2.06	1.94

The Table 4 shows the average values divided into three categories by dividing the questionnaire scale of 1 (negative answer) – 7 (positive answer). The lowest category contained the means 1 – 2.5, i.e., the answers were at the bottom end of the scale and indicated negative answers. The middle category contained the means 2.6 – 5; the answers were around the middle values and were thus neutral. The highest category contained the means 5.1 – 7, i.e., the answers were at the top end of the scale and indicated positive answers. The results show which extension was evaluated negatively (dark grey), which was neutral (light grey) and which was positive (white). If the competitive advantage is a quality corporate brand, it can be recommended for all segments based on the results of this research; the average rating for the quality attribute was 5.05. On the other hand, the worst results were for the substitute attribute, where the average score was 2.38. If it is a substitute, the extension will not provide the firm with a competitive advantage.

4.2 Regression model

The regression model shows all five independent variables and the four hypotheses verified by the model. The first variable is Quality (perceived quality of the parent brand), which appears in

hypothesis H1. The other three variables represent the interactions of the three fit variables with the perceived quality variable, which are the subject of hypothesis H2. Transfer, Complement, and Substitute are the individual variables from the overall Fit variable, which is tested in hypothesis H3. The last variable is Difficult, in hypothesis H4. In all cases the dependent variable is Attitude toward the extension. Table 5 presents the results of the regression model.

Tab. 5 - Regression model. Source: own research.

Independent variable	S.R.C[a]	R.C[b]	t-value	p-value
QUALITY (H1)	.07	.08	2.1	.037
QUALITY * TRANSFER (H2)	.49	.07	7.4	.000
QUALITY * COMPLEMENT (H2)	-.03	.01	-.6	.562
QUALITY * SUBSTITUTE (H2)	-.08	-.01	-1.4	.181
TRANSFER (H3)	.03	-.03	-.5	.611
COMPLEMENT (H3)	.23	.19	4.6	.000
SUBSTITUTE (H3)	.18	.17	3.4	.000
DIFFICULT (H4)	.17	.15	7.5	.000

Note: [a] Standardized regression coefficient; [b] Regression coefficient

For the Perceived brand quality, the standardized regression coefficient for QUALITY was close to zero (.07), significance (p = .037) so we may accept hypothesis H1 "There is no direct link from perceived quality of the brand to the attitude toward the extension." Since there is no direct link between the perceived quality of the brand and attitudes toward the extension, competitive advantage cannot be achieved in this way.

For the Model interactions, the standardized regression coefficients for the interaction Quality * Complement (-.03) and for the interaction Quality * Substitute (-.08) are very small and have no significant dependence (p = .562) and (p = .181). Thus, it must be said that no link between the variables was proven. The interaction Quality *Transfer (.49), however, was significant. The study's results showed that the perceived quality of the parent brand is linked to the positive perception of the extension only in situations where Transfer is in the Fit variable. Whether or not the parent brand and the brand extension are Substitute or Complement is not a decisive factor. For this reason, hypothesis H2 must be rejected.

As for the Perceived product class, in hypothesis H3 we tested the influence of the aggregate Fit variable, comprising Transfer, Substitute, and Complement, on the dependent variable Attitude toward the extension. The standardized regression coefficients Complement (.23) and Substitute (.18) proved to be significant (p = .000), while the regression coefficient for Transfer (.03) came out close to zero, and there is no significance (.611). The influence of all three Fit variables was therefore not proven, unlike the two, Complement and Substitute. Therefore, we must reject hypothesis H3. Although the results of H2 and H3 are quite different, the competitive advantage of brand extension can be secured if the extension into another segment is associated with a certain relationship between the current and future segments.

In the main-effects-only model, where the interactive effects are omitted so that both direct

and indirect effects of the three fit variables can be summarized, the standardized regression coefficient came out for Transfer (.53), for Complement (.22), and for Substitute (.11). The model is significant for all three variables (p = .000). The smallest regression coefficient resulted with the Substitute variable, and therefore this variable may be described as being the least important.

As for the Perceived difficulty of making the extension, the standardized regression coefficient for the Difficult variable (.17) proved to be significant, even though not considerably so. It was therefore proven that respondents perceive Difficult as an important attribute in brand extension. We may therefore confirm hypothesis H4, that "the relationship between the difficulty of making the product class of the extension and the attitude toward the extension is positive."

Respondents positively evaluated when the brand is widespread, even though the company has to overcome certain obstacles. Thus, a competitive advantage can also be found in overcoming technological barriers to entering a new segment. The research took account of the age of the respondents. Their age was aggregated into two groups: 18 – 40 and 41 – 71. There was a statistically significant difference between these groups for the variable representing Fit in hypotheses H2 and H3. In hypothesis H2, Transfer was an important factor for the younger respondents aged 18 – 40, while in hypothesis H3, Complement and Substitute were significant variables for the younger respondents aged 18 – 40. The question is, therefore, which of the three variables referred to collectively as Fit are important and which variables do not need to be included in the model at all.

5. DISCUSSION

The use of different brands (Bottomley & Holden, 2001; Pourazad et al., 2019) might initially seem like a typical shortcoming of studies focusing on brand extensions. In order to eliminate this deficiency as much as possible, brands were selected from six different segments. The selected brands were generally well known, had no extensions to other classes, and were perceived as being of excellent quality. Brands that are well known in Europe had to be used in order to prevent any potential distortion of the results. Broniarczyk and Alba (1994) proved that the use of brands not very familiar to the respondents influences their opinions of those brand extensions, thus distorting the research results. Zollo et al. (2020) present the view that it is possible to expand a brand only into nearby segments. On the contrary, Cheng and Jiang (2022) support the view that if it is truly a brand associated with high quality, it can be successfully expanded into any segment. The first part of the evaluation using descriptive statistics showed that consumers have a positive perception of brand extension, but only with certain independent variables. Respondents rated best the association of the brand with high product quality regardless of the distance of the segment from the original one. In contrast, the extension was rated the worst if it was a substitute. It was partially shown that the proximity of the segment for expansion plays a role, but this was not the case for all the segment types.

The second part was evaluated using a regression model, where the four hypotheses can be explained as follows.

Hypothesis 1, "There is no direct link from perceived quality of the brand to the attitude toward the extension,", was confirmed. Other authors who used a similar method based on the regression

model, however, refer to the high multicollinearity between the independent variable Quality and the interactions Quality*Transfer, Quality*Substitute and Quality*Complement (Bottomley & Doyle, 1996; Nijssen & Hartman, 1994). These authors used the method of residual centering, which primarily involves a two-stage ordinary least squares (OLS) developed by Lance (1988), which reduced the multicollinearity. After this adjustment, the model showed the significant influence of the variable Quality on Attitude toward the extension (Bottomley & Doyle, 1996; Nijssen & Hartman, 1994). There is, therefore, an obvious difference in the result given the solution or non-solution of multicollinearity.

Hypothesis 2, "The transfer of a brand's perceived quality is enhanced when the two product classes in some way fit together (this applies to substitute and complement). When the fit is weak, the transfer is inhibited," was rejected. The quality of the parent brand transfers well when the Transfer variable is highly rated by respondents, but it does not apply to substitute or complement. European respondents, therefore, assess whether a company is able to make a new product and maintain the existing quality of the parent brand. Contemporary respondents are generally less loyal to brands than they were twenty years ago (Bilgihan, 2016). This may lead to the fact that the group of respondents aged 18 – 40 do not have faith in the quality of the extension, even in the case of products that are relatively close to the parent brand (Gurău, 2012). The research shows that contemporary customers are convinced of the quality of a new product by a campaign that communicates the company's ability to produce the new product. An advertisement that only mentions the brand extension to new segments will not be successful, even if it were a Substitute or Complement.

Hypothesis 3, "The fit between the two involved product classes (this applies to transfer) has a direct positive association with the attitude toward the extension," was also rejected. In the research, an influence was proven for the Complement and Substitute variables. In general, a well perceived fit facilitates the transfer of associations and emotions between the parent brand and the brand extension, thus improving attitude toward the extensions (Chun et al., 2015). When the results of H2 and H3 are compared, they differ significantly. In hypothesis H2, the important factor was Transfer, while in hypothesis H3, the significant variables were Complement and Substitute. The main difference is that quality is involved in the assessment of the independent variable Fit. If all three independent variables that comprise Fit are linked to the interactions with quality, the results change entirely. The quality of the brand is thus the decisive factor in the success of the brand extension. Similar results were observed by Albrecht et al. (2013), who conducted studies on luxury brands. It may be said that despite the different results for hypotheses H2 and H3, the individual variables that make up the overall Fit variable are important. If we measure just the main-effects-only model, the most important variable is Transfer, followed by Complement, with Substitute being the least important.

Hypothesis 4 claims: "The relationship between the difficulty of making the product class of the extension, and the attitude toward the extension is positive." The study confirmed hypothesis H4, that Difficult is an important attribute in brand extension. Therefore, the more difficult it is to produce a new product, the better the extension is rated. Therefore, customers see a brand extension to a product that is difficult to make as being very attractive. Customers expect that if a company has put so much work into a new product, that product will certainly provide

the customer with many benefits (Wood & Moreau, 2006). This may be due to the fact that customers have a positive perception of a company's efforts to develop a product which is not completely easy to produce. Therefore, managers should carefully consider their strategies for which new product classes they plan to extend their existing brands to (Mariadoss et al., 2010).

The main objective was to determine if a company's competitiveness could be increased by expanding the brand into a new segment. The research showed that this is possible, but only under certain conditions the business must fulfil. On the one hand, the research showed that, in general terms, brand quality does not determine the success of entering a new segment. On the other hand, if the quality of the brand is associated with another investigated attribute, quality is a decisive factor. The attributes transfer, substitute and complement act as a catalyst and, if combined with high brand quality, they mean that entry into the new segment is likely to be successful. In addition to these attributes, the competitive advantage arising from entry into a new segment can be applied to consumers. In case we convince consumers that the company had to invest a great deal of effort, such as technology or funding when entering the segment, consumers appreciate this and have a positive perception of the brand in the new segment, too.

6. CONCLUSION

A company's competitiveness can increase when the corporate brand enters a completely new segment. Representative research has shown that a brand extension model can be used in this entry. The quantitative research verified the four hypotheses and tested the five variables Quality, Transfer, Substitution, Complement, and Difficulty, which influence consumers' attitudes toward extension. As the model was created in 1990, the researchers proved it is still applicable today, with respondents from 11 European countries. Specifically, in the segment of beer production, the brand can be expanded to another segment. However, in the wine segment, consumers would have problems with the brand extension. In the jewellery segment, only an expansion to the close segment is possible. In other cases, expansion is not recommended. In the ice cream segment, again, only expansion into the close segment is appropriate. In the shampoo segment, expansion is quite difficult even in close segments. However, the high quality of the new product will ensure success. In the toothpaste segment, success is almost certain if it expands into the close segment. Further expansion is again conditioned by the quality of the new product. In the fast food segment, the proximity of the segment is again important, with more distant segments decreasing the chances of success.

The results can be applied in business by companies that want to extend existing successful brands to new products. European respondents associate the quality of the parent brand with a new product in situations where they are convinced of the company's ability to manufacture the product (Transfer variable). The opposite is the case as regards the closeness of the new product class (Fit) to the extension. The extension is better perceived in situations where the new product is a Substitute or Complement. According to studies focusing on the multicollinearity between the Quality variable and Quality interactions with the Fit variables, the quality of the parent brand influences the perception of the extension. This implies that company managers should ensure that customers have high regard for the perceived quality of products, which will help

them extend brands to new products.

The limits of the research are the limited number of brands and segments included in the research. The same approach could be applied to more segments in the future. At the same time, only age was taken into account in the characteristics of the respondents. Future research should focus on more detailed respondent characteristics such as education, income, or place of residence. The time factor could be incorporated into the research. In the future, the same research should be carried out regularly at three-year intervals to capture changes over time.

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Contact information

Ing. Otakar Ungerman, Ph.D.
Technical university of Liberec
Faculty of economics
Department marketing and trade
Czech Republic
E-mail: otakar.ungerman@tul.cz
ORCID: 0000-0002-0438-5353

Ing. Jitka Burešová, Ph.D.
Technical university of Liberec
Faculty of economics
Department marketing and trade
Czech Republic
E-mail: jitka.buresova@tul.cz
ORCID: 0000-0002-4055-5102