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Rybakova Victoria Vitalievna

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Влияния стратегии расширения фэшн-брендов класса люкс на их восприятие потребителями

The Implications On Customer Brand Perceptions Of Brand Extension Strategy In The Luxury Industry

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Reviewer

Voronina Natalia Dmitrievna

Supervisor

Pirogova Julia Konstantinovna, PhD
Chair of Marketing Communications

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Резюме:

В последнее время одной из самых распространённых и прибыльных стратегий бренд-менеджмента фэшн-компаний сегмента люкс является стратегия горизонтального расширения бренда. В противовес данной тенденции на рынке, существует так же возрастающая потребность потребителей обладать стабильной бренд-идентичностью и уникальным опытом при коммуникации с брендами класса люкс. Сосуществование данных трендов приводит к растущему интересу к тому, как потребители реагируют на горизонтальные расширения брендов, то есть использование существующих имен брендов в новых категориях товаров.

В настоящем исследовании принимается попытка изучить изменение восприятия потребителей брендов класса люкс до и после их расширения в новые категории. Для этого используется модель капитала бренда А. Аакера, основанная на восприятии потребителей и включающая в себя следующие компоненты капитала бренда: осведомленность о бренде, ассоциации с брендом, воспринимаемое качество, лояльность бренду. Данное исследование главным образом сосредоточено на анализе трех брендов сегмента люкс: Louis Vuitton, Burberry и Tiffany&Co, различающиеся по степени их известности среди покупателей. Расширения брендов Louis Vuitton, Burberry и Tiffany&Co для дальнейшего анализа были выбраны на основе двух критериев. Во-первых, самостоятельно созданная уникальная базы данных, полученная в результате анализа существующих на сегодняшний день расширений 13 самых известных и дорогих брендов сегмента люкс. Во-вторых, разработанная классификации расширений по самостоятельно выработанным критериям. Специально смоделированный для данного исследования онлайн-опрос был проведен на выборке русских женщин в

возрастной категории 25-40 лет, осведомленных о существовании на рынке товаров исследуемых брендов. Данные, полученные в результате опроса, были проанализированы с помощью линейной и множественной регрессии.

Были выявлены положительные взаимосвязи между компонентами капитала бренда и общим показателем капитала бренда. Следует заметить, что использование элементов капитала бренда могло бы еще больше обогатить исследовательские выводы, если бы данные переменные прошли тест на надежность.

Также было найдено подтверждение значимого влияния общего восприятия бренда, зарегистрированного до введения новой информации о расширении, на оценку потребителями расширения бренда в другую категорию.

Однако было выявлено единственное значимое негативное влияние оценки потребителями расширения на общее восприятие бренда, зарегистрированного после введения информации о расширении. Данный результат, в свою очередь, подтверждает тот факт, что осведомлённость потребителей о существовании предложенных расширений брендов в новые категории товаров может потенциально негативно отразиться на восприятии родительских брендов.

Было также подтверждено, что степень изменения восприятия брендов и их расширений варьируется в зависимости от степени знания о том или ином бренде, как положительно, так и отрицательно.

В заключение, анализ и обсуждение результатов, полученных в данном исследовании, дали возможность выработать некоторые практические рекомендации для международных фэшн-компаний сферы люкс, борющихся за возможность охватить более широкую аудиторию, сохраняя при этом статус эксклюзивности.

Ключевые слова: бренды люкс, восприятие потребителей, капитал бренда, стратегия брендов, расширения брендов

The Implications On Customer Brand Perceptions Of Brand Extension Strategy In The Luxury Industry

Abstract:

The growing tendency of luxury brands to implement brand extensions strategies, in contrast with the increasing customer demand for brand identity and unique experiences, leads to a growing interest on understanding how customers react to the horizontal brand extension in which existing brand names are used with new products introduced in different categories.

The present study intends to decipher existent and post extension brand perceptions through the measurement of customer-based brand equity (CBBE) and four of its most consensual dimensions in literature: Brand Awareness, Brand Associations, Perceived Quality and Brand Loyalty. The analysis focused on three brands: Louis Vuitton, Burberry and Tiffany&Co, given their distinct levels of brand familiarity. The unique database collected as a result of in-depth analysis of existing up-to-date brand extensions of 13 the most rich and famous luxury fashion brands as well as the development of brand extensions' classification based on self created criteria allowed to reasonably justify the brand extension choice for further investigation. An online survey was conducted on the sample of the Russian women aged 25-40 being aware of luxury brands mentioned in the questionnaire. The results were analyzed through mediation analysis and regression estimations. A positive relation was established between brand equity dimensions and the overall construct. However, the use of specific dimensions of brand equity could have further enriched the analysis. What is more, it is found that overall

prior brand perceptions have an impact on the evaluations of the horizontal brand extension, despite the only negative significant effect of the evaluations on overall post perceptions. This implies that respondents' awareness about the proposed brand extensions in new product categories may be hazardous for the brands.

Furthermore, it is also confirmed that the degree of perception's changes varies for different magnitude of brand familiarity, both positively and negatively. Finally, this study derives specific management implications for international luxury brands fighting to increase availability while keeping exclusivity.

Key Words: Luxury, Brands, Customer perceptions, Brand Equity, Brand Strategy, Brand Extension.

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INTRODUCTION

According to Bain & Company's 2014 annual study the global luxury market is on target to reach €223 billion in 2014, aided by a 5 percent bump in growth this year (Bain&Co, 2014). Economic factors such as increasing size of disposable incomes, rising number of high net growth individuals (HNWI) in emerging markets (e.g. BRICS) (Hodgson, 2013), lowering entry barriers due to advancement in business and management practices, driven by globalization and the Internet have led to a more favorable environment for luxury consumption (Truong et al., 2009). Despite the fact that Russia's economic growth slowed down in 2013 due to various factors, including world economic uncertainty, industrial output decline, loose of foreign direct investments and increased inflation, several studies point out that in 2013, all luxury goods categories continued to post positive growth (Euromonitor, 2014). Even the economic crisis of 2008 followed by recession have not been seriously impacted various types of luxury goods. Such positive landscape encouraged the majority of traditional luxury companies to expand their product offerings (e.g. cosmetics, perfumes) and vertically extend their brand portfolios, driving profitability through increased accessibility (i.e. lower purchase prices, higher profit margins) (Truong et al., 2009; Euromonitor, 2014).

In the framework of this study we will concentrate predominantly on the issue of horizontal brand extension (Tauber, 1981) of luxury fashion brands or brand stretching (Kapferer, 2012) in which existing brand names are used with new products in different categories. This branding strategy has allowed luxury houses to grow more quickly, without being limited to organic internal growth, or finding themselves prisoners of the regression of their original trade. What is more it does not require financial capital, only strong

brand capital: creative renown and the ability to maintain it (Kapferer, 2012). For example, Giorgio Armani created a homogeneous and consistent world across a wide range of categories (e.g., clothing, accessories, cosmetics, home furnishings) for customers embracing the brand's signature minimalist style.

The majority of research on brand extensions has focused on the consumer perspective and their evaluations of the extension and the core brand (e.g. Aaker and Keller, 1990; Milberg et el., 1997). Such studies are particularly relevant from both managerial and theoretical perspectives for the reason that consumers' evaluations are believed to be a key element in indicating extension and core business success (Aaker and Keller, 1990; Boush and Loken, 1992) and also an essential asset in developing the equity of a brand (Pitta and Katsani, 1995). Therefore, taking into account that new extension may affect existing associations of the parent brand as long as these associations may directly influence evaluations of this extension in both positive and negative ways, managers of luxury brands should be extremely careful in their choice of the extension strategy. This point is crucial especially for luxury fashion brands because the purchase of such products has predominantly the symbolic and experiential value for customers. So a luxury brand should preserve and leverage on its unique identity and its history in all new categories in order to best correspond to customers' expectations and avoid negative impact on brand image as being the most valuable asset for such companies.

Thus, taking into account the widespread managerial practices in luxury industry to stretch existing brand image to the new category on the one hand, and the need to preserve the identity and culture of a brand on the other, we are establishing relevant to the real company practice and relatively new for luxury marketing literature research questions:

DOES LUXURY FASHION BRAND EXTENSION TO THE NEW PRODUCT CATEGORY OF DESIGN HAVE AN IMPACT ON ITS CONSUMERS' PERCEPTION? AND, CONVERSALY, DOES THE EXISTING LUXURY BRAND PERCEPTION IMPACT THE EVALUATION OF ITS EXTENSION?

The aim of the study is to examine whether and how the perceptions of actual and aspirational luxury customers towards some of the most influential luxury brands were affected by news that they are presented in more accessible categories than the category of origin. On the other word, it is intended ***to assess the impact of horizontal consumers' brand extension evaluations in luxury fashion market on parent brand image***.

The novelty of this research is that it aims to further contribute to the existing knowledge on the marketing implications of brand extension strategy, both by trying to understand how customer brand perceptions are built and change when exposed to new information, as well as by focusing on the luxury industry that most relies on the distinctiveness of products and services to create brand value.

In accordance with this aim of the project **the following tasks** were set:

- Examine and define the structure of the modern fashion-market of luxury goods in accordance with the customers' behavior particularities;
- Analyze recent theories and concepts on brand extension strategy implementation in luxury market of fashion goods;
- Analyze existing research practices on customers' brand extension perception and propose a relevant to the luxury market evaluation model;
- To conduct case study of well-known fashion brands' stretching in different design spheres and select the extensions for the brands concerned;

- Develop an online questionnaire for customers' parent brand perception evaluation before and after exposure to the new information and collect the qualitative results accordingly;
- Build linear and multiple regressions in order to support or reject hypothesis;
- Provide the recommendations on brand extension strategy fashion companies operating in luxury industry based on the obtained results and to set goals for further research.

The **theoretical object of the study** is brand extension strategy as the company's branding strategy at luxury fashion market; the empirical **object of the study** is the set of luxury fashion brands (Louis Vuitton, Burberry, Tiffany&Co) and their target audience.

The subject of the research is customer brand perceptions of brand extension strategy in the luxury industry.

The theoretical and methodological basis of the present paper is formed by the numerous frameworks of famous multinational researches and research agencies in the field of branding and luxury marketing. Brand perceptions will be deciphered through the evaluation of existent and post extension brand perceptions through the measurement of customer-based brand equity (CBBE) and four of its most consensual dimensions in literature: Brand Awareness, Brand Associations, Perceived Quality and Brand Loyalty (Aaker and Keller, 1990).

The methods of theoretical analysis being used in the study are the following:

- Luxury marketing, consumer behavior, branding strategy literature review;
- Comparative research analysis in the field of consumers' brand extension perception and luxury goods perception;

- Luxury Brand extension analysis based on the Aaker's and Keller's model of brand equity.

The empirical methods being implemented in the study are following:

- Case study analysis (based on the criteria of the most recent Bain & Co classifications);
- Online survey (questionnaire with multiple choice, open and close questions);
- Linear and multiple regressions (project modeling).

The study was composed of the following structure: firstly, a brief luxury market overview and highlights of specific trends of luxury goods industry in Russia were provided. Then, the concept of brand extension as a valuable branding strategy in respect of luxury brands was introduced. Afterwards, there was an analysis on what are the general dimensions influencing customer perceptions and attitudes towards a brand, i.e. the dimensions of brand equity. The following step was to understand how those dimensions translate into the specificity of luxury brands, concluding with several hypotheses on how initial customer perceptions towards extended brand and its extension to another category might be related to "renewed" customer brand perceptions and attitudes.

In order to achieve our research objectives an online survey was conducted. The collected data was analyzed through both statistical and econometric analyses. The findings and major managerial implications of the outcomes were discussed in the later sections of the study.

CHAPITER 1. BRANDING OF LUXURY FASHION GOODS AND ITS PARTICULARITIES

In the framework of this study there are few specific terms to be considered and accurately defined: luxury brands, luxury strategy and such concepts from marketing theory as brand extension, brand perception, consumer's brand extension evaluation.

1.1 LUXURY MARKET OVERVIEW

1.1.1 Defining Luxury brands: different perspectives

According to K. Heine, there is no clear definition of the word luxury, with a simple dictionary definition being "*not essential*" (Heine, 2012). It is a relative and vague term because it completely relies on one's perception of "essential". (Kapferer 2008; Kisabaka 2001). The complexity of this concept can be illustrated by the famous saying "*one person's junk is another person's treasure*". As a matter of fact, this confusion is also reflected in the management literature. Although a variety of definitions already exist for luxury products and brands, including the most popular concepts by Dubois et al. (2001), Vickers & Renand (2003), Heine (2012), there is actually no consensus about the definition of luxury products and brands and the existing terminology remains a little bit "blurry" (Kapferer, 2000, p. 319; Christodoulides et al. 2009, p. 397; De Barnier et al. 2006, p. 5; Yeoman & McMahon-Beattie 2006, p. 321).

Throughout history, privilege and luxury have been used to create social division and a class hierarchy. The ruling classes enforced their inherited, uppermost position in society by building luxurious residences, placed in large well kept grounds. Typically, aristocrats demonstrated their superiority through heritage, birthright and a visibly opulent lifestyle of

luxury. Social inequality was preserved by these class divisions and the rules of state, so that even the wealthy upper classes, were prohibited from dressing or accumulating anywhere near the wealth of the ruling class. Even though social rules and the division of etiquette appeared to diminish and vary over time, the use of luxury and ostentation maintained those social distances between classes.

Dominated by a small number of “fashion houses”, the French luxury brand industry, despite the post-WW2 Gaullist period, maintained its influence and separation of upper class until the 1980s. During this time and after, those dominant brands often bore the name of their founding designers, such as Louis Vuitton, who founded the brand in 1854. These few top brands knew each other well and coordinated specific protocols, when designing or selling luxury items to the wealthy.

By the 1990s, Bernard Arnault arrived onto the luxury French market, but with a new business model led by profitability. According to Thomas (2008, p.49) the concept was based on traditional timeless style, uniqueness in design, and intensive advertising. Luxury brands became more profitable, through cutting production costs, but maintained the strong impression of quality and style. At this moment, multi-brand groups were formed (P.P.R., L.V.M.H., Richemont) and promptly expanded the global market.

At present time, luxury has become available to a wider audience. It maintains its profitability and is constantly in demand. The demand for the luxury is spurred by many TV programs, printed and online media publications – the luxury is a part of our day to day life. Some of the luxury brands, in view to achieve broader markets, have started to introduce more democratic ranges at lower prices, such as Ralph Lauren Polo clothing line with tops at $9 available on sale in outlets or H&M clothing designed by Karl Lagerfeld. This illustrates brands, such as Ralph Lauren and Karl Lagerfeld

trading down, but high street fashion brands like H&M trading up to attract new customers, seeking affordable luxury.

Luxury brands are defined by McKinsey (1990), as those which justify a higher price, for the same tangible benefit, so the price/benefit ratio is a key. Another definition was made by Nueno and Quelch (1998): they said, a low function to price ratio, coupled with a high ratio of intangible situational utility to price, also defines a luxury brand.

According to Jean-Noel Kapferer (2012, p.193), it is the high association consumers have with the core products of a luxury brand, that define it. This idea is also reiterated by Meffert & Lasslop (2003, p.6); Büttner et al (2006, p.12) and Valtin (2004, p.30) who consider specific associations of product characteristics, as being important in brands perceived as luxury. Therefore, the characteristics and connections within the component parts of a luxury brand, define a brand better. One can say that luxury brand perception refers to the price, quality, design-style-visible aspects, uniqueness and exceptionalism. Tangible and non-tangible associations or perceptions, within and surrounding the brand, including the circumstances at the point of consumption are all major definers of luxury brand perception. Thus, the perception of a luxury brand is dependent on the consumer and the beholder, given all the circumstances and associations involved.

More than just a high priced product, according to Nueno and Quelch (1998), a luxury brand has some commonalities: consistent quality across a product range; a reputation for craftsmanship, uniqueness and brand worthiness; brand personality with recognized designs or styles; finite production volumes to provide exclusivity; clever marketing to promote all such brand perceptions; association with the originating country, such as the Italian fashion reputation or other strong associations.

This research will use the traditional definition – where products are commonly accepted as luxury items and follow the characteristics defined by Nueno and Quelch (1998), including such brand names as Chanel, Louis Vuitton, Gucci, Dior and other.

1.1.2 Picturing The Luxury Market Today. Classification of luxury goods

After defining the term of luxury product we will address in this study, we would like to present several classifications of luxury goods in order to define the category for possible brand extensions being used in our research.

There is a variety of categorizations of luxury product industries in business and scientific literature, which offer an initial stock of categories (Allérès, 2003; Bain & Company, 2012; Britt 2006, p. 2; Giraud et al. 1995; McKinsey 1990). As part of the "World Luxury Brand Directory", these categories were adapted and complemented by analyzing the product portfolio of the selected luxury brands (Heine, 2011). Table 1 presents the resulting categorization of luxury product industries.

TABLE 1. CATEGORIZATION OF LUXURY PRODUCT INDUSTRIES

● Fashion products o Apparel o Shoes o Underwear o Fashion accessories Belts Gloves Scarves Hats Ties Eyewear ● Bags & Cases o Luggage o Hand bags o Wallets & Cases	o Wristwatches o Jewellery o Pens o Diaries o Writing paper ● Means of transportation o Bikes o Motorcycles o Automobiles o Boats/ Yachts o Aircrafts/ Jets ● Delicates o Beverages Wines	● Furnitures ● Kitchens ● Table decoration o Silverware o Crystal & Glassware o Porcelain & Stoneware ● Linens o Table liners o Bed linens o Bath linens ● Bathroom equipment ● Carpets ● Lamps ● Interior electronics

● Cosmetics & Fragrances ● Body Decoration o Mobile electronics	Sparkling wines Spirits o Foods ● Interior decoration	● Interior accessories ● Sports equipment ● Garden furnishing

In accordance with the temporal relativity being intrinsic to luxury market, this categorization does not remain stable as there are more and more new luxury product industries emerging over time.

Since 2000, in their Luxury Goods Retailing Global yearly reports, a research company Mintel, defines three luxury goods retail market segments for analysis: fashion, leather goods, perfumery & cosmetics, jewelry and watches (Mintel, 2013). Mintel specialists note, that with the development of consumer markets it is becoming increasingly difficult to provide clear definition for the term "luxury goods" and prefer to use the term "highest category on any goods market" in their reports.

Bain & Co (2012) categorizes luxury goods worldwide by classification and region; these are divided into personal accessories (including some consumables), and other categories (including other consumables, capital goods and hotel services). Table 2 below shows the global market share of personal accessories and Table 3 – other categories:

TABLE 2. PERSONAL ACCESSORIES

Category	**Revenues**	**Growth Forecast**
Leather Goods	€33bn	16%
Shoes	€12bn	13%
Men's Apparel	€26bn	10%
Women's Apparel	€27bn	9%
Fragrance	€20bn	4%
Cosmetics	€23bn	5%
Jewelry	€11bn	13%
Watches	€35bn	14%
Total	**€212bn**	**10% (average)**

TABLE 3. OTHER CATEGORIES

Category	Revenues	Growth Forecast
Cars	€290bn	4%
Wines and spirits	€51bn	12%
Hotels	€127bn	18%
Food	€38bn	8%
Home furnishings	€18bn	3%
Yachts	€23bn	5%
Total	**€547bn**	**8% (average)**

To provide a regional breakdown of the personal accessory market share, Bain & Co (2012) also include the figures shown in Table 4.

TABLE 4. PERSONAL ACCESSORIES REGIONAL MARKET SHARE

Category	Revenues	Growth Forecast
Europe	€75bn	5%
Americas	€65bn	13%
Japan	€20bn	8%
Rest of Asia	€42bn	18%
Rest of the World	€10bn	5%
Total	**€212bn**	**10% (average)**

Bain & Co (2012) describes a growing personal luxury goods market across the world, with a healthy 10% increase from 2011 to 2012. They estimate that this market will grow by a more conservative 4 to 6% each year from 2013 to 2015.

In order to understand current trends and key numbers of luxury market we addressed a curious report made by Claudia D'Arpizio, a senior Bain partner in Milan (D'Arpizio, 2014). She points at disparity between brands that are not sufficiently keeping up with market changes in tastes and

demographics, and those that are. The report further qualifies these changes and the origins of the brands' disparity:

- The Chinese customers, making up 25% of global luxury purchases, are transforming the luxury market, both domestically and through international tourism, overtaking Japan to become the second most important market behind the US;
- E-commerce sources of luxury goods seeing growth of 25% annually is considered to be emerging retail channels, with total revenues of €20bn;
- Shifts in consumer tastes and attitudes also suggest changes between generational aspirations, when consuming luxuries. Younger people are more inclined to seek uniqueness instead of heritage; maximum availability rather than exclusivity; they prefer to be entertained whilst shopping, while their parents remain happy with the more mundane.
- Personal accessories have become the core of the luxury goods market, €212bn taking up almost one third of the entire market share of €759bn. For the first time in history, leather goods and shoes have emerged as the largest market with 33% of the accessories sector. Increases in male spending are claimed, with increased preference for higher quality and price.
- Tourists account for 40% of luxury spending globally, and as tourism is increasing woven into the luxury market, a new and experimental challenge is apparent for luxury providers.
- Accounting for €547bn in global sales, the more expensive purchases, such as luxury cars and yachts, in fact the whole "other category" sector is also growing, with the entire €759bn market growing by 9% during 2011, and estimated to be almost €1tn by 2016.

D'Arpizio concludes with a cautious final assessment, saying that growth fundamentals remain strong, but the luxury goods market will experience "a bumpy ride". Further qualifying this statement, D'Arpizio suggests that what was once a successful brand strategy in the last five years, will not necessarily produce the same gains up to 2020, given the changes already observed above.

According to Ruiz (2008), in a survey conducted in 2007 by market researcher The Nielsen Company, asking 25,000 consumers, in over 48 countries "which luxury brand would you buy if money was no object?" the top five responses were Gucci, Chanel, Calvin Klein, Louis Vuitton and Christian Dior.

Gucci is famous for its logo branded handbags and other accessories and boasts a large department store on Manhattan's exclusive Fifth Avenue, one of 233 global stores. The most popular surveyed brand, its "Gucci Loves New York" handbag collection sold out within two days of opening. In Forbes (2014a) list of 100 top brands, Gucci is listed global as #39 by market value of $12.5bn, with annual revenues of $4.7bn. Joint second in the survey were Chanel and Calvin Klein. Chanel was originally famous for its perfumes, founded in 1909, but today is also well known for its "little black dress", tweed suits and quilted handbags. Having been headed by such distinguished designers as Karl Lagerfeld, Chanel has stayed relevant, with consistently stylish products, marketing "must-have" brands using the charms of beautiful Hollywood actresses, such as Keira Knightley. Chanel is listed by Forbes (2104) as the 79th most valuable brand globally, with $7bn capitalization and $4.7bn in annual revenues.

Calvin Klein is not listed in the Forbes (2014a) top 100 brands by value, since Phillips Van Heusen (the PVH Corp., 2013) owns the brand. With annual turnover of $7.8bn for 2013, CK is just behind Louis Vuitton

(the 10th most valuable brand by capitalization) in terms of revenues, selling luxury designer apparel and accessories.

Louis Vuitton, the 4th most popular brand in the consumer survey, is the most valuable "luxury" brand on the Forbes (2014a) list, with a capitalization of $29.9bn and turnover of $9.7bn. LV bags and leather goods are amongst the world's most valued and desirable luxury items.

1.1.3 Russia: The Eldorado For Luxury Brands

As it was highlighted above, despite the fact that Russia's economic growth slowed down in 2013, all luxury goods categories continued to raise in sales that prove that wealthy Russians have always aspired to purchase goods which highlight their material and social status (Euromonitor, 2014). What is more, Forbes study shows that Moscow has held the title of the billionaire capital of the world counting 110 Russians, worth a total of over $366 billion and stays ahead of New York on top of the list of billionaire haunts (Forbes, 2014b).

In this part of literature review we want to shade some light on the latest market trends and uncover sources of future market growth for the Luxury Goods industry in Russia.

We can observe the trend among absolute luxury brands, which create limited collections especially for the Russian market or personalized products and items made of unique materials in order to emphasize the status of their products and provide high-quality service. In the meantime, companies tend to popularize luxury items in order to attract young and middle-class Russian consumers and thus let them feel an attachment to the world of luxury. As marketing studies show Russians are extremely interested in novelties and companies launching more affordable luxury products, like accessories or

super premium beauty and personal care, prefer to test and advertise it in Russia.

In order to manage sales in Russia independently, high luxury brands like Hermès, Chanel and Gucci, which used to work with Russian dealers via franchising or through distributors such as Mercury Group, Bosco di Ciliegi, switched to managing the market directly. Two last years were characterized by the ongoing development of luxury brands and their expansion into southern regions of Russia, because of the big sporting events – Winter Olympic Games 2014 and FIFA World Cup 2018. Nevertheless, over the forecast period, Moscow, St Petersburg and Yekaterinburg will remain the cities with the highest concentration of luxury goods sales. The development of qualitative and reliable Internet shopping, offering luxury goods, will increase internet retailing's share of luxury goods sales.

The luxury outlet format was introduced in Russia in 2012, and it continues to develop. Thus, in 2013 two outlets were added to the original store at Outlet Village Belaya Dacha, and two more are scheduled to open in 2014 and 2015. Besides this format is not familiar among local consumers, in the context of the slowdown in the growth of the economy and promotional activity, these outlets gained popularity and attracted more luxury brands to sell; and therefore more customers, especially ones who consume affordable luxury items.

1.2. Brand Extension As Branding Strategy in Luxury

It has become common in both national and foreign markets that companies leverage strong brand equity by extending their brands into other product categories. As a result, one challenge marketing managers face in foreign markets is whether they should extend their brands into related, congruent (e.g., Burberry scarfs), or distant, in-congruent (e.g., Armani

candy) product categories. Indeed, we observe a paradigm shift to an experience-based market that resulted in the need to design experiential marketing strategies. One of the key elements of this strategy suggests that luxury brands should move beyond the mental limits of a product category and offer a "way of life" (Grigorian, 2014). One approach to offer a way of life is through horizontal brand extensions. For example, Giorgio Armani created a homogeneous and consistent world across a wide range of categories (e.g., clothing, accessories, cosmetics, home furnishings) for customers embracing the brand's signature minimalist style. As a matter of fact, in the luxury strategy the brand is linked to a specific universe where it is totally legitimate. For instance Rolex makes watches, Ferrari makes cars. However, a big part of today's luxury market is made up of luxury brands moving out from their original sphere and extending their reputation to other sectors (e.g., Gucci; Ferragamo, Fendi, Hermes, Tiffany&Co and so on).

In practice, the origins of luxury brand-stretching take place in the middle of the 20 century. The Belle Epoch period, 1871 to 1914 was considered a golden age for the growth of luxury market: Hermes began as a saddler, Christofle as a goldsmith and Louis Vuitton made luggage and trunks. Right after the First World War, the big luxury houses began to manufacture or to put their names to things they had not originally known how to make. The launch of the famous perfume No.5 by Coco Chanel is considered as the first true structured and openly admitted "brand stretching" (Kapferer, 2012).

As a matter of fact, brand stretching gives luxury makers the opportunity to grow quickly and easily, with less reliance on slower organic growth. This strategy also opens up an escape route for any stagnant brands, ones at risk from technological change, or other competitive challenges.

Another type of brand stretching, defined by Kapferer (2012) is one of franchises and product licences, where expanded manufacturing and marketing is devolved to independent traders, in order to expand sales.

The very phenomenon of brand extension, not necessarily related to the luxury market, has been studied by a number of authors. Tauber (1981) explores brand franchise extensions as application of a familiar brand to a product in a different category. Aaker and Keller (1990) define two types of brand extensions, such as a line extension, which implies the use of the existing brand for expanding into a new market segment in the same product category; and a brand extension, which implies the use of the existing brand for entering a different product category. Farquhar (1989) also defines two brand extension types that differ from those, outlined by Aaker and Keller (1990). These types are: a line extension, which implies using a current brand for another product within one of the existing categories of the company; and a category extension, which implies using a current brand for a completely new product category, not used before by the company. Reddy *et al.* (1994) argue, that majority of brand extensions are line extensions.

Aaker and Keller (1990) note that one of the benefits of brand extensions is the reduction of gaining distribution expenditure and enhanced efficiency of marketing activities. This particularly applies to new product launches as part of a brand extension. Brand extensions, however, carry a certain risk and not all of them are successful. Burnaz and Bilgin (2011) provide examples of unsuccessful brand-stretching, such as an extension of Lynx deodorant brand into hair care, noting the importance of taking into account the boundaries of a brand. Keller (2003) mentions another important factor that makes brand extensions successful – the trust of the consumer into the brand and a new service or product it is launching into the market.

J. Kapferer (2009) differentiated between luxury brand stretching and extension. In the first case, the luxury brand implements its luxury strategy in the new territory (Louis Vuitton the luggage maker produce leather goods or Hermès the leather maker in silk ware) in such a manner the luxury brand becomes a full player of the new market by progressively controlling the whole process. In contrast, in 'brand 'stretching' the luxury brand does not apply the luxury strategy in a new territory, but a fashion or a premium strategy close to basic licensing – as did Hermes with perfume.

Luxury brand extension has certain success factors, which vary with different characteristics of the parent brand (J. Kapferer, 2012):

1. A luxury range should have an intangible parent identity, almost considered to be, a work of art. This notion of luxury, can be applied to many different brand categories, but the parent must be as identifiable as a Van Gogh painting.
2. The parent brand should have a hedonistic character, providing the ability to market multi-sensual desires or pleasures; providing an attractive symbolism to certain consumers who might buy it.
3. The parent brand should be tending to be incomparable or at least distinctive to other brands, avoiding brand dilution by franchising and brand licencing for higher volumes.
4. Luxury brands should extend consumers' personalities by assuming a certain lifestyle.
5. It is crucial for luxury brands to avoid dilution of the brand's luxury image by maintaining limited production and retail outlets, maintaining the attractiveness of quality or design, ensuring the core parent identity is preserved.

According to J. Kapferer there are no product categories that should be unequivocally excluded from potential brand extension. Even if there is no

obvious ‘fit’ - neither tangible (similar products or know-how) nor intangible (leather handbag and luxury car). However, if the extension respects the brand’s identity, the picture can change, and be considered for successful brand extension.

1.3 BRAND EQUITY

A product could be “something that offers a functional benefit”, whereas a brand represents additional attributes as “a name, symbol design or mark that enhances the value of a product beyond its functional value” (Farquhar, 1989). One can therefore infer that brands add value to a product or service, generally designated as “brand equity” (e.g., Aaker, 1991; 2004; Keller, 1993) and which can be defined from several views, namely the ones of the investor, the manufacturer, the retailer or the customer.

In fact, marketing literature tend to explore brand equity in three ways:

1. What and how certain consumers think (perceptions, beliefs, attitudes, desires, understanding etc) and how this affects their buying behavior and decisions.
2. The revenue differential at the product or market level within the retail space, between a similar unbranded benchmark and the branded product.
3. Estimation of the intangible assets of a company based on the notional value of individual brands or an entire brand range; often used for valuations in financial markets (e.g. Keller & Lehmann (2006).

Consumer-based brand equity or CBBE focusing on how customers perceive the product and behave toward it (point 1. above) will be the dominant approach for this research, since brand equity is irrelevant to stakeholders, if customers don’t see any brand value, as argued by Aaker (2004); Crimmins (1992) and Farquhar (1989). Moreover, according to the research (Cobb-

Walgren, Ruble, & Donthu, 1995), high brand equity levels positively impact customer preferences and purchase intentions. Keller (1993) and Shocker, Srivastava & Ruekert (1994) claim that CBBE can be generally defined as a consumer's reaction (mental and physical) to a brand name; but it is mostly studied using several dimensions, such as brand awareness and image (Berthon et al., 2009; Lane & Jacobson, 1995).

These CBBE dimensions have been broadly explored in articles, but the consensus of opinion places the Aaker model as the basis of brand equity studies, upon which, further work can be built (Bendixen, Bukasa & Abratt, 2004; Keller, 1993; H. Kim, Kim, & An, 2003; Yoo & Donthu, 2001).

The Aaker model first appeared in 1991 to define CBBE, as the 'value' consumers place on a brand, in terms of awareness, associations, quality, loyalty and other benefits. This five-dimensional Aaker model is often used as the starting point of CBBE study, but for further research the model of Chieng Fayrene and Chai Lee (2011) is set as the main guideline.

1.3.1 Four Dimensions of CBBE in Luxury Brands

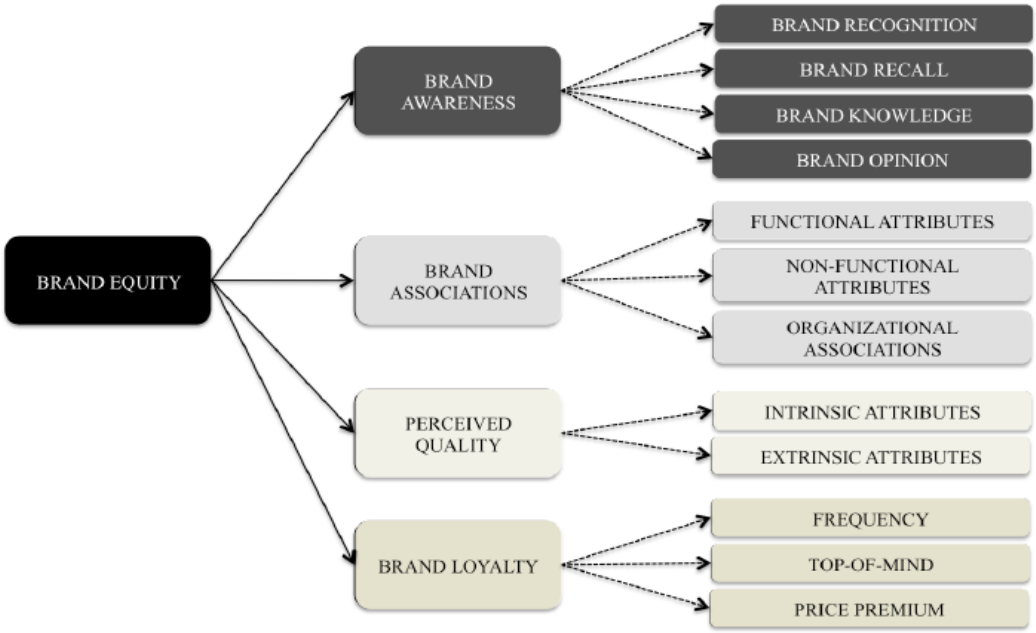

FIGURE 1: CUSTOMER-BASED BRAND EQUITY DIMENSIONS

1) Brand Awareness

The vast majority of researchers agree that brand awareness is one of the most important aspects of brand equity (Aaker, 1991; Kapferer, 1992; Keller, 2003; Agarwal & Rao, 1996; Mackay, 2001).

Awareness is the consumer's ability to recall and recognize a brand, name, trade mark, logo or other brand association from memory (Keller, 2003, p.76). Aaker (1996) argues that higher levels of awareness should also be considered: is the brand at the front of a consumer's mind, and so dominates thinking; what knowledge, understanding and opinions does the customer hold?

The two aspects of brand awareness, recall and recognition, may vary in relevance, depending on the characteristics of the brand being analyzed

(Aaker, 1996). For newer brands, recognition would carry uppermost importance, whilst well-known brands, being at the front of the mind, have high recall. To enhance brand recall, promotion of brand knowledge, understanding and opinions can be influenced, as higher levels of awareness. In addition, brand awareness, is an essential component of brand association, since a consumer must firstly be aware of a brand, before associations can be placed with it (Aaker, 1996; Washburn & Plank, 2002). Keller (1993) postulates that, brand knowledge is an aggregation of associations placed on the brand.

2) Brand Associations

Aaker (1992) considers brand association to be the most important dimension in the definition of brand equity, being the root cause of purchasing behavior and brand loyalty (Aaker, 1991, p.109). Brand associations encompass all a consumer's brand-related thoughts: feelings, perceptions, images, experiences, beliefs, attitudes and others - notions held in memory (Kotler & Keller, 2006, pp. 188). Categories of brand association have also been defined in research articles (T.J. Brown & Dacin, 1997; Farquhar & Herr, 1993), these works identify Chen's Segmentation (2001) between product and company associations.

a) Product Associations

Product associations can be divided into functional and non-functional associations (Chen, 2001). The functional product associations are usually tangible attributes, such as performance or reliability (Keller, 1993). The strong connection between functional product associations and brand equity, has been confirmed by Lassar, Mittal, & Sharma (1995) and Pitta & Katsanis (1995), and influence consumers' perceptions, adding value to a brand and therefore CBBE.

Non-functional product associations are likely intangible aspects, such as personal opinions and symbolism (Aaker, 1991; Farquhar & Herr, 1993; Keller, 1993), for example: social opinions, personality expressions or self-awareness (Keller, 1993; Pitta & Katsanis, 1995). In previous research papers, non-functional product associations are further segmented, along the lines of social image, perceived value, trustworthiness and differentiation.

Social Image is defined as the consumer's opinion and perception of the social group in which the brand is associated. Social image: includes associations and thoughts that a customer might have, towards a 'typical' user of the brand. Additionally, what the customer believes others might think, in terms of their opinions, perceptions and associations (H.M. Lee, Lee & Wu, 2011). Previously it has been shown, that when considering 'image', the social setting, is a particularly strong promoter of brand equity (Lassar et al, 1995).

Perceived Value described as the consumer's perception of brand benefits – tangible and non-tangible, against the purchase and lifecycle cost; a combination of what is 'received' in the mind of the customer, and the 'effort' required, or paid, to obtain it (Lassar et al., 1995). So, purchase decisions are affected by the perceived relationship of overall cost and benefit (Lassar et al, 1995). Consumers therefore, with higher perceptions of brand benefit, are often willing to pay a higher price, leading to a higher value in CBBE.

Trustworthiness is an important component in the assessment of brand strength, based on customer experience, brand track record and knowledge. That knowledge is given through information and experience – hearsay, features and news, impressions formed, actual reliability and service levels, plus other factors. Overall therefore, trustworthiness is a strong variable in brand equity models (Lassar et al, 1995). It is often described as a confidence level that a consumer has, in terms of the brand overall, products themselves,

and the company who makes, sells and services those products. It can include communication details and satisfying a customer's basic and more elaborate needs (Lassar et al, 1995). Highly trusted brands, invariably for several reasons, are often associated with high CBBE.

Differentiation or distinctiveness is taking place when products or brands are separated into distinctive personas, consumers are better able to receive, process and preserve information about a brand (Hoyer & Brown, 1990). Distinctive brand positioning, helps to define the marketing strategy and clarify messages to the consumer. This aspect of product association, leads to higher CBBE and thus, a higher price premium is made possible.

b) Organisational Associations

Organizational associations are divided into 'ability' and 'social' associations: 'ability' relates to technical, production, specification and delivery expertise; 'social' can relate to responsibility for the community or environmental, political issues and other social factors (Chen, 2001). This study focuses mainly on the 'ability' aspects, consumers often find themselves belonging to a certain brand, because of the abilities they perceive (Aaker, 1996). This association, based on organizational attraction, is significant amongst followers of similar brands, where the organization is the most distinctive part of the brand associations.

3) Perceived Quality

More powerful than brand association (Di Benedetto & Calantone, 1994; Keller, 1993), "perceived quality" is considered a separate CBBE dimension (Aaker, 1991; Feldwick, 1996; Kapferer, 1992). Distinct from "objective quality", perceived quality relates to overall customer perception of how excellent or superior a product is to them. Objective quality, argues Anselmsson & Johansson (2007), is not necessarily associated with brand

equity since consumers are not normally able to make objective quality assessments themselves.

Perceptions can strongly affect quality judgments (Boulding, Kalra, & Staelin, 1993), and so it is important to realize which key quality perceptions affect CBBE overall. Perceived quality can be sub-divided into “intrinsic” and “extrinsic” aspects (Steenkamp, 1997; Zeithaml, 1988). Whilst “intrinsic” attributes are concerned with a product’s tangible physical features (e.g., design, taste, feel, style, general appearance or composition etc); “extrinsic” factors include everything else, sometimes non-tangible (e.g. observation, hearsay, opinion etc), that relate to a particular product; others might be (e.g., brand name, retail store layout, packaging design, service quality levels, and quality standards adopted). There are many factors that define quality perception, and these depend strongly on the type of product being considered.

4) Brand Loyalty

Another core dimension of CBBE: brand loyalty, is particularly important for the endurance of successful brands, and is defined as the customer’s enduring strength of attachment to a particular brand (Aaker, 1991, pp. 39). However, brand loyalty may be presented in several layers or facets according to Gremler & Brown (1999), for example, behavioral and cognitive loyalty, to name two interconnected traits. Behavioral loyalty relates to repeat business, where the client returns to buy a branded product year after year (Keller, 1999) or might commit to a future buying decision as a priority. Loyal Apple consumers, who are always determined to buy the next generation iPhone without knowing anything about it, can be a good example of the behavioral loyalty.

Cognitive loyalty is about fixation of the mind on a brand; where a brand is the first thing in a customer’s mind, being embedded into the highest

level of brand awareness. Customers having cognitive loyalty, towards a brand, show a higher propensity to keep buying a brand year after year, and showing higher behavioral loyalty (Keller, 1999); one also sees that brand loyalty influences selling price and so strengthens CBBE. Conversely, the selling price premium, when compared to other similar brands, can even improve loyalty – the notion that "more expensive" means automatically, a "better brand" (Aaker, 1996).

1.3.2 Three Dimensions of CBBE in Luxury Brands

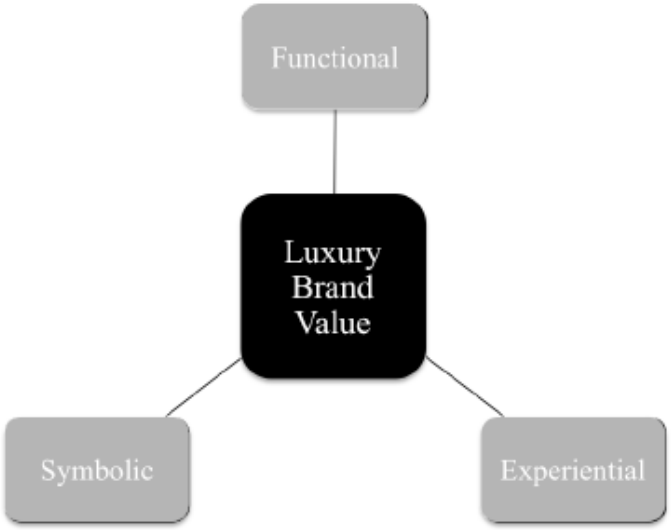

FIGURE 2: LUXURY BRAND VALUE

To fully understand luxury brands and source of their brand equity, it is vital to grasp the dynamics within the primary actors involved: people, products and brands (Berthon et al., 2009); a "three worlds" theory, suggested by Popper (1979) also provides:

1) Physical – relates to objects, states and systems;
2) Emotional – dealing with emotions, perceptions and thoughts;
3) Cultural – considers culture, science, language and literature.

In order to discover what is happening, it is possible to link these worlds of luxury brands and fully capture the interactions previously discussed. Within the genre of luxury brands, and when adapting Popper's 'worlds', we are provided with three dimensions:

1) Objective (material): prices, products, utility, robustness, reliability and services;
2) Subjective (human): consumer thinking - needs, emotions, understanding, opinions and perceptions;
3) Collective (social): community and social factors - knowledge, symbolism, peer pressure and cultural images.

Studying these three dimensions gives clear differential pointers or similarities to the idea of CBBE and its multiple dimensions. Further, when Keller's (2003) definition of brand equity is considered - "the personal value and meaning that consumers attach to the brand's product attributes (e.g., functional, symbolic, or experiential consequences from the brand's purchase or consumption)" – a link between the two ways of thinking about CBBE, becomes clearer:

A) Functional – a link exists between functional dimensions of brand equity (through brand associations and perceived quality) and the materialistic world of luxury (Ervynck et al, 2003). The two sides, one with emphasis on the brand's physical features (e.g. products and services), aimed at what a product actually does. The other side deals with what a product means to the consumer (e.g. the real pragmatic nature of Dior couture; the longevity of Louis Vuitton luggage trunks).

B) Experiential - The customer experience dimension of brand equity (given the aspects of brand association and the perception of quality) is also connected the subjective world of the individual. A place where brand persona, hedonism and the perception of luxury, meet a consumer's innermost

traits and deepest desires and needs, such relationships are at the core of the definition of luxury (Holbrook & Schindler, 1994). For some researchers of the Experiential dimension, this attribute is "idiosyncratic and mercurial", suggesting that a brand attribute to one consumer might be highly desirable, but to another, quite worthless (Berthon et al., 2009). Customer brand experience therefore, is about feelings, sensitivity, cognitive and behavioral decisions invoked by brand generated stimuli and through informed and targeted marketing of: design benefits, identity placement, packaging, communication and retail and point of consumption environments. These ideas have been extended, establishing a strong influence over consumer perception in CBBE and brand success.

C) Symbolic – another connective dimension of symbolism (again related to brand associations) and the social collective aspect of luxury brands (Bearden & Etzel, 1982; Bourdieu, 1984; Veblen, 1994). Symbolism is coupled to real and imaginary narratives, customary and cultural myths and the world of dreams, which emanate from the luxury brand culture. The concept of a symbolic dimension can be divided into two signal directions: those to 'oneself' and to 'others'. Expensive couture might invoke a feeling of simple wealth in the mind of the wearer, but may just seem au-courant to one observer and the dress style au contraire to another (Gergen, 1991). Like the symbolic decision of buying either a luxury Bentley or Rolls-Royce motor car, this brand association could be entirely non-functional and not product related (Aaker, 2003; 1996; 2004; Aaker & Joachimsthaler, 2000; Keller, 1993; 1999).

Finally, it is worth noting, that the three dimensions here are all contextual, in that these connective values may change due to attitudes, circumstances, environment and time. Brand imagery can become staid, off-trend or old-fashioned, consumer perceptions, desires and needs can easily

and quickly drift away from positions that used to be certain, in the minds of luxury brand producers and sellers (Berthon et al., 2009).

To sum up, the concept of CBBE as well as the dimensions proposed to analyze it (awareness, associations, perceived quality and loyalty) seem to be in line with the characteristics and value drivers of luxury brands. Therefore, CBBE dimensions are expected to be suitable predictors of how customers perceive and act towards luxury brands.

1.4 EXAMINATION OF FACTORS STIPULATING CONSUMERS' BRAND EXTENSION EVALUATIONS

The domestic literature on brand extensions has developed extensively since the late 1980s and early 1990s. Much of this effort has focused on finding relevant antecedent and moderating variables that affect consumers' brand extension evaluations. Factors analyzed as antecedents to brand extension evaluation include the relationship between the parent brand and its extension (e.g., Aaker and Keller 1990), the parent brand's characteristics (e.g., Dacin and Smith 1994), and the brand extension's product category characteristics (e.g., Smith and Park 1992). Despite such research, studies involving brand extension strategies in luxury market are very limited. Indeed, as we will discuss later, there exist only a handful of studies that examine brand extensions in luxury market.

Klink and Smith (2001) argue that the customer evaluation of the brand extension is the main determinant of its success. Aaker and Keller (1990) conducted a landmark research on brand extensions, resulting in an attitude-based brand extension model, which outlines brand extension success factors as quality (an attitude towards the brand that is being extended) and difficulty (the extend of the class difference between an original and stretch product – the "fit"). The attitude-based brand extension model defines three dimensions

of the “fit”. These are: complement (the consumer perceived extent of the original and extended product complementing each other); substitute (the consumer perceived extent of the original and extended product substituting each other); and transfer (the consumer perceived relationships between the original and extended product in terms of their manufacturing). The dependent variable was specified as “the attitude toward the extension, operationalized by the average of the perceived quality of the extension and the likelihood of trying the extension measures.

In the research on brand extensions, Smith (2002) has placed an emphasis on the fit of the brand extension and taken into account moderating variables. As a result of his study, the author has made several propositions:

- Brand extensions that have a good fit are evaluated more positively than brand extensions with poor fit;
- Brand extensions that have a good fit provide more enhancement to the main brand and brand extensions with poor fit dilute the main brand;
- The high quality of the main brand lowers the influence of fit on consumer evaluation of the main brand and its extension;
- High levels of consumer knowledge increase the influence of fit on consumer evaluation of the main brand and its extension;
- To reduce the negative influence of a brand extension that has a poor fit on consumer evaluation of the main brand and its extension, a detailed and carefully defined branding strategy is required;
- Large number of categories of products as brand extensions reduce the influence of fit on consumer evaluation of the main brand and its extension;
- High levels of relation of products that are brand extensions increase the influence of fit on consumer evaluation of the main brand and its extension;

- High certainty of the consumer reduces the influence of fit on consumer evaluation of the main brand and its extension.

Therefore; the compatibility of two product categories perceived by customer, or “product fit”, is also key variable to understand how customers respond to the horizontal brand extension.

Existing research on brand extensions provides an insight into brand attitudes that are closely related to the customer brand extension evaluation. This is to say, that if the product category fit is conflicting, favourable brand attitudes are not transmitted onto a brand extension (Aaker&Keller, 1990; Dacin& Smith, 1994; Milberg, 1997). In this context, the fit can be defined as a similarity of categories of the product of the brand itself and its extension (Park et al., 1991) and the extent to which company skills can be used for the production of a new, extended, product (Aaker& Keller, 1990). “A poor fit… may actually stimulate undesirable beliefs and associations” (Aaker& Keller, 1990, pp.30).

Applying the above to this particular paper, it is becoming apparent, that when customer perceptions of the product are telling them, that the products is incompatible, it might mean, that their positive evaluations of the main brand will not transfer onto the extension and can also cause further negative evaluations of the extension and the brand.

Within the analysis of relationship between parent brand and its extension, it is important to take into account another relevant variable to consider - brand image of the parent brand, which presents inner customers’ brand associations, which in its turn might affect the actual brand image of the extension (Keller, 1993).

During the analysis, when looking at cases of horizontal extension, previous brand evaluations and associations will be considered, as defined by Broniarczyk & Alba (1994). If brand images of the brand and the extension

are inconsistent, customers are likely to start questioning the extension, which leads to negative perception and beliefs about the extension (Aaker& Keller, 1990; Folkes, 1988). Therefore, when the brand extension is perceived as “fit” and “cohesive”, positive customer evaluations are being formed (Park et al., 1991).

Taking the above into account, in this paper the evaluation of the horizontal extension will be measured through average results of two variables: product category and brand image fit.

CHAPITER 2. METHODOLOGY OF THE EMPITICAL STUDY ON LUXURY BRANDS' EXTENTIONS: CHOICE AND JUSTIFICATION

2.1. THEORETICAL FRAMEWORK AND HYPOTHESIS

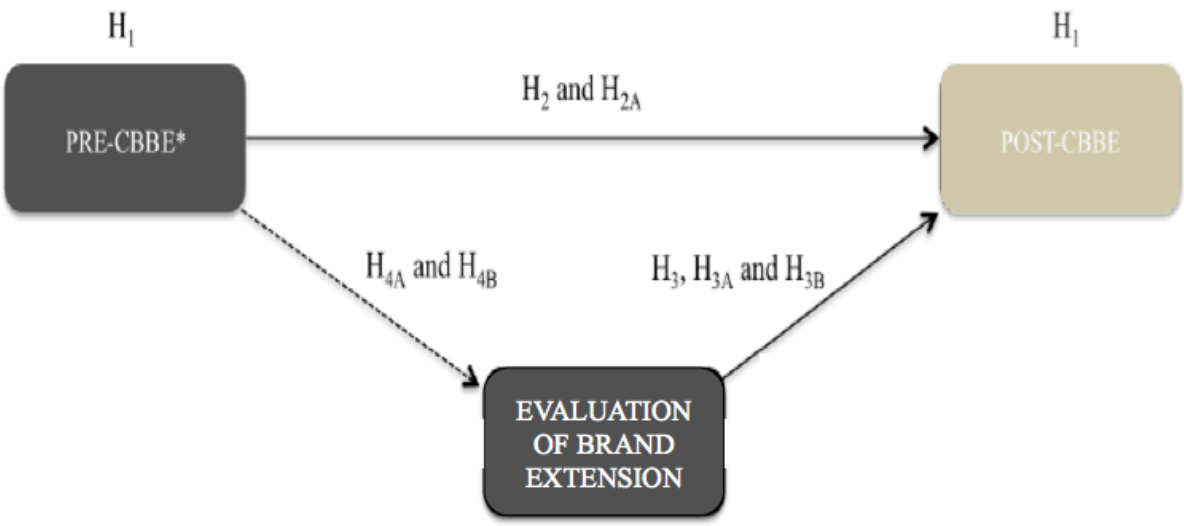

FIGURE 3. THEORETICAL FRAMEWORK

As previously mentioned, strategic trend of luxury brands to implement brand extensions strategies, in contrast with the increasing customer demand for brand identity and unique experiences, leads to a growing interest on understanding how customers react to the horizontal brand extension in which existing brand equity is used in new product categories.

Considering the academic reasoning behind the brand extension strategy in the industry, as well as how customer perceptions of luxury brands are structured and might be affected by new information related to the brands involved, a theoretical model of six major hypothesis was developed.

The model first stimulates that the proposed dimensions of CBBE do, in fact, positively relate to the overall evaluation of brand equity (H1). It was said that the concept of customer-based brand equity as well as the dimensions proposed to analyze it (awareness, associations, perceived quality

and loyalty) seem to fit the characteristics and value drivers of luxury brands. Hence, CBBE dimensions are expected to be good predictors of how customers perceive and act towards luxury brands.

The model then intends to demonstrate that previous customer perceptions, which are operationalized as customer-based brand equity (CBBE), have a positive relation to post-perceptions (H2).

Furthermore, the customer perception of the horizontal extension measured through average results of product category and brand image fit, also presents a positive relation with the post-customer perceptions of the brands involved (H3). Besides, the relation between prior perceptions and the evaluation of the horizontal brand extension may either be positive (H4A) or negative (H4B). On the one hand, it is expected that favorable (unfavorable) antecedent brand associations and experiences will lead to favorable (unfavorable) associations and experiences towards the brand extension. On the other hand, since this study is focusing on luxury brands characterized by high symbolic value, that leads to the strong possibility that customers might perceive the extension as being uncertain for the brands, hazarding their uniqueness and brand identity, even though they are both positively evaluated in the mind of the customer (Kapferer, 2012).

Lastly, it is hypothesized that different levels of brand awareness of the brands involved have an impact on the several hypothesis (H2A) (H3A and H3B) (H6A).

Thus, it was expected to study following hypothesis:

H1: BRAND AWARENESS, BRAND ASSOCIATIONS, PERCEIVED QUALITY AND BRAND LOYALTY ARE POSITIVELY RELATED TO THE OVERALL BRAND EQUITY OF LUXURY BRANDS.

H2: PRIOR CBBE (BEFORE BRAND EXTENSION) IS

POSITIVELY RELATED TO POST EXPOSURE (AFTER BRAND EXTENSION) CBBE TOWARDS THE SAME BRAND.

H2A: FOR LOWER (HIGHER) LEVELS OF BRAND AWARENESS, THE
EFFECT OF THE PRIOR CBBE ON THE POST-EXTENSION ONE WILL BE SMALLER (LARGER).

H3: CUSTOMER EVALUATIONS OF THE BRAND EXTENSIONS ARE POSITIVELY RELATED TO POST EXPOSURE CUSTOMER-BASED BRAND EQUITY.

H3A: FOR LOWER (HIGHER) LEVELS OF BRAND AWARENESS, THE EFFECT OF THE BRAND EXTENSION ON POST CBBE (AFTER EXTENSION EXPOSURE) WILL BE LARGER (SMALLER).

H3B: FOR LOWER (HIGHER) LEVELS OF BRAND AWARENESS, THE EFFECT OF THE BRAND EXTENSION ON POST CBBE (AFTER EXTENSION EXPOSURE) WILL BE SMALLER (HIGHER).

H4A: PRIOR CBBE (BEFORE EXTENSION EXPOSURE) IS POSITIVELY RELATED TO CUSTOMER EVALUATIONS OF THE BRAND EXTENSION.

H4B: PRIOR CBBE (BEFORE EXTENSION EXPOSURE) IS NEGATIVELY RELATED TO CUSTOMER EVALUATIONS OF THE BRAND EXTENSION.

2.2. CASE STUDY: CHOICE AND JUSTIFICATION OF BRANDS AND THEIR EXTENTIONS

The theoretical model presented above is based on the analysis of tree luxury brands: Louis Vuitton, Burberry and Tiffany&Co. There are two main grounds explaining the choice of these brands. First, according to the

Interbrand's Best Global Brands ranking, Louis Vuitton, Burberry and Tiffany&Co are more valuable fashion brands in luxury market: Louis Vuitton - $22,552 m (1st place), Tiffany&Co $5,936 m (6th place), Burberry - $5,594 m (7th place) (Interbrand, 2014). These brands are global: they operate at least in the three continents and at least 30% of their income goes from foreign markets; their financial data is publicly available, they are widely known not just in the county of origin but also abroad. It becomes therefore interesting to center the analysis on a real case study of famous luxury brands and explore how customers react to the information of the extension of the brands.

Second, according to World Luxury Index™ (a ranking of the top 50 most-searched for luxury brands in Russia based on the unbiased search inputs coming from global luxury consumers in the Yandex.ru search engine) demonstrates that among fashion brands Louis Vuitton ranks first and Burberry takes 26th place in the fashion category, Tiffany&Co ranks second in the category of jewelry (Luxury Society, Yandex & Digital Luxury Group, 2011).

The choice of brands with different level of awareness was not accidental. As previously mentioned, the brand familiarity serves as one of the key factors impacting perception of brand extension. Thus, to test some of the established hypostasis it is crucial to expose brands with different level of awareness.

TABLE 5. TOP MOST SEARCHED FOR LUXURY BRANDS IN RUSSIA (BY CATEGORY)

	Cars	Fashion	Beauty	Hospitality	Watches	Jewelry
1	BMW	Louis Vuitton	Chanel	Hilton	Rado	Swarovski
2	Audi	Hermès	Lancôme	Sheraton	Omega	Tiffany&Co

3	Volvo	Chanel	Guerlain	Renaissance	Rolex	Bulgari

In order to classify the categories presented by Louis Vuitton, Burberry and Tiffany&Co and to choose appropriate extensions for further research it has been taken the decision to conduct in-depth analysis of existing up-to-date brand extensions of 13 the most rich and famous luxury fashion brands (Louis Vuitton, Chanel, Armani, Dior, Burberry, Gucci, Hermès , Prada, Cartier, Tiffany&Co, Bulgari, Ralph Loren, Yves Saint Laurent). Using the classification model of personal luxury goods proposed by Bain & Co (Bain & Co, 2012) we had been able to collect the unique database on recent extensions at luxury market as well as to develop brand extensions' classification based on personally chosen criteria (*tables 6.1; 6.2; 6.3*).

TABLE 6.1 - LUXURY FASHION BRANDS' EXTENSIONS INTO DIFFERENT DESIGN CATEGORIES

Category	Louis Vuitton	Burberry	Tiffany&Co	Gucci	Hermès
Apparel	Haute Couture; Ready-to-wear	Haute Couture: *Burberry Prorsum* Ready-to-wear: *Burberry London, Thomas Burberry, Burberry Blue Label, Burberry Black Label*		Haute Couture; Ready-to-wear	Haute Couture; Ready-to-wear
Shoes	+	+		+	+

Leather goods	+	+	+	+	+
Fragrance		+	+	+	+
Cosmetics		+			
Accessories (eyewear, wallets, jewelry, watches, scarves, ponchos and wraps, belts, hats and gloves, umbrellas, home accessories)	+	+	+	+	+
high jewelry	+		+	+	+
watches	+	+	+	+	+
Art de la table					+
Other categories	Books and writing (agendas and covers, writing, books); Pets accessories			Pet accessories; aroma candles; accessorizes for different technical devices	

TABLE 6.2 - Luxury Fashion Brands' Extensions into different design categories

Category	Chanel	Bulgari	Armani	Dior
Apparel	Haute Couture; Ready-to-wear		Haute Couture: *Armani Privé* Ready-to-wear: *Georgio Armani*, *Emporio Armani*	Haute Couture; Ready-to-wear

			Masstige: *Armani Collezioni, AJ, A/X, Armani Junior*	
Shoes	+		+	+
Leather goods	+	+	+	+
Fragrance	+	+	+	+
Cosmetics	+		+	+
Accessories (eyewear, wallets, jewelry, watches, scarves, ponchos and wraps, belts, hats and gloves, umbrellas, home accessories)	+	+	+	+
high jewelry	+	+	+	+
watches	+	+	+	+
Art de la table			Armani Casa	
Other categories	Sport assets and books	Hotels&Resorts	*Armani Flori, Dolci, Armani Nobu, Emporio Armani Caffe, Armani Luxury Hotels&Resorts, Mercedes Benz CLK Giorgio Armani*	Books

TABLE 6.3 - LUXURY FASHION BRANDS' EXTENSIONS INTO DIFFERENT DESIGN CATEGORIES

Category	Cartier	Yves Saint Laurent	Prada	Ralph Loren
Apparel		Ready-to-wear	Haute Couture; Ready-to-wear	Ready-to-wear *Blue Label* *Black Label* Masstige: *RRL* *Polo RL* *Lauren Children*
Shoes		+	+	+
Leather goods	+	+	+	+
Fragrance		+		+
Cosmetics	+	+	+	
Accessories (eyewear, wallets, jewelry, watches, scarves, ponchos and wraps, belts, hats and gloves, umbrellas, home accessories)	+	+	+	+
high jewelry	+		+	+
watches	+			+
Art de la table				RL Home
Other categories	Books and writing accessories (agendas and covers, writing, books); design features			RL Home (living +bedroom accessories)

Along with analysis of product categories in which brands are presented, it was worth to draw our attention also on the frequency each product category was covered by brands and how wide and full the brands' assortment was inside each category.

As a result of this it has been established the classification of categories in luxury market by frequency of brands' presence within it:

- highly widespread (apparel, leather goods, shoes);
- widespread (fragrances, jewelry (eyewear, wallets, jewelry, watches, scarves, ponchos and wraps, belts, hats and gloves, umbrellas, home accessories));
- moderately spread (high jewelry, cosmetics);
- unexpanded (home accessoriness, watches…);
- rare (art de la table, books and writings, hotels&resorts, café&restaurants, flowers, food, sport).

Additionally, it has been observed the key features of pricing strategy and the particularities of branding strategy (ex. naming) for each category. On the tables above (*tables 6.1; 6.2; 6.3*), the cells in green were marked for the original category of brand; grey color meant the absence of category in the brand's assortment.

Following the logic of the current analysis, it has been decided to use complementary classification of personal luxury goods suggested by Bain&Co. It explains the segmentation in the global luxury market on the basis of brand positioning. According to this concept, at the base of the pyramid there are accessible luxury brands, which are characterized by their affordability, a sense of belongingness to the world of luxury (membership) and an increase in buyers own social status (status). In the middle of the

pyramid, there are aspirational brands for which the key characteristics are aspiration, recognition and distinctiveness. At the top of the pyramid there are so called absolute brands recognized by such characteristics as elitism, icon, heritage and uniqueness. As a result, we decided to evaluate the luxury brand's extension into a far different category from one's of origin which also characterized by relative accessibility in terms of price (Louis Vuitton: from trunks to books and writing accessories; Burberry: from outerwear to cosmetics; Tiffany&Co: from silver jewelry to fragrance). We believe this choice of extensions will allow us to extend our sample and to reach the most representative respondents being aware of established brands.

Furthermore, the analysis would solely focus on women, since they still majorly compose the base of fashion luxury brands and are in control of the major part of the global household spending (Shea, 2013).

TABLE 7. CASE STUDY: LOUIS VUITTON, BURBERRY AND TIFFANY&CO

Luxury Brand	**Category of origins**	**Existing categories of parent brand**	**Choice of extension category**
Louis Vuitton (founded in 1854)	Manufacturer of trunks and travel accessories	**Accessible product:** Accessories (scarves, shawls, fashion jewelry, belts, sunglasses, key holders, bag charms); Books and writing (agendas and covers, writing, books) **Aspirational products (key categories):** Leather goods (handbags, small leather goods, travel cases), Ready-to-wear, Shoes, Jewelry (fine jewelry, watches), **Absolute luxury products:** limited collection of leather goods ("celebrating monogram"),	Books and writing accessories (agendas and covers, writing, books)

		personalized travel cases, surplice, high jewelry.	
Burberry (founded in 1856)	Manufacturer of outerwear (particularly trench coats)	**Accessible products:** Accessories (eyewear, wallets, jewelry, watches, scarves, ponchos and wraps, belts, hats and gloves, umbrellas, home accessories), Cosmetics, Fragrance (My Burberry, Burberry Body, Brit Rhythm, Brit, Classics) **Aspirational products (key categories):** Ready-to-wear (Burberry London, Burberry Brit), Bags, Scarves, Shoes **Absolute luxury products:** haut couture (Burberry Prorsum)	Cosmetics
Tiffany&Co (founded in 1837)	Manufacture of stationery items and then silver jewelry	**Accessible products:** Accessories (leather goods, cuff links, scarves, sunglasses, key rings, writing instruments); Fragrances **Aspirational products:** watches, high jewelry ($2000 - $27000) **Absolute luxury products: diamond engagement rings (**Tiffany Cobblestrone)	Fragrances

2.3 DESIGN

In order to address the proposed research question and to test the hypotheses derived from the literature review, a quantitative experiment has been conducted. An online questionnaire was designed in order to measure customer perceptions preceding and following the exposure to the information about the horizontal brand extension, as well as the customer evaluations of the brand extension itself (*Appendix 1*). Qualtrics was the online platform used to create the survey, which offers a wide range of question formats, as well as allows for a quick transfer of the data gathered into a SPSS database. The use of the online version of the survey was based on the several

advantages.

It easily reaches a large number of people, reduces the research cost and allows respondents to answer whenever it is suitable for them. The present study deals with purchases of "unnecessary" products, which may cause unease on respondents. However, by using an online survey, respondents didn't have to face an interviewer and anonymity was guaranteed as a first step. The method used to collect data decreased the courtesy and social desirability bias among respondents and, consequently, increase the degree of responses' honesty (Kotler, 2006).

However, the on-line form of survey has a drawback since it does not allow the inquirer to have full control over the profile of the respondents. Nevertheless, we have tried to avoid this problem by sending a link to the survey both via Facebook and email to each woman individually. The answers have been aggregated and statistically analyzed, as it will be further presented.

2.4 MEASURES AND PROCEDURES

The aim of the research was presented in the first page of the questionnaire and anonymity was guaranteed. Respondents were initially informed that the survey would be focusing on specific fashion luxury brands, but the brand names were not revealed until the second part of the questionnaire.

The first part of the questionnaire was composed of two small questions. In order to assess to what extent respondents were familiar with the industry, a question was asked about their interest on fashion luxury brands. Then, a question about the three top-of mind fashion luxury brands was asked, in order to complement the evaluation of the brand awareness asymmetry of the brands chosen for the analysis.

The second part of the questionnaire measured the existing or prior customer based brand equity (CBBE) evaluations of the respondents, concerning each of the brands (Louis Vuitton, Burberry and Tiffany&Co) and their past purchase experiences toward each category of this brands. This part comprised two main sections. The first was presented by a set of fifteen statements, which dealt with the four CBBE's dimensions, as well as the overall evaluation of brand equity. In order to decrease the probability of identifying the factors being analyzing by respondents, the statements were randomly ranged. The respondents were required to rate from 1 to 7 their level of agreement/disagreement with each statement. All measures used a seven-point Likert-type response format, with "strongly disagree" (1) and "strongly agree" (7) as bottom and upper limits. To increase the reliability of the test, the scale was grounded on the scales of past studies aimed at assessing CBBE evaluations. Furthermore, for the use of respondents who had low awareness of any of the brands, a "N/A" option was included. The statements used to assess CBBE were also extracted from the past CBBE evaluation researches (*Table 8*), which increased the reliability of both the questionnaire and the results. Although the studies in which they were initially used were not addressing luxury brands, literature proves that general dimensions of CBBE fit luxury brands. As a result, general questions that assess CBBE can also be applied in our research.

TABLE 8: CBBE (CUSTOMER BASED BRAND EQUITY) STATEMENTS AND REFERENCES

Statement	*Reference*
Brand Awareness I am familiar with the brand.	(Mackay, 2001; Tong & Hawley, 2009)

Some characteristics of the brand come to my mind quickly.	(Tong & Hawley, 2009)
Brand Associations I respect and admire people who wear the brand. Wearing the brand makes me feel more confident around others. I consider the value for money of the brand to be fair. I like and trust the company the company behind the brand's products. The brand has a very unique image, compared to competition. I consider the brand to have expertise in producing and delivering its products.	 (Tong & Hawley, 2009) (Hanzaee et al., 2012); (Hanzaee, Teimourpour, & Teimourpour, 2012); (Mackay, 2001); (Hanzaee et al., 2012); (Tong & Hawley, 2009) (Tong & Hawley, 2009) (Tong & Hawley, 2009)
Perceived Quality Products from the brand offer excellent features. I associate the brand name with quality. The brand has strong design and identity.	 (Tong & Hawley, 2009) (Hanzaee et al., 2012) (Mackay, 2001) (Kayaman & Arasli, 2007)

Brand Loyalty The brand is my first choice for luxury products of its segment. I would love to recommend the brand to my friends.	(Kayaman & Arasli, 2007; Tong & Hawley, 2009) (Kayaman & Arasli, 2007; Tong & Hawley, 2009)
Overall Brand Equity What the brand sells is more than a product to me. Even if another brand has the same features, I would prefer this one.	(Tong & Hawley, 2009) (Hanzaee et al., 2012) (Tong & Hawley, 2009) (Hanzaee et al., 2012)

The second section of the second part measured whether the respondents were customers of the brands analyzed in special product category over the last five years. Therefore, respondents were provided with multiple choices answer's grid presented all product categories in which brands were operating. Even though past purchase experiences toward each category of these brands enhance the strength of the customer evaluations of the different dimensions of CBBE, a respondent does not need to be an active customer to have his own perception of a brand. Thus, assessing the existence of past purchases is relevant, but not limitative to the study.

The third part of the questionnaire was divided in three main parts. The first part aimed at informing respondents about a list of categories in which

Louis Vuitton, Burberry and Tiffany&Co are operating, as well as at defining the notion “the brand extension strategy” from business perspective.

Participants were then asked about their awareness regarding the existence of proposed product category within the same brand line. This question helped to measure the true impact of the “exposure” to the brand extension evaluations, since respondents that were initially aware would be much less likely to show any changes in their perceptions.

Finally, the third part of the third section aimed at accessing the fact of presence one or another product category within the same brand line. For instance, “*Louis Vuitton is presented in the books and writings products*”. A set of four statements regarding the brand image fit and the product category fit were again randomly assorted and evaluated through the same Likert scale previously used. The statements designed and used in the questionnaire were derived from the review of different studies investigating consumer evaluations on brand extensions, which fundaments the basic framework of the study (Aaker & Keller, 1990), (Broniarczyk and Alba, 1994; Park et al., 1991; Bouch and Loken, 1991). To measure the post exposure CBBE, a fourth part was created, in which the same statements used in the second part were established, excepting the ones of Brand Awareness. This is because we assume that the new information would not impact the extent to which respondents were familiar with or could recall specific characteristics of the brands involved. The statements were again randomly assorted and the Likert scale remained the same. Any questions about personal information as sex, demographics and occupation of the respondents were not included, since at the beginning of the survey it was stated precisely whom it was addressing.

TABLE 9: EXTENTION STATEMENTS AND REFERENCES

Statement	*Reference*
Brand image fit (similarity between the image of the parent brand and its extension) • I believe there is a good brand image fit between parent brand and extended category. • I believe parent brand associations fit good extended category.	(Broniarczyk and Alba, 1994); (Park et al., 1991); (Aaker & Keller, 1990)
Product category fit (similarity between the product category of the parent brand and its extension) • I believe there is a good product category fit between parent brand and extended category. • I believe the parent brand could offer a benefit to extended category by sharing its know-how.	(Bouch and Loken, 1991) (Aaker & Keller, 1990)

2.5 PRETEST

In order to test the time needed to fill the questionnaire and to identify any mistakes or difficulties a pretest was conducted. The online survey was first distributed to 10 Russian females aged 30-35 working in marketing spheres and being relatively interested in fashion industry. They were asked to comment on the structure of the questionnaire and its content, as well as if there was any notice of misspelling or ambiguity. Although no spelling errors or misleading information were found, some comments were made on the structure and length of the questionnaire, which led to some minor corrections

on the format. Respondents didn't found the questionnaire too long, taking 8 to 14 minutes to complete it.

2.6 SAMPLE

The sample used was a convenience-snowballing sample of Russian females aged 25-40 who are somehow interested in luxury and fashion industry. Both Facebook messages and e-mails were used to spread out the survey link and participants were encouraged to pass the message along to their friends. The survey was online for a period of two weeks. A total of 266 survey responses were initiated, from which only 112 were fully completed, which was expected. The sample size achieved was considered adequate to further perform statistical and econometrical analysis. As previously mentioned, heterogeneity in terms of nationality, age and occupation were desirable and expected, since the analysis does not focus on a specific customer profile. Regarding the interest or knowledge of respondents about fashion luxury brands, 51% of respondents presented a strong interest *("I am curious and I like to know what is trended now"*) and 22% very strong interest in the topic *("I am very passionate about fashion brands"*). Another 27% are somewhat interested in fashion brands. These results seem to be consistent with the ideal sample profile.

FIGURE 4: THE EXTENT OF INTEREST DEMONSTRATED TOWARD LUXURY FASHION BRANDS

CHAPITER 3. RESULTS OF EMPITICAL STUDY ON LUXURY FASHION BRANDS' EXTENTIONS

The primary data collected through the on line questionnaires was compiled and analyzed mainly using SPSS Statistics. Exceptionally, in order to compute Seemingly Unrelated Regressions (SUR), a functionality that SPSS does not cover, the R software was exploited. The procedures and the main findings will be presented in the following section.

3.1 MISSING DATA

In order to prevent the case when a respondent is not certain about his answer, the "N/A" option was included. However, this option does not influence at all to the measurement of the concepts analyzed. Thus, all the assumptions for which participants replied with "N/A" were classified as "missing data" and excluded from the analysis.

3.2 RELIABILITY ANALYSIS

The theoretical framework constructed for the present study relies heavily on theoretical constructs and factors used in previous similar academic researches. Given that the items reproduced in this paper were already tested, there was no need to conduct a factor analysis. However, since these frameworks and scales were being used in a more or less different context, before testing our hypotheses, there was the need to make sure that the factors proposed have internal consistency. To assess the interrelatedness of each factor's items, a Chronbach's alpha analysis was conducted. The Cronbach's alphas analysis is exhibited in the Table 10A, 10B and led to some interesting results.

Even though the majority of the factors for each brand can be

considered as acceptable for further exploratory research, there is a discrepancy on the number of accepted factors between prior and posterior brand equity dimensions across all brands. Hair et al. (1998) defend that $\alpha = 0.6$ is sufficient for exploratory research while Litfin et al. (2000) supports that this value may decrease to 0.5 in these type of studies. Given that the Cronbach's Alpha is highly influenced by the number of items in a scale and by the sample size (Cortina, 1993), the above stated factors will be considered reliable enough to be analyzed.

Results show that Louis Vuitton presented unacceptable alphas for Brand Awareness ($\alpha = 0{,}202$), Brand Loyalty ($\alpha = 0{,}455$); Burberry failed at interrelatedness within Perceived Quality ($\alpha = 0{,}296$) and Overall Brand Equity ($\alpha = 0{,}352$); for Tiffany&Co all factors are acceptable apart from Brand Loyalty ($\alpha = 0{,}474$). The brand image and product category fit factors are acceptable ($\alpha > 0{,}6$) across all the brands.

TABLE 10A: CRONBACH'S ALPHAS AND ITEM-TOTAL CORRELATION

	Louis Vuitton		Burberry		Tiffany&Co	
	C. I-T Corr.	*C. Alpha*	*C. I-T Corr.*	*C. Alpha*	*C. I-T Corr.*	*C. Alpha*
Brand Awareness						
AW1	0,113	0,202	0,639	0,780	0,379	0,550
AW2	0,113		0,639		0,379	
Brand Associations						
AS1	0,610		0,512		0,597	
AS2	0,339		0,368		0,354	
AS3	0,365		0,384		0,615	
AS4	0,720	0,793	0,358	0,576	0,562	0,638
AS5	0,722		0,304		0,387	
AS6	0,746		0,367		0,337	
Perceived Quality						
PQ1	0,332		0,172		0,435	
PQ2	0,676	0,636	0,251	0,296	0,363	0,504
PQ3	0,660		0,374		0,375	
Brand Loyalty						
LO1	0,295	0,455	0,391	0,551	0,311	0,574
LO2	0,295		0,391		0,311	
Overall Brand Equity						
OBE1	0,459	0,629	0,213	0,352	0,853	0,921
OBE2	0,459		0,213		0,853	

Post Brand Associations						
PAS1	0,331		0,547		0,438	
PAS2	0,369		0,551		0,436	
PAS3	0,542		0,344		0,445	
PAS4	0,382		0,324		0,695	
PAS5	0,566	0,673	0,569	0,708	0,695	0,788
PAS6	0,301		0,470		0,521	
Post Perceived Quality						
PPQ1	0,301s		0,668		0,301	
PPQ2	0,377	0,597	0,756	0,673	0,747	0,732
PPQ3	0,676		0,354		0,732	
Post Brand Loyalty						
PLO1	0,829	0,907	0,398	0,570	0,370	0,525
PLO2	0,829		0,398		0,370	
P. Qy. Brand Equity						
POBE1	0,627	0,771	0,592	0,744	0,455	0,629
POBE2	0,627		0,592		0,455	

Thus, all factors with α > 0,5 of each brand had sufficient internal reliability, so that the items chosen for each factor were indeed measuring the same underlying dimension. On the contrary, the factors for which α < 0,5 could not be considered as reliable, since the items used are not likely to be measuring the same factors and, therefore, were excluded from further analysis. As a result, there is none brand that could be fully explored.

Comparisons across brands will still be made between factors that were found to be commonly reliable to the brands being compared.

In addition, a correlation analysis was also conducted between each item and the sum of the items for the same factor. The Pearson correlation between each item and the sum of the items that composed the factor (Item-Total Correlation) shows that the majority of the items present correlation coefficients fixedly over 0,3, which is the typical minimum required. The only exceptions were the items for those factors, which were initially considered as unreliable with $\alpha < 0,5$.

TABLE 10B: CRONBACH'S ALPHAS AND ITEM-TOTAL CORRELATION

	Louis Vuitton & book and writings		Burberry & cosmetics		Tiffany&Co & fragrance	
	C. I-T Corr	*C. Alpha*	*C. I-T Corr*	*C. Alpha*	*C. I-T Corr*	*C. Alpha*
Brand image fit *BF1* *BF2*	0,877 0,877	0,935	0,842 0,842	0,914	0,649 0,649	0,787
Product category fit *PF1* *PF2*	0,749 0,749	0,856	0,655 0,655	0,792	0,696 0,696	0,851
Overall brand extension evaluation *EBE*	0,801	0,951	0,733	0,855	0,696	0,833

3.3 DESCRIPTIVE STATISTICS

In order to avoid the possibility, that the comparison of just two brands may be affected by the levels of awareness of these particular brands, the third

brand was added in current study. Thus, Louis Vuitton, Burberry and Tiffany&Co were not only chosen because they present top valued global brands with different brand extensions strategies, but because of their brand familiarity asymmetry. While Louis Vuitton was expected to record higher brand familiarity than the other two brands, Burberry and Tiffany&Co were expected to present similar but lower levels. Results showed that for the assumption "I am familiar with the brand" presenting first item of the factor brand familiarity, the average of Louis Vuitton was of 6,32 (out of 7), the average brand familiarity of Burberry and Tiffany&Co was of 5,69 and 5,84, respectively, which confirms the initial expectations. Second item "Some characteristics of the brand come to my mind quickly" under the factor of brand familiarity, demonstrated the average of 5,88 (out of 7) for Louis Vuitton, whereas the average brand familiarity of Burberry and Tiffany&Co was of 5,28 and 5,30, respectively, which slightly confirms the initial expectations. It is necessary to mention that, since brand awareness was not considered a reliable factor for Louis Vuitton, this analysis had been done on the separate items of this dimension and not the whole factor. The result also highlighting the asymmetry in awareness level between brands is that 67% of respondents strongly agree (point 7 in the scale) with the fact they familiar with the brand, whereas just 19% of them consider Burberry and 25% Tiffany&Co highly familiar.

Regarding the top of mind brands recalled by respondents, the most represented are Louis Vuitton (93 out of 112), Chanel (101 out of 112), Dior (81 out of 112) and Cartier (52 out of 112). Few respondents mentioned Burberry (7 out of 112) and just 2 of participants recalled Tiffany&Co.

Table 12 and Figure 5 show the number of respondents that have purchased at least once an item from the specific category of the brand. The

analysis of these past customer's purchasing experiences demonstrates heterogeneity across the categories highlighting the fact that each brand has its specific dominant category in the product line. While approximately 42% of the respondents has already purchased a Burberry item from apparel category and 55% from accessories, only 5,6% women had purchased a Louis Vuitton apparel item and 45 % a Louis Vuitton accessory and even lower percentage (11,8%) of respondents were customers of Tiffany&Co in accessories category. On the other hand, leather goods category is more presented by Louis Vuitton customers' purchases (40%) compared to only 21% of those of Burberry and none of Tiffany&Co. Regarding Tiffany&Co sales, 31% of our female participants bought at least once an item from its category of origin, comparing to Burberry's and Louis Vuitton's high jewelry, that were not purchased by anyone. Overall, there is a slight trend of dominant Burberry's customers purchase experience. Even though, this is not entirely proves the initial brand awareness expectations, it shows interesting information for further discussion.

TABLE 11: NUMBER OF PURCHASED (AT LEAST ONCE) ITEMS PER CATEGORY

	Louis Vuitton	Burberry	Tiffany&Co
Womenswear	6	46	Not Exist
Leather goods (handbags, small leather goods, travel cases, etc...)	44	24	None
Shoes	9	25	Not Exist
Fragrance	Not Exist	15	3
High Jewelry & Watches	None	None	34
Accessories (scarves, shawls, fashion jewelry, belts, sunglasses, hey holders, bag charms)	43	54	12
Cosmetics	Not Exist	11	Not Exist

Books and writing (agendas and covers, writing, books)	2	Not Exist	1

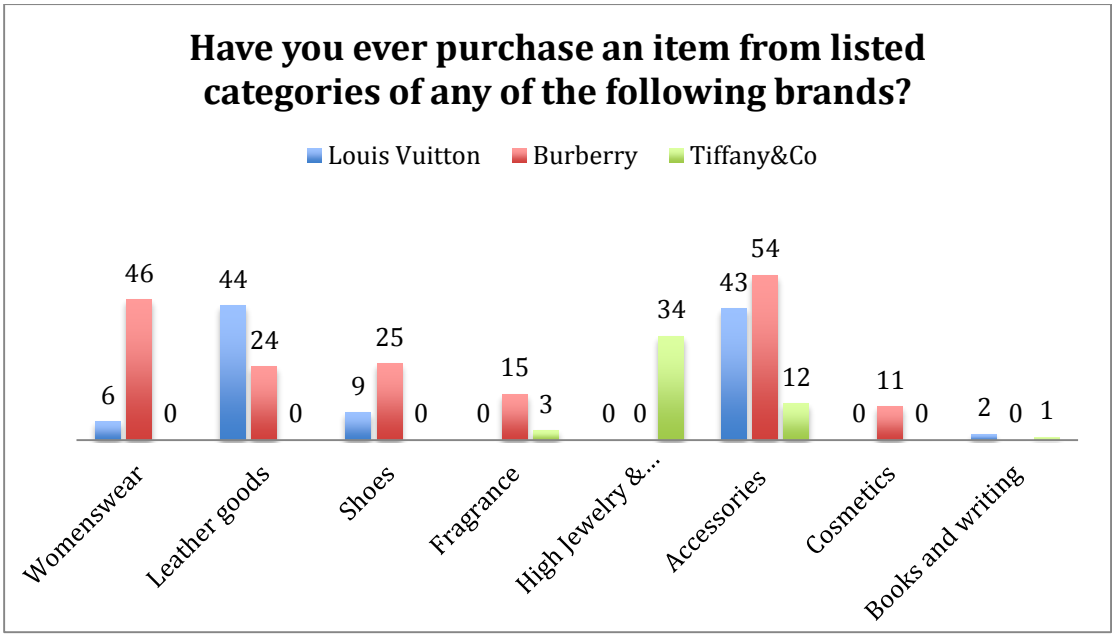

FIGURE 5: NUMBER OF PURCHASED (AT LEAST ONCE) ITEMS PER CATEGORY

Regarding the awareness about the brand extensions, results showed (*Table 11*) that 20% of respondents were aware of Louis Vuitton presence in books and writing category, 38% were aware of the Burberry's extension in the cosmetics and only 15% were aware of the fragrances in the Tiffany&Co product line. Therefore, from the results, it is possible to conclude that the majority of respondents were unaware of the horizontal integration of the brands, which indicates that the "new information" treatment could, in fact, be analyzed within the sample gathered.

The prediction that existing categories were perceived rather positively is maintained by the figures (*Table 11*) exhibiting that 50% of participants would purchase for themself or as a gift Louis Vuitton's books and writing products, 44% would buy Burberry's cosmetics and 30% of the sample - the

fragrances by Tiffany&Co. It's also worth mentioning here that regarding previous customer purchase experiences of the studied categories only 3 respondents have already purchased at least once a fragrance by Tiffany&Co, 2 respondents – an item by Louis Vuitton from books or writing category and 11 women bought an item from cosmetic line of Burberry. This discrepancy between the intention to purchase and real buying behavior of the respondents underline the fact of the poor awareness of these categories before filling the questionnaire.

TABLE 12: AWARENESS OF EXTENSIONS AND INTENTION TO PURCHASE OF EXTENDED CATEGORIES

	I was aware	I was not aware	I would like to purchase it for me or as a gift
Louis Vuitton has books and writing products	23 (20%)	89 (80%)	55 (50%)
Burberry has cosmetics	43 (38%)	69 (62%)	49 (44%)
Tiffany&Co has fragrances	17 (15%)	86 (85%)	33 (30%)

From the analysis of Table 13, it is possible to comment generally about the variables included in the theoretical framework and how they vary across brands. At first, all variables demonstrate both a mean and a median higher than 4 ("*Neither Agree or Disagree*") that highlights that the evaluations were rather positive.

Looking more closely into the brands involved, Burberry showed the strongest brand associations among the three brands both in prior and post CBBE evaluations (AS_BR and PAS_BR). Louis Vuitton and Tiffany&Co

take second place in prior CBBE evaluations (AS_LV) and in post CBBE evaluations, respectively (PAS_TF). Burberry also dominated in post-perceived quality (PPQ_BR), post evaluations of brand loyalty (PLO_BR) and overall brand equity (POBE_BR), whereas Louis Vuitton is a champion in perceived quality before the introduction of the new information (PQ_LV) and overall brand equity (OBE_LV). Tiffany&Co, on the other hand, was not superior in any of the dimensions analyzed. Regarding the evolution between prior and posterior brand evaluations, results show that there are as positive evaluations as well as negative ones. For example, the evaluation of brand associations (-0,201), perceived quality (-0,209) and overall brand equity (-1,301) in Louis Vuitton is negative, where as brand associations (0,044), perceived quality (0,277) valuations in Tiffany&Co is positive. This suggests that both H3A and H3B may be supported throughout the analysis.

Given the theoretical framework proposed, it is also relevant to compare the size of each evolution among brands. For the purpose of comparing the brands, the main focus of analysis was concentrated on the mean difference values of Table 4. In general, Burberry and Tiffany&Co generally present larger evaluations' differences (%) than Louis Vuitton, while being more or less similar among one another. Only remarkable and record exception is presented by the negative mean differences of the Louis Vuitton's overall brand equity valuation (-0,249). Starting with brand associations, while both Louis Vuitton and Burberry presented significant negative evolutions, the impact of the evolution was bigger for Burberry (+5,57%), than for Louis Vuitton (-3,5%). Regarding perceived quality, while Louis Vuitton presented significant negative changes (-3,2%), the size of the evolution was higher and positive for Tiffany&Co (+4,5%). Once again, we observe that the brands with the lowest brand familiarity score, Tiffany&Co

and Burberry, had a larger change than Louis Vuitton presenting brand with the highest familiarity score. All of the previously stated results support both H3A and H3B.

Lastly, when comparing the brand extension evaluations composed of two factors (brand image fit and product category fit), the extension with the highest mean and median was Burberry extension's in cosmetic category (*Me*=6,041; *Md*=6,25), followed by Louis Vuitton's extension in the writings (*Me*=5,85; *Md*=5,875) and Tiffany's extension in fragrances (*Me*=5,435; *Md*=5,500). As it has been previously seen Burberry is the most purchased brand (*Table 11*) and Burberry's extension in cosmetics is the most familiar (*Table 11*) among other extensions analyzed. This means that participants were usually more receptive to the extensions that involved the highest joint score of brand extension's "awareness" i.e., participants would give higher scores to the extension they have either purchased or known.

TABLE 13: VARIABLES DESCRIPTIVE STATISTICS

	Variable	Mean	Median	St. Dev.	Mean Diff.	Mean Diff. (%)
Louis Vuitton	*AS_LV*	5,741	5,833	0,987		
	PQ_LV	6,685	6,678	0,880		
	OBE_LV	6,538	5,000	1,155		
	PAS_LV	5,540	5,500	0,904	-0,201	-0,035
	PPQ_LV	6,476	6,888	0,938	-0,209	-0,032
	PLO_LV	5,099	5,000	1,413		
	POBE_LV	5,237	6,750	1,202	-1,301	-0,249
Burberry	*AW_BR*	6,482	6,500	0,981		
	AS_BR	6,131	6,333	0,746		
	LO_BR	4,965	4,965	1,708		
	PAS_BR	5,865	5,670	0,872	-0,275	-0,045
	PPQ_BR	6,735	7,000	0,853		
	PLO_BR	5,250	5,500	1,694	0,285	0,057
	POBE_BR	6,536	6,750	1,202		

Tiffany&Co	*AW_TF*	6,101	6,000	1,233		
	AS_TF	5,557	5,583	1,025		
	PQ_TF	6,125	6,333	0,950		
	LO_TF	4,839	5,000	0,855		
	OBE_TF	5,884	6,000	1,750		
	PAS_TF	5,701	5,750	1,191	0,124	0,022
	PPQ_TF	6,402	6,500	0,973	0,277	0,045
	PLO_TF	5,144	4,750	1,483	0,305	0,063
	POBE_TF	5,357	5,500	1,516	-0,509	-0,087
Evaluation of extension	*BF_LV*	6,000	6,000	1,367		
	PF_LV	5,701	6,000	1,546		
	BF_BR	6,250	6,500	1,344		
	PF_BR	5,830	6,500	1,565		
	BF_TF	5,469	5,500	1,532		
	PF_TF	5,406	5,750	1,649		
	EBE_LV	5,85	5,875	1,344		
	EBE_BR	6,041	6,25	1,565		
	EBE_TF	5,435	5,500	1,532		

The analysis of the correlation matrix of each brand (*Table 14*) provides us with the information of the direction of the relation between the several factors. Across the matrices, it is clear that not only correlations are positively significant among the different brand equity dimensions prior to and post exposure, but there is also a positive and significant correlation between the dimensions of prior and post situations, which suggests the confirmation of the hypotheses proposed. The only exception to the positive correlation trend is the correlation between the factors referring to the evaluations of brand extension and the several dimensions of brand equity in the two moments analyzed. From one side, the variables measuring the evaluations of the extensions showed mixed results across dimensions of brand equity. While some of the pairings were positively and significantly related to most prior and posterior brand equity dimensions (e.g., EBE_TF), others have positive but mostly not significant correlations (e.g., EBE_BR).

These results, although not harmonious, are in line with the uncertainty present in the hypothesis formulation section.

In order to better understand the relations between the different variables and how those relations are affected by brand awareness asymmetry, both regressions and median difference analysis were conducted.

TABLE 14: CORRELATION MATRICES

	AS_LV	*PQ_LV*	*OBE_LV*	*PAS_LV*	*PPQ_LV*	*PLO_LV*	*POBE_LV*	*EBE_LV*
AS_LV	1							
PQ_LV	,603**	1						
OBE_LV	,503**	,455*	1					
PAS_LV	,355**	,688**	,453**	1				
PPQ_LV	,623*	,613**	,523**	,453*	1			
PLO_LV	,608*	,548**	,631**	,684*	,603**	1		
POBE_LV	,313*	,266**	,707**	,555*	,663**	,555**	1	
EBE_LV	,503**	,101	,133	,463**	,603*	,644**	,345	1

**. Correlation is significant at the 0.01 level (2-tailed).

	AW_BR	*AS_BR*	*LO_BR*	*PAS_BR*	*PPQ_BR*	*PLO_BR*	*POBE_BR*	*EBE_BR*
AW_BR	1							
AS_BR	,666**	1						
LO_BR	,556**	,444**	1					
PAS_BR	,701**	,501**	0,403**	1				
PPQ_B	0,455*	0,688*	0,473*	0,801*	1			

R			*	*				
PLO_BR	0,603**	0,623**	0,699**	0,756*	0,203**	1		
POBE_BR	0,555**	0,432**	0,856**	0,655**	0,543**	0,501**	1	
EBE_BR	0,333*	0,089	0,062	0,294**	-,103	0,303	-,001	1

**. Correlation is significant at the 0.01 level (2-tailed).

	AW_TF	*AS_TF*	*PQ_TF*	*OBE_TF*	*PAS_TF*	*PPQ_TF*	*PLO_TF*	*POBE_TF*	*EBE_TF*
AW_TF	1								
AS_TF	,560**	1							
PQ_TF	,486**	,754**	1						
OBE_TF	,420**	,678**	,755**	1					
PAS_TF	,453**	,673**	,701**	,498**	1				
PPQ_TF	,416**	,678**	,633**	,442**	,403**	1			
PLO_TF	,331**	,643**	,608**	,544**	,403**	,363**	1		
POBE_TF	,313**	,603**	,605**	,503**	,555**	,344**	,333**	1	
EBE_TF	,077	,256**	0,278*	,566**	,277**	,603	,277*	,703**	1

**. Correlation is significant at the 0.01 level (2-tailed).

3.4 NORMALITY TESTS

Since the majority of the tests performed include assumptions about the normality of the sample distribution, normality tests were conducted. The Shapiro-Wilk test has been used to assess the normality of all the variables included in the research. The results stated that, for all three brands, all variables did not show a normal distribution (95% confidence) (Appendix 3),

which had further implications on the type of regressions and statistics tests used.

3.5 MEDIATION ANALYSIS

According to the established theoretical model in present study, it was not only intended to demonstrate that the horizontal brand extension of the brands affect post CBBE evaluations (H3), but also that prior CBBE evaluations would have a direct relation to post CBBE evaluations (H2) and that prior CBBE dimensions would also have an impact on the evaluations of the brand extension (H4A).

From the several connections between the variables analyzed, it becomes relevant to estimate whether a mediation model can be used to simultaneously evaluate the three relations proposed. Mediation models are used to estimate the relationship between a dependent variable (outcome variable), an independent variable (causal variable) and a mediator variable that might influence the relationship between them (Baron & Kenny, 1986). Thus, the mediator is implemented to "clarify the nature of the relationship between the independent and dependent variables" (Baron & Kenny, 1986).

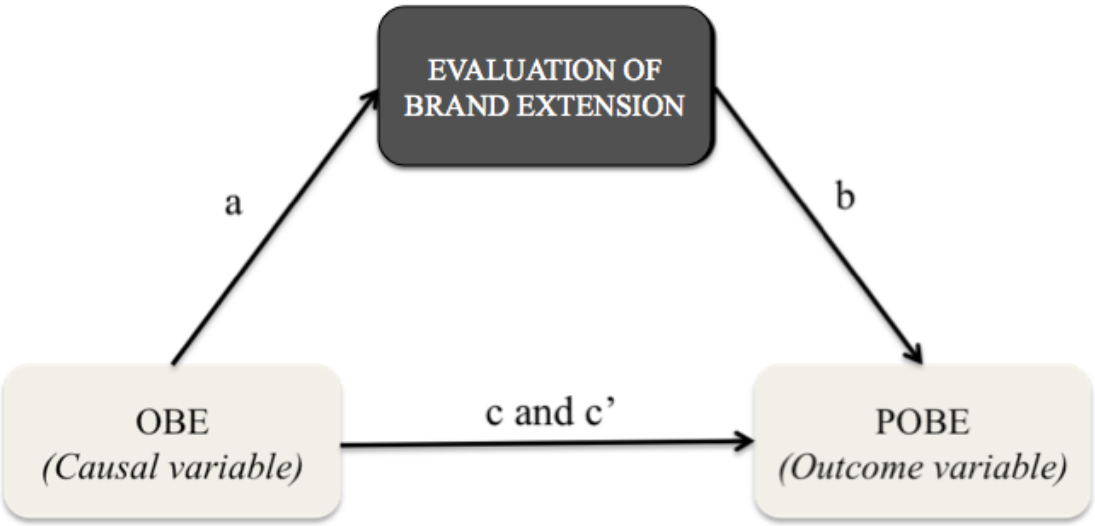

FIGURE 6: MEDIATION

According to Baron & Kenny (1986) the mediation affect may take place once four conditions are satisfied:

1. *The causal variable is correlated with the outcome (path c).*
   This implies that there is an effect that can be mediated and would be investigated through a regression in which the causal variable was a predictor of the outcome.
2. *The causal variable is correlated with the mediator* (path a).
   This would be estimated with the mediator as an outcome variable.
3. *The mediator affects the outcome variable (path b).*
   This would be estimated through a regression in which both the causal variable and the mediator would be predictors of the outcome variable.
4. *If there is complete mediation, the effect of the causal variable on the outcome through the mediator (path c') should be reduced to zero.*
   The same equation would be used to estimate (3.) and (4.).

Once all these conditions were met, complete mediation would be presented. However, if step (4.) were not captured, only partial mediation would be enacted. In order to evaluate the total effect of mediation (c=c'+ab), which includes both the direct (c') and indirect (ab) affects, a non-parametric Preacher & Hayes' bootstrap method was used (Table 7), with 5000 resamples. This method is referred to as the best measure of the amount of mediation or the "true effect" (Kenny, 2014).

TABLE 15: PREACHER AND HAYES' MEDIATION OUTPUT

	Coefficient	*Stand.Error*	*t-statistics*	*p-value*
IV To Mediators (a paths) *EBE_TF*	0,2084	0,0764	2,7277	0,0074
Direct Effects of Mediators on DV (b paths) *EBE_TF*	0,0504	0,0672	0,7498	0,4550
Total Effect of IV on DV (c path) *OBE_TF*	0,8484	0,0545	15,5883	0,0000
Direct Effect of IV on DV (c'path) *OBE_TF*	0,8389	0,0564	14,8835	0,000

DV = POBE_TF; IV = OBE_TF; MEDS = EBE_TF; Sample size: 112

Model Summary for DV Model					
R-squared	*Adj. R-sq.*	*F*	*dfl1*	*dfl2*	*p-value*
0,6842	0,6785	121,3080	2,0000	112,0000	0,0000

Bootstrap Results for Indirect Effects				
Indirect Effects of IV on DV through Proposed Mediators (*ab paths*)				
	Data	*Boot*	*Bias*	*SE*
Total	0,0105	0,0109	0,0004	0,0147
EBE_TF	0,0105	0,0109	0,0004	0,0147
Bias Corrected Confidence Intervals				
	Lower	Upper		
Total	-0,0110	0,0110		
EBE_TF	-0,0511	0,0511		

Level of Confidence for Confidence Intervals: 95% ; Number of Bootstrap Resamples: 5000

Considering the essential conditions for mediation and the outcomes of the descriptive statistic, only Tiffany&Co brand could be considered a valid candidate to test for mediation. Since OBE was not a reliable factor for Burberry and the second condition was not met in case of Louis Vuitton, mediation model could not be estimated, neither could be tested the single relation between prior CBBE and the evaluations of brand extensions involving the brands. In the case of Tiffany&Co, the causal variable (OBE_TF) is correlated with the outcome (POBE_TF) and also with the mediator (EBE_TF). Results of regression analysis (*Table 15*) showed that the relation between the outcome (POBE_TF) and the causal variable (*OBE_TF*) was indeed significant and positive (β = 0,8484, t = 15,5883), as was the relationship between the causal variable (OBE_TF) and the mediator (EBE_TF) (β =0,2084, t = 2,7277). However, the proposed mediator did not have a significant effect on dependent variable (POBE) (β = 0,0504, t = 0,7498), which means that mediation was not established, even though the

coefficient of path c' was slightly smaller than the one of path c.

Furthermore, the indirect mediation effect appeared to be also not significant, which reassure the direct effect outcome. These results give proof that both H2 and H4A could be supported, while H3 would be rejected.

3.6 SEEMINGLY UNRELATED REGRESSIONS

After analyzing the dynamics between prior and posterior CBBE evaluations, the next step of the research would be test the relationship between the dimensions of brand equity and its overall evaluation. In order to study the extent of explanatory power of the brand extension variables (EBE_TF) apart of the mediation analysis, they were also inserted in the regression preventing post exposure evaluations. Thus, the regressions would not only predict whether the dimensions of brand equity used would significantly explain overall CBBE for both moments, but also weather the brand extension strategy would be an explanatory variable of post CBBE. Following regressions were designed:

$$OBEi = \alpha + \beta 1\ AWi + \beta 2ASi + \beta 3\ PQi + \beta 4\ LOi + ei1$$

$$POBEi = \rho + \gamma 1\ AWi + \gamma 2PASi + \gamma 3\ PPQi + \gamma 4PLOi + \gamma 5EBEij + ei2$$

In OLS regressions (even though they are different and refer to distinct linear regressions), its dependent variables share a "conceptual relationship" among them, since they both come from the evaluations of the same brands on the same sample. Meanwhile, there is also the possibility that both regressions can be related through the correlation of their error terms. If the correlation of the error terms takes place, there is an endogeinety and that more efficient estimators will be obtained if they are jointly counted, using a Seemingly Unrelated Regressions model (SUR) (Zellner, 1962). Regarding the issue of non-normality, the estimators and errors obtained through the

SUR model are not significantly affected by the non-normality of the distributions, in case the presence of a fairly large sample, which encourages the use of this model in this study.

As it has been said, Tiffany&Co was the only brand that could be reliably analyzed, since the other two brands, Louis Vuitton and Burberry, had dimensions of prior CBBE evaluations with Cronbach's alphas lower than 0,5 that does not allow these brands being included in the SUR estimation. However, in order to compare brands a single linear regression was also implemented.

The estimation of the SUR model (with R software) demonstrated that there was a significant correlation between the two errors (McElroy's R2 of 0,768). This is to prove that the regressions should be jointly estimated (*Table 16*). Looking at the estimators obtained, results support that only brand awareness (AW_TF) (β = 0,211, p = 0,002) and brand associations (AS_TF) (β = 0,789, p = 0,000) could significantly describe prior overall brand equity (OBE_TF). Concerning the post exposure regression, brand awareness (AW_TF) (β = 0,115, p = 0,026), post brand associations (PAS_TF) (β = 0,549, p = 0,000), brand loyalty (PLO_TF) (β = 0,412, p = 0,000) and the horizontal brand extension evaluation (EBE_TF) presented again significantly independent variables (β = −0,152, p = 0,001). This result is in line with the outcome obtained with separate OLS estimations (*Appendix 4 and 5*).

TABLE 16: SUR OUTPUT

System	*N*	*df*	*SSR*	*Det. R. Cov*	*OLS-R2*	*McElroy - R2*
Fit	112	109	123,198	0,290	0,797	0,768

	N	*df*	*SSR*	*MSE*	*RMSE*	*R2*	*Adj. R2*
Eq. 1	98	96	72,459	0,659	0,812	0,755	0,751
Eq. 2	98	95	50,739	0,470	0,685	0,836	0,830

OBE_TF	*Coefficient*	*Std. Error*	*t-value*	*p-value*			
(Intercept)	0,184	0,265	0,695	0,489			
AW_TF	0,211	0,067	3,175	0,002	**		
AS_TF	0,789	0,086	9,191	0,000	***		

POBE_TF	*Coef.*	*Std. Error*	*t-value*	*p-value*			
(*Intercept*)	0,175	0,284	0,614	0,540			
AW_TF	0,115	0,051	2,263	0,026	*		
PAS_TF	0,549	0,103	5,366	0,000	***		
PLO_TF	0,412	0,087	4,496	0,000	***		
EBE_TF	-0,152	0,041	-3,480	0,001	***		

In order to verify the similarity of the coefficients collected through OLS and SUR estimations, the Likelihood Ratio Test was implemented (*Table 14 and Appendix 5*). As it can be noted, the coefficients of both models with (*Chisq* = 0,7129; p = 0,7002) or without (*Chisq* = 0,5053; p = 0,7768) the intercept variable were not significantly different which implies that the OLS coefficients may also be considered acceptable.

TABLE 17: LIKELYHOOD RATIO TEST

Model	Df	LogLik	Df	Chisq	Pr(>Chisq)
1	5	-246,94			
2	7	-246,59	2	0,7129	0,7002

As a result, it can ne concluded that, such dimensions of brand equity as brand awareness and brand associations better explain the overall brand

equity evaluations in prior and post moments, while brand loyalty is only significant when explaining post CBBE. Despite not all dimensions were significant, this analysis still allow to support H1, since once significant, the relations are positive.

Furthermore, results show that variable related to the evaluation of the horizontal brand extension (EBE_TF) is significantly explaining post CBBE. However, this impact is negative which implies that the post overall brand equity evaluations of Tiffany&Co are negatively influenced by the Tiffany's extension in the fragrance category. Therefore, it is possible to claim that brand extensions impact negatively brand equity evaluations what rejects H3.

Following the logic of the analysis, the second regression was computed for the two other brands. As it can be observed in table 18 and 19, both brands Louis Vuitton and Burberry demonstrated some similar trends as in case of Tiffany&Co: both post brand associations (PAS) (β = 0,587, p = 0,000; β = 0,582, p = 0,000) and post brand loyalty (PLO) (β = 0,420, p = 0,000; β = 0,460, p = 0,000) significantly explained post overall brand equity (POBE). However, brand awareness (AW) was not significant in the case of Burberry (β = −0,068, p = 0,228) and had been excluded from the analysis of Louis Vuitton dimensions.

According to the theoretical assumption (Aaker, 1996; Washburn & Plank, 2002) brand associations precede brand loyalty. This idea is supported in the present study since brand associations had a larger explanatory power than brand loyalty in explaining post overall brand equity for all three brands. Concerning the effect of the brand extensions, it had not a significant impact for none of the brands, which further support the rejection of H3.

Finally, it is worth mentioning that all regressions showed overall

significance (F statistics; p < 0,05) and had good estimates of the R squared (R2 > 0,640) which matches the necessary conditions to the validation of the models being used (Lomax & Hahs-Vaughn, 2007; Steel & Torrie, 1960). Then, two important criteria for evaluating the quality of the regressions collinearity and homoscedasticity were also checked for all four regressions. For example, constant variance is one of the mandatory conditions to attain best linear unbiased estimators (BLUE) (Gauss-Markov Theory). However, as the Durbin-Watson test is applicable only to time series data, another mandatory condition as autocorrelation of the errors was not verified. All variable have met the condition of collinearity since they presented VIF values not exceeding 5. Homoscedasticity was evaluated via the computation of a linear "fit" model to the residuals. This condition can be verified from linear "fits" that are horizontal and aligned with the value 0. In present study, the homoscedasticity is satisfied since all four regressions present errors with constant variance.

TABLE 18: LOUIS VUITTON REGRESSION OUTPUT

Model	Unstandardized Coef.		Standardized Coef.	t	Sig.	Collinearity Statistics	
	B	*Std. Error*	*Beta*			*Tolerance*	*VIF*
(Constant)	,331	,500		,663	,509		
PAS_LV	,587	,123	,441	4,785	,000	,364	2,745
PPQ_LV	-,002	,105	-,001	-,016	,987	,592	1,688
PLO_LV	,420	,080	,437	5,246	,000	,446	2,243
EBE_LV	,020	,078	,019	,256	,799	,549	1,820

Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*

1	,802a	,644	,628	,93528

Model	*Sum of Squares*	*df*	*Mean Square*	*F*	*Sig.*
Regression Residual Total	181,602 100,596 282,198	4 95 99	36,320 ,875	41,521	,000b

a. Dependent Variable: POBE_LV b. Predictors: (Constant), EBE_LV, PLO_LV, PPQ_LV, PAS_LV

TABLE 19: BURBERRY REGRESSION OUTPUT

Model	Unstandardized Coef.		Standardized Coef.	t	Sig.	Collinearity Statistics	
	B	*Std. Error*	*Beta*			*Tolerance*	*VIF*
(Constant) *AW_BR* *PAS_BR* *PPQ_BR* *PLO_BR* *EBE_BR*	,245 -,068 ,582 ,068 ,460 -,009	,394 ,056 ,129 ,104 ,090 ,067	-,072 -,461 ,055 ,456 -,009	,623 -1,213 4,525 ,657 5,085 -,139	,534 ,228 ,000 ,513 ,000 ,890	,778 ,262 ,386 ,337 ,612	1,285 3,822 2,593 2,970 1,635

Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*
1	,841a	,707	,691	,84737

Model	*R*	*df*	*Mean Square*	*F*	*Sig.*

Regression Residual Total	187,373 77,548 264,922	5 93 96	31,229 ,718	43,492	,000b

a. Dependent Variable: POBE_BR b. Predictors: (Constant), EBE_BR, AW_BR, PLO_BR, PPQ_BR, PAS_BR

3.7 RESULTS SUMMARY

Hypothesis	*Test Results*
H1: Brand awareness, brand associations, perceived quality and brand loyalty are positively related to the overall brand equity of luxury brands.	**Supported** Correlations were positive and significant for all brands.
H2: Prior CBBE (before brand extension) is positively related to post exposure (after brand extension) CBBE towards the same brand.	**Supported** (☐ = 0,8494, ☐ = 0,0000)
H2a: For lower (higher) levels of brand awareness, the effect of the prior CBBE on the post-extension one will be smaller (larger).	Not tested due to the lack of reliability of some factors.
H3: Customer evaluations of the brand extensions are positively related to post exposure customer-based brand equity.	**Not Supported**
H3a: For lower (higher) levels of brand awareness, the effect of the brand extension on post CBBE (after extension exposure) will be larger (smaller).	**Supported** Mean differences were larger for brands with lower brand awareness
H3b: for lower (higher) levels of brand awareness, the effect of the brand extension on post CBBE (after extension exposure) will be smaller (higher).	**Supported** The median difference of brand associations and overall brand equity were larger for Louis

	Vuitton, but not for Tiffany&Co
H4a: prior CBBE (before extension exposure) is positively related to customer evaluations of the brand extension.	**Supported** (☐ = 0,2084, ☐ = 0,0074)
H4b: prior CBBE (before extension exposure) is negatively related to customer evaluations of the brand extension.	**Not Supported**

CHAPITER 4. RESULTS DISCUSSION OF THE EMPIRICAL STUDY ON CUSTOMERS' BRAND EXTENSION PERCEPTION: THEORETICAL AND PRACTICAL IMPLEMENTATION

4.1. RESULTS DISCUSSION

After profound analysis of the data collected from the survey, it can be stated weather the proposed hypotheses within the theoretical model were supported or not. The results summary demonstrates that the majority of the hypotheses could only be partially supported, taking into account the fact that the completed analyses could only be conducted for one brand. At the same time, there are some hypothesis for which an analysis could not even be performed because of the lack of reliability of some factors analyzed. However, there are cases in which all brands provide evidence to support the hypotheses. Nevertheless, it is interesting to draw the parallel between findings and what was overviewed in the literature review, and try to develop some explanatory reasons for the cases in which results were not in line with past conclusions.

Firstly, in accordance with the anticipated positive relation between brand equity dimensions and overall brand equity, the correlation analysis demonstrated significant results to support the hypothesis. Nevertheless, when taking into consideration the outcomes of the regression analysis, it was demonstrated that for all brands, only some dimensions were significantly justifying the evaluations of overall brand equity. Despite the explanatory capability of regression estimators is stronger than correlation, the fact is that some dimensions may only have explanatory power once they are fully presented in the minds of the consumers, which gives a chance to the idea that connection still persists between those dimensions and the overall evaluation. As a matter of fact, according to the previous studies in which some of these

dimensions were also not significant (e.g., Tong & Hawley, 2009), such result could derive from the specificity of the industry, the sample, or the fact that other brand equity dimensions could be a better fit. Last but foremost, all dimensions, which demonstrated significant outcome, also presented positive coefficients. This highlights there was enough evidence to support H1.

The relation between prior and post overall brand equity measurements (H2) could only be examined for Tiffany&Co, due to the lack of reliability of the factors assessing prior overall brand equity in the case of Burberry and Louis Vuitton. Additionally, since the introduction of the new information concerning the horizontal brand extension of the brands studied was intended to influence the relation between prior and post CBBE constructs, its significance was tested in the context of a mediation model. Despite the mediation analysis could only be conducted for the Tiffany's extension in the fragrance category (EBE_TF), prior overall brand equity evaluations were estimated to be a significant predictor of post overall evaluations, which supports findings of Park et al., (1991), even though this study aimed attention only at brand attitudes and not the complete valuation of customer-base brand equity. Looking at Burberry's and Louis Vuitton's statistical outcomes, although the direction of relation could not be identified, correlation coefficients demonstrate that there is positive significant correlation between all the dimensions of brand equity across and within both moments. Taking into consideration that dimensions are positively related among each other and towards the overall construct, it can be concluded that a positive relation is also anticipated from the overall evaluation of brand equity between prior and post cases.

Since Tiffany&Co was the only brand for which estimator coefficients were attained from prior and posterior situations of the research, no

comparison could be drawn and so, H2A could not be further investigated. Even though mediation estimations show the existence of significant changes within the variables between moments, the impact of prior on post brand equity dimensions could not be detached from the global effect. Therefore, the results are not predictable enough to conclude about H2A.

The non-reliability of some factors evaluating brand equity dimensions is probably coming either from the reduced number of items used or the size of the sample. As it was noticed, the items used were borrowed from past research papers on the topic of brand equity, and thus their validation had already been proven.

Some contradictions were met concerning the relation between the evaluations of the brand extensions and the post evaluations of brand equity (H3). The correlation analysis provided us with the fact that there were both cases of positive and negative (although not significant) correlations between the brands extension variables (brand image and product category fit) and the post brand equity dimensions. Besides, the descriptive analysis highlighted that the evaluations of the brand extensions were rather positive, since all of them exhibited means and s above 4 ("Neither Agree or Disagree"). Furthermore, the assessment of the seemingly unrelated regressions model demonstrated that there was a significant negative relation between the evaluation of the Tiffany's brand extension in the fragrance category (EBE_TF) and the post overall brand equity valuation of this brand (POBE_TF). This finding was again corroborated by the mean difference comparison between prior and post overall brand equity of Tiffany&Co.

This outcome can be considered inconsistent because a negative relation would only be produced from negative brand extensions evaluations

(Loken & John, 1993). Nevertheless, taking into account the characteristics of luxury brands such as high dependence on symbolic value (Ijaouane & Kapferer, 2012), it is not surprising that even if the average respondent can notice possible benefiting affect of parent brand's extension in the new product category, that will still indicate negative impact on the individual evaluations of the parent brands, being perceived as less "unique" (Ijaouane & Kapferer, 2012). This conclusion can be supported by the case of Louis Vuitton, where few highly significant negative changes was registered between prior and post brand associations (-3,5%), prior and post perceived quality (-3,2%) and prior and post overall brand equity (-24,9%). Finally, the estimation of regressions for Burberry and Louis Vuitton were not significant for the variables related to brand extension evaluations as predictors of post overall brand equity, which further corroborates the exclusion of H3.

Both hypotheses, H3A and H3B, being established on the same relation but with opposite directions, were supported in present study. While in the case of H3A, stating that the impact of the brand extension strategy would be larger for lower levels of brand awareness was maintained by the comparison of mean differences of brand equity dimensions across brands, the only evidence in favor of H3B was provided once with brand associations' and overall brand equity's indicators of Louis Vuitton and Tiffany&Co's. The median difference of brand associations and overall brand equity in both moments for Tiffany&Co was significantly lower then in the case of Louis Vuitton. These results are in line with findings of Ijaouane and Kapferer (2012), which underline the fact, that the brand extensions strategy in the luxury industry may influence brands with high or low brand awareness, both positively and negatively.

The implementation of the conclusions derived from the mean

difference analysis in this context may be questionable, since the regression analysis did not show a significant relationship between the brand extension indicators and post overall brand equity evaluations, except for one single case (EBE_TF), and that the mean difference analysis does not prove that the change was engendered by the introduction of the new information. However, it can be stated that change in perceptions could only be caused by the introduction of the new information and since nothing else was presented in the questionnaire and that there were probably no environmental changes influencing respondents while filling the survey form. Thus, the non-significance of the associated variable may be the result of the choice of items or the size of the sample. Moreover, since the majority of participants were not loyal customers of the brands proposed, CBBE was not as strong as it could be (Keller, 1993).

H4A and H4B were again made opposite predictions on the same relation. While H4A suggested that prior CBBE dimensions would be positively related to the evaluations of the brand extensions, H4B grounded on the high sensitivity of luxury brands perception due to its symbolic meaning for the customers (Ijaouane & Kapferer, 2012). Evidence was found to support only former hypothesis, according to the results of the mediation analysis for Tiffany&Co. Moreover, regarding the correlations among each brand, it is observable that when correlation between prior CBBE constructs is significant, it is also positive, which further supports H4A and indicates that previous perceptions have a positive relation with the evaluation of brand extension in the new product category.

Finally, once again, the whole integrated verification of all established hypotheses was not possible due to the lack of reliability of the factors involved. As it was mentioned before, the lack of reliability might come from

the reduced number of items and the sample size.

4.2 MANAGERIAL IMPLICATIONS AND RECOMENDATIONS

The choice of this research topic derived from the growing trend of traditional luxury companies to expand their product offerings in the new categories, driving profitability through increased accessibility. Therefore, it becomes increasingly important to understand how such strategic branding decision stipulating the adding new categories (in which brand is not an expert) to the existing brand's product line, affects customer perceptions of the parent brand, which, in turn, may affect its performance. For instance, if customers perceive new categories in the Louis Vuitton's product line as hazardous to the symbolic value of this brand, purchase intents might be diminished and then, the brand might financially suffer. Could that be a reason Louis Vuitton haven't launched yet the new product in the fragrance category or Tiffany&Co in the pret-a-porter? As a result, this study intended to contribute to a better understanding on how customers react to the introduction of the new usually unknown product categories in the product line of luxury brand in which the brand is not an expert.

The results and the discussion parts have provided us with several convictions that may have important impact on the choice of direction in brand extension strategy of the brands analyzed.

First of all, evidence was found that even though actual or aspirational customers of luxury brands evoke they are moderately or deeply interested in luxury industry, the predominant part of them still not aware of its extensions in more assessable product categories. Facing such situation in managerial practice, it could be curious to know whether customer perceptions of some luxury brands would significantly change if they were, in fact, aware of the

entire brand's product line. As a matter of fact, only in case of Tiffany&Co such effect was significant when the exposure to the new information deteriorated previous customer overall perceptions of the brand. Additionally, mean difference overview demonstrated that the brand associations, overall brand equity and perceived quality indicators of Louis Vuitton were also decreased throughout the post evaluation situation. This also strongly maintains the idea that CBBE is, at least, partially negatively influenced by the new information about brand extension strategy. On the other hand, descriptive statistics also showed that some positive changes within brand equity dimensions, namely for Tiffany&Co. This means that customers would have stronger brand associations, perceived quality and brand loyalty towards Tiffany&Co, but still, their overall evaluation of the brand would be worse. It can be assumed that the exposure to the new information on brand extensions has an impact on a latent dimension of brand equity that is not being analyzed in the study, possibly one that focuses on seizing the symbolic value of the brand. Therefore, it can be stated that no proves about the effect of the awareness about the brand extension can be given.

When comparing the strength of the effects among brands, it was concluded that lower awareness brands are usually more strongly affected by customers' familiarity of the brand's image and "know-how" extension in the new categories than higher awareness ones, even though Louis Vuitton's overall brand equity indicators demonstrated the opposite trend. This means that, while the brands like Burberry and Tiffany&Co could benefit from customers awareness about its extensions, there is a risk that Louis Vuitton's image would be deteriorated from the same fact and its performance losses would probably have a much larger impact than the Burberry's and Tiffany&Co's gains from their extensions.

Finally, it worth mentioning, that, for all three brands, brand associations were the dimensions that most determined the value of overall brand equity rather than brand loyalty and perceived quality, which means that customer perceptions of these brands are dominated by the functional, non-functional and organizational associations that customers make towards the brands (Chen, 2001). Indeed, this also has a managerial implication, as long as managers of these brands should take into consideration the crucial role of stimulating and strengthening customers' brand associations when taking efforts to boost the overall value of the brand. Moreover, luxury brands should set as a priority to enrich customer experience, since a more exclusive environment and service will nourish positive associations and that will reinforce overall customer-based brand equity.

4.3 LIMITATIONS & FUTURE RESEARCH

The findings presented in this research are somehow different from what was anticipated from past literature, which generates opportunities for future research. Some of the hypotheses were not supported, leading to the introduction of additional dimensions of brand equity specifying the feature of luxury brand symbolism, which are certainly worth to be included in further empirical research. In fact, this study represents a great potential for new fields of study. However, as in any empirical study, limitations need to be acknowledged and results should be interpreted in light of those.

First of all, this study solely focused on the analysis of just three brands and just one extension for each, which can be considered either very restricting or very targeted. Under the scope of the current study and given limitations of the time and resources, concentrating on three brands and one of their recent extensions in the assessable categories, was the optimal

alternative, since it provided with some diversity in terms of brands, but still gave the opportunity to have more coherent and realistic set of conclusions. However, it might have sense to analyze how the same study would result within a broader range of brands and their extensions, namely not only horizontal, but also vertical ones. Moreover, it would have been ideal to have the time to study prior and post CBBE in different moments of time and with a stronger depth. In-depth interviews with some respondents and executives would also be valuable suggestions of methodologies to introduce in future similar investigations.

Taking into account the choice of target of respondents, they ought to be experienced consumers of the brands, in order to reassure that fully presented brand equity dimensions were established within the minds of customers. In present research, there is high likelihood that some participants with a rather low awareness of the some of the brands have completed the questionnaire.

Additionally, further studies in this field would also be conducted within different audiences in terms of nationality, age and occupation. Even though there is a specificity of perceptions towards brands among different cultures, there can still be found some significant differences and thus, it would be interesting to know how results would vary within different cultures.

Furthermore, even tough the dimensions of brand equity included in the study were the most consensual and solid explored so far, given the fact that there was a clear focus on luxury brands, it would have been interesting to introduce some new dimensions that were designed based on the specificities of these brands and that would, therefore, better capture their CBBE

evaluations.

A comment should also be made about the pretest phase, which ideally could have included a control group, in order to first test the strength of the factors and significant relations between them. The lack of time and the fact that the majority of participants could only be achieved once enforced not to conduct such a detailed pretest phase. However, future studies should be more focused on detecting and controlling unreliable factors.

One of the major drawbacks of the study was the fact that the significant number of factors was not considered reliable, since it not only excluded entire variables from the analysis, but it also eliminate the opportunity to conduct some analysis within some of the brands and therefore, to establish comparisons. This has been significantly impacted the expected outcomes, since both conclusions and the support of the hypotheses was in some cases only incidental and could not be maintained by similar conclusions from other brands. The introduction of a larger number of items within factors or a larger sample could probably have avoided this relevant limitation.

Moreover, even though the sample gathered was larger than the minimum required by statistical guidelines, the large number of variables being analyzed would benefit from a larger sample. For instance, the normality could not be found for the most of the variables, which is partially affected by the amount of the sample. As a result, the choice of tests to be performed had to be adjusted. Moreover, even though normality is not a necessary condition to obtain BLUE estimators, normally distributed variables and errors have a better chance of fulfilling the necessary criteria. Looking at the estimation of regressions, in the context of mediation, the

Preacher & Hayes bootstrapping method did not allow for the analysis of the errors of the regressions cumulated, which implies a limitation. However, collinearity was not expected, since two of the three regressions had only one predictor and the significant correlation between EBE_TF and OBE_TF was rather low. Performing the autocorrelation of the errors was not necessary, since observations do not succeed in time, but from respondent to respondent. Thus, only missing constant variance would have had been a restriction for the completed analysis.

CONCLUSION

The use of brand extension as a promising branding strategy in the luxury industry, allowing luxury houses to grow more quickly, without being limited to organic internal growth, or finding themselves prisoners of the regression of their original trade, has been a growing trend during the last few decades. However the marketing implications of these activities were still not sufficiently explored, which makes the study in this research work an important contribution to literature. Taking into account that the purchase of luxury fashion brands has predominantly the symbolic and experiential value for customers, new extensions may affect existing associations of the parent brand as long as these associations may directly influence evaluations of this extension in both positive and negative ways. Thus, the fact of the widespread managerial practices in luxury industry to stretch existing brand image to the new category on the one hand, and the need to preserve the identity and culture of a brand on the other, allowed us to establish relevant to the real company practice and relatively new for luxury marketing literature research question: does luxury fashion brand extension to the new product category of design have an impact on its consumers' perception? And, oppositely, does the existing luxury brand perception impact the evaluation of its extension? As a matter of fact, the aim of the study was to assess whether and how the perceptions of actual and aspirational luxury customers towards some of the most influential luxury brands were affected by news that they operate in different more assessable categories than the category of origin. Brand perceptions were deciphered through the evaluation of existent and post extension brand perceptions through the measurement of customer-based brand equity (CBBE) and its four dimensions: Brand Awareness, Brand Associations, Perceived Quality and Brand Loyalty (Aaker and Keller, 1990).

First of all, this study showed that, indeed, brand equity constructs are relevant at measuring luxury customers' perceptions. There was also evidence that these dimensions are significantly related in time and that they may significantly explain how customers will evaluate the brand extensions. Nevertheless, due to the diverse limitations, it was impossible to draw the conclusions weather the evaluations of the extensions would positively explain the change in perceptions. Eventually, it could be stated that different degree of brand awareness influence the effect that the exposure to the new information will have on perceptions, even though there were cases of larger and smaller effects for both types of brands.

Finally, it was found that even though some dimensions of brand equity were positively and significantly impacted by the introduction of the new information, there were some for which the effect was significantly negative, which presents a serious matter for luxury brands. For instance, brand associations, perceived quality and overall brand equity of Louis Vuitton have been deteriorated, which may delude some customers about brand image and demotivate them from further purchasing.

To sum up, luxury brands, while extending their product line, namely in the more assessable product categories, should first carefully access its existing brand capital based on consumers perceptions and conduct marketing researches on consumers evaluations of potential categories in order to preserve brand's identity. Indeed, it reinforces the need to focus on positive customer experience, through the strengthening of brand associations and therefore, overall brand equity. While luxury brands will be growing in the future by leveraging their brand image into new product categories, it is tremendously important to know how to preserve the value of parent brand and successfully position new items in the product line, without creating

confusion in the minds of customers.

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APPENDIX

APPENDIX 1: ONLINE SURVEY (RUSSIAN)

Здравствуйте!
Я, студентка магистратуры факультета менеджмента НИУ-ВШЭ и бизнес школы ESCP Europe, провожу исследование на тему расширения фэшн-брендов класса люкс, в рамках своей магистерской диссертации.
Если Вы девушка/женщина 25 лет и старше и Вы в той или иной степени осведомлены о существующих популярных фэшн-брендах сегмента люкс, пожалуйста, пройдите данный опрос.
Сначала Вам будут заданы вопросы касательно Вашего отношения к некоторым фэшн-брендам.
Затем, после того как Вам будет представлена новая информация о данных брендах, Вам нужно будет сделать их повторную оценку.
Ваши ответы будут сохранены в конфиденциальности!
Благодарю Вас заранее за то, что нашли возможность поучаствовать в данном исследовании! Заполнение опросника не займет у Вас более 10 минут.

В какой степени Вы интересуетесь и осведомлены о фэшн-брендах класса люкс?

- Интересуюсь время от времени
- Интересуюсь и стараюсь следить за модными трендами
- Я очень сильно увлечена индустрией моды класса люкс, слежу за всеми тенденциями

Напишите, пожалуйста, 3 фэшн-бренда класса люкс, которые первыми пришли Вам в голову:

Сейчас, Вам будут предложены 15 утверждений, касательно вашего отношения к трем брендам. Пожалуйста, оцените насколько Вы согласны с утверждениями по следующей шкале:

1. Полностью не согласен 2. Не согласен 3. В некоторой степени не согласен 4. В некоторой степени согласен 5. Согласен 6. Полностью согласен.

	LOUIS VUITTON								BURBERRY LONDON								TIFFANY & CO.							
	N/A	1	2	3	4	5	6	7	N/A	1	2	3	4	5	6	7	N/A	1	2	3	4	5	6	7
Я знакома с брендом	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
Товары бренда отличного качества	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
Когда я ношу вещи от данного бренда, я чувствую себя более уверенно среди других	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
Бренд продает что-то больше, чем просто продукт	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○

Мне нравится и я доверяю компании, представляющей товары данного бренда	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○
Некоторые характеристики бренда сразу приходят мне на ум	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○
У бренда действительно уникальный имидж, по сравнению с конкурентами	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○
У бренда есть особенные умения и навыки в производстве и доставке своих товаров	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○
Имя бренда ассоциируется с высоким качеством	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○
Я уважаю и восхищаюсь людьми, которые носят вещи бренда	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○

У бренда достаточно выражены дизайнерский подчерк и идентичность	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○
Я выберу именно этот бренд, даже если другой бренд имеет такие же особенности	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○
Соотношение цены и качества бренда справедливо	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○
Я бы рекомендовала бренд своим друзьям	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○
Бренд является моим первым выбором среди товаров роскоши в своем сегменте	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○

>>

Какие из перечисленных товаров данных брендов лично Вы приобрели за последние пять лет?

	Louis Vuitton	Burberry	Tiffany&Co
Одежда	☐	☐	☐
Изделия из кожи (сумки, чемоданы…)	☐	☐	☐
Обувь	☐	☐	☐
Парфюмерия	☐	☐	☐
Ювелирные украшения и часы	☐	☐	☐
Косметика	☐	☐	☐
Аксессуары (шарфы и текстиль, ремни, солнцезащитные очки, бижутерия, ключницы, книги, письменные принадлежности и т.д.)	☐	☐	☐
Книги и письменные принадлежности	☐	☐	☐

>>

Бренды **Louis Vuitton, Burberry и Tiffany&Co** представляют на рынке несколько категорий товаров. В рамках данного исследования, я бы хотела обратить Ваше внимание на следующие расширения* марок:

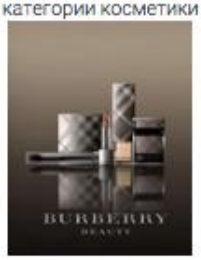
Расширение компании Louis Vuitton в категорию письменных принадлежностей и книг

Расширение компании Burberry в категорию косметики

Расширение компании Tiffany&Co в категорию парфюмерии

*Расширение предполагает перенос капитала основного бренда (логотипа, имиджевых элементов дизайна, ценностей) на новую категорию товаров. Так же, вероятно, что товары новой категории будут представлены в местах продаж основного бренда и для их производства будут использованы те же сырьевые материалы, корпоративные и человеческие ресурсы.

Знали ли Вы до этого, что товары Louis Vuitton, Burberry и Tiffany&Co представлены в данных категориях?

	Louis Vuitton представлен в категории книг и письменных принадлежностей	Burberry представлен в категории косметики	Tiffany&Co представлен в категории парфюмерии
			
да, знала	☐	☐	☐
нет, не знала	☐	☐	☐

Сейчас, Вам будут предложены утверждения, касательно вашего отношения к переходам трех брендов в другие категории товаров.
Пожалуйста, оцените насколько Вы согласны с утверждениями по следующей шкале:
1. Полностью не согласен 2. Не согласен 3. В некоторой степени не согласен 4. В некоторой степени согласен 5. Согласен 6. Полностью согласен.

	Louis Vuitton представлен в категории книг и письменных принадлежностей	Burberry представлен в категории косметики	Tiffany&Co представлен в категории парфюмерии
	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7
Я считаю, переход бренда в данную категорию способствует сохранению своего имиджа	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○
Я считаю, ассоциации связанные с брендом согласуются с новой категорией товаров	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○

Я считаю, что продуктовая категория нового расширения согласуется с категорией бренда	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○
Я считаю, что компания обладает полезными навыками (ноу-хау) для их применения в данной категории товаров	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○

Укажите, пожалуйста, какой из нижеперечисленных продуктов бренда Вы бы приобрели?

	Louis Vuitton представлен в категории книг и письменных принадлежностей	Burberry представлен в категории косметики	Tiffany&Co представлен в категории парфюмерии
Приобрела бы	☐	☐	☐

Теперь, обратив Ваше внимание на существование расширений брендов в такие категории как письменные принадлежности и книги (Louis Vuitton), косметика (Burberry), парфюмерия (Tiffany&Co), Вам следует оценить эти бренды еще раз.

Пожалуйста, оцените насколько Вы согласны с утверждениями по следующей шкале:

1. Полностью не согласен 2. Не согласен 3. В некоторой степени не согласен 4. В некоторой степени согласен 5. Согласен 6. Полностью согласен.

	LOUIS VUITTON								BURBERRY LONDON								TIFFANY & CO.							
	N/A	1	2	3	4	5	6	7	N/A	1	2	3	4	5	6	7	N/A	1	2	3	4	5	6	7
Я знакома с брендом	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
Товары бренда отличного качества	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
Когда я ношу вещи от данного бренда, я чувствую себя более уверенно среди других	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
Бренд продает что-то больше, чем просто продукт	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
Мне нравится и я доверяю компании, представляющей товары данного бренда	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○

Некоторые характеристики бренда сразу приходят мне на ум	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○
У бренда действительно уникальный имидж, по сравнению с конкурентами	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○
У бренда есть особенные умения и навыки в производстве и доставке своих товаров	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○
Имя бренда ассоциируется с высоким качеством	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○
Я уважаю и восхищаюсь людьми, которые носят вещи бренда	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○
У бренда достаточно выражены дизайнерский подчерк и идентичность	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○

У бренда достаточно выражены дизайнерский подчерк и идентичность	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○
Я выберу именно этот бренд, даже если другой бренд имеет такие же особенности	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○
Соотношение цены и качества бренда справедливо	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○
Я бы рекомендовала бренд своим друзьям	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○
Бренд является моим первым выбором среди товаров роскоши в своем сегменте	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○	○ ○ ○ ○ ○ ○ ○ ○

APPENDIX 2: ONLINE SURVEY (ENGLISH)

Hello!

I would like to personally thank you in advance for your help.

I am a student of the Double Degree Master in Management Program between ESCP Europe and National Research University - Higher School of Economics, conducting the survey under the scope of my Master Thesis.

The questionnaire is targeted at women over 25 years old who more or less familiar with luxury fashion brands. Examples of luxury brands might include Chanel, Gucci, Louis Vuitton, Hermès, Moet et Chandon, Cartier, BMW, Mercedes- Benz, etc.

If you refer yourself to this category please follow instructions below.

You will be asked some questions regarding your personal conditions towards some selected brands. Later, you will be asked to reassess some those convictions, after being presented with some new, stimulus information. Your responses will be compiled, statistically analyzed and anonymously reported, and will not be, in any way, linked to you as a participant.

This survey aims at accessing only Russian consumers and will not take more than 10 minutes!

Note: Please do not access external information related to the brands, during the extent of the questionnaire.

I PART

1. How deep is your interest or knowledge about luxury fashion brands?

- I am somewhat interested in fashion brands
- I am curious and I like to know what is trended now
- I am very passionate about fashion brands

2. Please, name the first 3 fashion luxury brands that come to your mind:

- –
- –
- –

You will now be asked to focus on 3 specific brands and to convey your perceptions, thoughts and emotions toward each of them.

II PART

1. Please state to what extent you agree with each statement, according to the following scale:

1. Strongly Disagree
2. Disagree
3. Somewhat Disagree
4. Neither Agree nor Disagree
5. Somewhat Agree
6. Agree
7. Strongly Agree

	Louis Vuitton								Burberry								Tiffany&Co							
I am familiar with the brand.	N/A	1	2	3	4	5	6	7	N/A	1	2	3	4	5	6	7	N/A	1	2	3	4	5	6	7
Products from the brand offer	N/A	1	2	3	4	5	6	7	N/A	1	2	3	4	5	6	7	N/A	1	2	3	4	5	6	7

excellent features.			
Wearing the brand makes me feel more confident around others.	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7
What the brand sells is more than a product to me.	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7
I like and trust the company the company behind the brand's products.	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7
Some characteristics of the brand come to my mind quickly.	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7
The brand has a very unique image, compared to competition.	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7
I consider the brand to have expertise in producing and delivering its products.	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7
I associate the brand name	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7

with quality.			
I respect and admire people who wear the brand.	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7
The brand has strong design and identity.	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7
Even if another brand has the same features, I would prefer this one.	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7
I consider the value for money of the brand to be fair.	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7
I would love to recommend the brand to my friends.	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7
The brand is my first choice for luxury products of its segment.	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7

4. Have you ever purchase an item from listed categories of any of the following brands (mark the space):

	Louis Vuitton	Burberry	Tiffany&Co
Womenswear			
Leather goods (handbags, small leather goods, travel			

cases, etc...)			
Shoes			
Fragrance			
High Jewerly&watches			
Accessories (scarves, shawls, fashion jewelry, belts, sunglasses, hey holders, bag charms)			
Cosmetics			
Books and writing (agendas and covers, writing, books)			
Serving goods "Art de la table"			

All 3 brands you have been analyzing so far have a list of categories in which they operate.

In this study, we take into consideration three brand extensions:

- Louis Vuitton has extended in books and writing products
- Burberry has extended in cosmetic products.
- Tiffany&Co has extended in fragrance products.

This means that it is likely that they share the same brand equity as logo, iconic elements of design, values, etc. They also might share production points, raw materials, corporate resources and talent.

5. Were you already aware that Louis Vuitton, Burberry and Tiffany&Co had extensions in the following product categories?

	YES	NO
Louis Vuitton has books and writing products		
Burberry has cosmetics		
Tiffany&Co has fragrances		

6. Please state to what extent you agree with each statement, according to the following scale:

1. Strongly Disagree
2. Disagree
3. Somewhat Disagree
4. Neither Agree nor Disagree
5. Somewhat Agree

6. Agree
7. Strongly Agree

	Louis Vuitton	Burberry	Tiffany&Co
I believe there is a good brand image fit between parent brand and extended category.	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7
I believe there is a good product category fit between parent brand and extended category.	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7
I believe parent brand associations fits good extended category.	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7
I believe the parent brand could offer a benefit	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7

to extended category by sharing its know-how.			

7. No matter weather you were already aware of these luxury product extensions or not would you like purchase it for you or as a gift?

	YES	NO
Books and writing products by Louis Vuitton		
Cosmetics by Burberry		
Fragrances by Tiffany&Co		

Finally, bearing in mind the facts previously presented, you will be asked to answer some questions about the individual brands.

8. Please state to what extent you agree with each statement, according to the following scale:

1. Strongly Disagree
2. Disagree
3. Somewhat Disagree
4. Neither Agree nor Disagree
5. Somewhat Agree
6. Agree
7. Strongly Agree

	Louis Vuitton	Burberry	Tiffany&Co
I am familiar with the brand.	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7
Products from the brand offer excellent features.	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7
Wearing the brand makes me feel more confident around	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7

others.			
What the brand sells is more than a product to me.	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7
I like and trust the company the company behind the brand's products.	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7
Some characteristics of the brand come to my mind quickly.	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7
The brand has a very unique image, compared to competition.	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7
I consider the brand to have expertise in producing and delivering its products.	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7
I associate the brand name with quality.	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7
I respect and admire people who wear the brand.	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7

The brand has strong design and identity.	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7
Even if another brand has the same features, I would prefer this one.	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7
I consider the value for money of the brand to be fair.	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7
I would love to recommend the brand to my friends.	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7
The brand is my first choice for luxury products of its segment.	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7	N/A 1 2 3 4 5 6 7

This is the end of the questionnaire.

Once again, thank you for your collaboration!

Best regards,

Victoria RYBAKOVA

APPENDIX 3: NORMALITY TEST

	Variable	Shapiro-Wilk	p-value	Rejection	Distribution
Louis Vuitton	*AS_LV*	0,951	0,002	H0 rejected	Not normal
	PQ_LV	0,935	0,002	H0 rejected	Not normal
	OBE_LV	0,951	0,002	H0 rejected	Not normal
	PAS_LV	0,977	0,002	H0 rejected	Not normal
	PPQ_LV	0,876	0,002	H0 rejected	Not normal
	PLO_LV	0,951	0	H0 rejected	Not normal
	POBE_LV	0,951		H0 rejected	Not normal

Burberry	*AW_BR*	0,935	0,001	H0 rejected	Not normal
	AS_BR	0,935	0,002	H0 rejected	Not normal
	LO_BR	0,966	0	H0 rejected	Not normal
	PAS_BR	0,957	0,001	H0 rejected	Not normal
	PPQ_BR	0,951	0	H0 rejected	Not normal
	PLO_BR	0,899	0,002	H0 rejected	Not normal
	POBE_BR	0,91		H0 rejected	Not normal
Tiffany&Co	*AW_TF*	0,969	0,021	H0 rejected	Not normal
	AS_TF	0,951	0,002	H0 rejected	Not normal
	PQ_TF	0,98	0	H0 rejected	Not normal
	OBE_TF	0,951	0,002	H0 rejected	Not normal
	PAS_TF	0,92	0	H0 rejected	Not normal
	PPQ_TF	0,978	0,007	H0 rejected	Not normal
	PLO_TF	0,951	0,002	H0 rejected	Not normal
	POBE_TF	0,951		H0 rejected	Not normal
Brand Fit	*BF_LV*	0,911	0	H0 rejected	Not normal
	BF_BR	0,95	0	H0 rejected	Not normal
	BF_TF	0,96	0	H0 rejected	Not normal
Product Fit	*PF_LV*	0,951	0	H0 rejected	Not normal
	PF_BR	0,962	0	H0 rejected	Not normal
	PF_TF	0,96	0,004	H0 rejected	Not normal

APPENDIX 4: R OUTPUTS

WITH INTERCEPT

OLS	*N*	*df*	*SSR*	*Det. R. Cov*	*OLS-R2*	*McElroy - R2*
	112	109	122,806	0,291	0,797	0,772

	N	*df*	*SSR*	*MSE*	*RMSE*	*R2*	*Adj. R2*
Eq. 1	98	96	71,111	0,652	0,810	0,754	0,750
Eq. 2	98	95	50,544	0,460	0,675	0,838	0,829

OBE_TF	*Coef.*	*Std. Error*	*t-value*	*p-value*			
(Intercept)	0,089	0,266	0,335	0,738			
AW_TF	0,178	0,067	2,652	0,009	**		
AS_TF	0,846	0,087	9,730	0,000	***		

POBE_TF	*Coef.*	*Std. Error*	*t-value*	*p-value*			

(*Intercept*)	0,112	0,289	0,388	0,699			
AW_TF	0,107	0,051	2,090	0,039	*		
PAS_TF	0,595	0,105	5,681	0,000	***		
PLO_TF	0,393	0,087	4,496	0,000	***		
EBE_TF	-0,159	0,045	-3,545	0,001	***		

WITHOUT INTERCEPT

SUR	*N*	*df*	*SSR*	*Det. R. Cov*	*OLS-R2*	*McElroy - R2*
	112	110	123,237	0,286	0,796	0,770

	N	*df*	*SSR*	*MSE*	*RMSE*	*R2*	*Adj. R2*
Eq. 1	98	97	71,111	0,652	0,810	0,754	0,750
Eq. 2	98	96	50,544	0,460	0,675	0,838	0,829

OBE_TF	*Coef.*	*Std. Error*	*t-value*	*p-value*			
AW_TF	0,216	0,056	3,267	0,001	**		
AS_TF	0,822	0,061	11,437	0,000	***		

POBE_TF	Coef.	Std. Error	t-value	p-value			
AW_TF	0,124	0,051	2,263	0,012	*		
PAS_TF	0,577	0,103	5,366	0,000	***		
PLO_TF	0,402	0,087	4,496	0,000	***		
EBE_TF	-0,143	0,041	-3,555	0,000	***		

OLS	*N*	*df*	*SSR*	*Det. R. Cov*	*OLS-R2*	*McElroy - R2*
	112	110	123,237	0,286	0,796	0,770

	N	df	SSR	MSE	RMSE	R2	Adj. R2
Eq. 1	98	97	72,253	0,651	0,810	0,753	0,755
Eq. 2	98	96	50,222	0,466	0,675	0,849	0,822

OBE_TF	*Coefficient*	*Std. Error*	*t-value*	*p-value*			
AW_TF	0,180	0,050	2,702	0,001	**		
AS_TF	0,822	0,055	11,891	0,000	***		

POBE_TF	*Coefficient*	*Std. Error*	*t-value*	*p-value*			
AW_TF	0,112	0,049	2,263	0,009	*		
PAS_TF	0,614	0,093	5,366	0,000	***		
PLO_TF	0,384	0,084	4,496	0,000	***		
EBE_TF	-0,151	0,040	-3,555	0,000	***		

LIKELYHOOD RATIO TEST

Model	*Df*	*LogLik*	*Df*	*Chisq*	*Pr(>Chisq)*
1	7	-247,25			
2	9	-247	2	0,5053	0,7768

APPENDIX 5: SEPARATE ESTIMATION OF SUR REGRESSIONS

TIFFANY&CO OLS REGRESSIONS

Model	Unstandardized Coef.		Standardized Coef.	t	Sig.	Collinearity Statistics	
	B	*Std. Error*	*Beta*			*Tolerance*	*VIF*
(Constant)	,148	,260		,571	,569		
AW_TF	,168	,068	185	2,484	,014	,353	2,836
AS_TF	,848	,114	,730	7,420	,000	,202	4,950
PQ_TF	,015	,105	,012	,139	,890	,255	3,929
LO_TF	-,032	,069	-,030	-,468	,640	,484	2,064

Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*
1	,872a	,760	,752	,81539

Model	*Sum of Squares*	*df*	*Mean Square*	*F*	*Sig.*
Regression	258,689	4	61,555	94,367	,000b
Residual	81,778	99	,546		
Total	340,467	103			

a. Dependent Variable: OBE_TF b. Predictors: (Constant), LO_TF, AW_TF, PQ_TF, AS_TF

Model	Unstandardized Coef.		Standardized Coef.	t	Sig.	Collinearity Statistics	
	B	*Std. Error*	*Beta*			*Tolerance*	*VIF*
(Constant)	-,003	,260		-,019	,988		
AW_TF	,115	,068	,125	2,110	,022	,430	2,273
PAS_TF	,551	,114	,438	4,420	,000	,202	4,850
PPQ_TF	,086	,080	,090	1,139	,281	,181	3,819
PLO_TF	-,344	,077	,354	3,959	,000	,666	1,964
EBE_TF	-,195	,052	-,176	-3,76	,000	,563	1,529

Model	*R*	*R Square*	*Adjusted R Square*	*Std. Error of the Estimate*
1	,914a	,835	,821	,64233

Model	*Sum of Squares*	*df*	*Mean Square*	*F*	*Sig.*
Regression	258,877	5	41,141	90,302	,000b
Residual	51,123	89	,458		
Total	310,00	94			

a. Dependent Variable: POBE_TF b. Predictors: (Constant), EHI_TF, AW_TF, PAS_TF, PPQ_TF, PLO_TF