

Conceptualizing Perceived Quality of Parent Brand and Brand Extension Evaluation Relationship: What is the Role of Style of Thinking?

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Abstract

Much research in the area of consumer behaviour has been done. However, the way consumers evaluate an extended brand specifically in a multi-cultural country need to be explored. Since this philosophy in multi-cultural setting is still insufficiently understood. Therefore, the current study seeks to address this gap by reviewing existing literature on the subject. After thoughtfully reviewing the theoretical background, this study suggests that the parent brand quality has an influence on extended brand evaluation. From cultural psychology perspective this relationship is affected by the variable style of thinking. Meaning that consumers whose style of thinking are holistic, evaluates an extended brand more favourably than those consumers whose style thinking are analytical. Having this findings in minds, managers of Multi-National Corporations needs to consider strategies that are uniform as they frequently are introducing extensions in parent brand.

Keywords: parent brand; evaluation of extended brand; perceived quality; style of thinking

1. Introduction and Background

Although the field of brand extension strategies is a highly researched area, focus on consumer behaviour remains sparse. The importance of brand extension strategies can be identified from the following factors:

- Creates awareness
- Reduces the risks involved in buying behaviour
- Contributes to strong brand positioning
- Increases sales, as consumers link thoughts and feelings of parent brand with the extension

Therefore, using an existing brand name to introduce a new product is a preferable strategy for increasing the sales volume of an organisation. However, familiarising a new product also involves a lot of risk before its acceptance in market segments. In line with this, Volckner and Sattler (2013) declare that the failure rate of new extensions is fairly

high, nearly the same as the failure of new brand. Keeping in mind both the optimistic as well as pessimistic view of brand extensions, this conceptual paper adopts a literature-based approach towards perceived quality of parent brand, brand extension evaluation, and style of thinking from cultural psychology.

Kim et al. (2001) categorise brand extension (BE) into two aspects: vertical brand extension (VBE), and horizontal brand extension (HBE). In VBE, a similar product is introduced in the same category, e.g., extension of the automobile. In HBE, the new extension might be a line or category extension (Farquhar, 1989). Blichfeldt (2005) further clarifies this concept by stating that line extension is within an existing product category. In contrast, in category extension, the extended brand enters a product category different from that of the parent brand (PB).

An extension – whether horizontal or vertical – involves risk of failure. To reduce the risk, several researchers (e. g., Shavitt & Barnes, 2020; Hadi et al., 2020; Helen Chun et al., 2015; Staffansson, 2013; Swaminathan et al., 2001; Bottomley & Doyle, 1996; Dacin & Smith, 1994; Aaker & Keller, 1990) have identified success factors of a brand extension (BE). Perceived quality (PQ) of parent brand (PB) among customers has been found in various extension studies as crucial in influencing brand extension evaluation. This is because consumers link the quality of the parent brand (PB) with the extension (Sujan, 1985). Previous literature also states that the more that consumers perceive commonalities between the new product and its PB, the more likely they are to evaluate it in terms of quality (e.g., Martinez and Chernatony, 2004; Keller and Aaker, 1992). In their study, Barrett et al. (1999) found a positive association between perceived brand quality and successful brand extension. It is for this reason that some researchers suggest that high-quality brands can be extended further and can receive higher levels of evaluation than lower ones.

Walker (2007) emphasises that when Multi-National Corporations go for segmentation, they need to consider cross-cultural factors. As customer is king in the context of marketing. Miles (1995) identifies culture as a barrier to the success of MNCs. According to him, the main challenge to MNCs is how to treat consumers belonging to different ethnic groups.

Components of culture, such as knowledge, morals, societal organisation, attitudes and way of thinking, are considered to be critical factors in the context of consumers' evaluation of a company brand. Among these factors, style of thinking as a moderator is still insufficiently understood in the context of brand extension evaluation (BEE) strategies.

1.2 Rationale

Despite the growing popularity of brand extension evaluation (BEE) among researchers, academicians and marketers. The direct and indirect relationships between perceived quality (PQ) of parent brand (PB), consumer evaluation of an extended brand (CEEB), and style of thinking (SoT) is still in its infancy Hadi et al. (2020). In order to address this, this study hypothesised the relationship between perceived quality (PQ) of parent brand (PB) and consumer evaluation of an extended brand (CEEB). To further clarify the nature of this relationship in the context of cross-cultural psychology, we incorporate an interactive effect i.e., “*style of thinking*”, by inferring that; consumer evaluation is a cognitive process and differences exists due to cross-cultural psychology. These differences between cross-cultural settings lead to different style of thinking which affect the direct relationship between perceived quality (PQ) of parent brand (PB) and consumer evaluation of an extended brand (CEEB).

1.3 Parent Theory

The theoretical background of this study come from the framework of Hofstede (1984) cultural differences model. This theory describes the effect of society’s culture on the values of its members, and how these values related to behaviour. The relevance of Hofstede theory in this study is that; differences in cross-cultural settings (style of thinking being one of them) influences consumer evaluation of an extended brand (CEEB).

2. Review of Literature and Hypothesis Development

2.1 Perceived Quality (PQ) of Parent Brand (PB)

Perception of quality is a key determinant of product success Yang (2012). In other studies (e.g., Buttle, 1996; Aladwani and Palvia, 2002; Obada, 2014; Alavinasab, Soltani, & Alimohammadi, 2017) considered perceived quality to be a crucial factor which affect corporate marketing and business performance. It is for this reason that a number of studies (e.g., Kim, et al., 2014; Barrettet al., 1999; Bottomley and Doyle, 1996; Sunde and Brodie, 1993) highlight that compromising on quality, the most effective and efficient marketing efforts are fruitless. Therefore, marketers are putting increased effort in increasing product quality for the purpose of improving perceptions of quality among consumers concerning a specific product. The extraordinary profit that is gained by businesses is the outcome offavourable perception of quality (Stobart, 1994).

The Profit Impact of Market Strategy (PIMS) database confirms that perceived quality has an impact on firm performance (sales growth). Similarly, Buzzle and Gale (1987)

assert that the quality of a product is a critical factor for the success of the business performance. They operationalise business performance by two dimensions, return on investment, and return on sales.

Perceived product quality also contributes to the establishment of an extra power brand with a leading market share. Highlighting the importance of perceived product quality, Lehmann et al. (2008), Agarwal and Rao (1996), and Aaker (1991) state that perceived quality is a key determinant of brand equity. A brand with high perceived quality provides more strongly influences brand extension compared to one with low perceived quality (Smith and Park, 1992; Aaker and Keller, 1993). Barrett et al. (1999) corroborate that perceived quality of parent brand significantly contributes to the evaluation of an extension. Thus, it can be added that higher the PQ of PB larger will be the amount of risk relief.

Based on the above discussion we hypothesise that:

H1: If perceived quality of parent brand is high then consumers will evaluate an extended brand favourably.

2.2 Cultural Differences and Brand Extension Evaluation

Studies from existing literature refer to different theoretical backgrounds while explaining cross-cultural differences in consumer behaviour (Buil et al., 2009). However, Hofstede's framework is one of the most dominant and commonly used (Hofstede's, 1984). A similar view is held by Nisbett et al. (2001). According to them, "certain cognitive processes are more developed than others, due to social differences between cross-cultural settings". Consequently, cross-cultural differences lead to different styles of thinking (Buil et al., 2008).

Monga and John (2007) believe that brand evaluation is an evaluation process which involves cognitive processes. Their statement echoes similar statements found in Sunde and Brodie (1993), Trompenaars and Hampden-Turner (1997), Guoqun and Saunders (2002), Echambadi et al. (2006), Fudali-Czyz et al. (2016) and Zeng et al. (2019) who also detected such an association.

Therefore, overlooking cross-cultural differences might affect the performance of companies at the strategic level.

2.2.1 Style of Thinking (SoT)

According to an overview by Nesbett et al. (2001) cross-cultural differences affect people's style of thinking (SoT). This cognitive process can be divided into the holistic

and analytical style of thought (Peng and Nisbett, 1999). According to Ji et al. (2000) and Nisbett et al. (2001), holistic thinkers make inferences by focusing on the relationships between a focal object and its context. On the other hand, analytical thinkers concentrate on the attributes of the object, detaching it from its context.

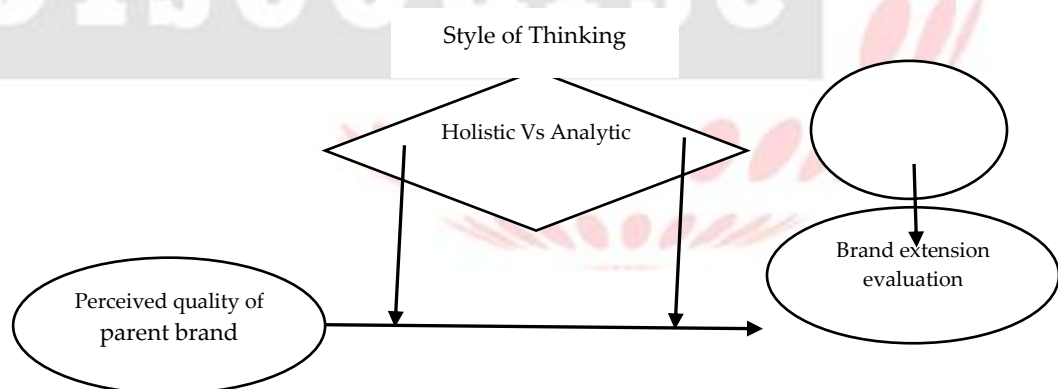
Researchers (e.g., Monga and John, 2007; Buil, 2008; Ahluwalia, 2008) support the earlier statement by investigating the effect of culture and style of thinking on brand extension evaluation. According to them, people across nations differ in their judging of brand extension (BE), due to their cultural style of thinking (SoT). They conclude that “people from Eastern cultures are characterised as holistic thinkers, whereas people from Western societies are regarded as analytical thinkers”. In their recent study of style of thinking Cheek and Norem (2016), comprehend that style of thinking of people from collectivistic cultures (holistic style of thinking) are different than that of individualistic (think analytically) cultures.

Thus, based on the preceding insights, we hypothesise that:

H2: *Holistic style of thinking (HSoT) strengthening the relationship between perceived quality (PQ) of parent brand and evaluation of an extended brand in Eastern cultures.*

H3: *Analytic style of thinking (ASoT) strengthening the relationship between perceived quality (PQ) of parent brand and evaluation of an extended brand in Western societies.*

Conceptual framework of Brand Extension Evaluation and Perceived Quality of Parent Brand



Source: Self-develop

Figure, 1

3. Discussion of Findings

From the above review, it is found that consumers evaluate an extended brand favourably

if they have a good image of the parent brand, meaning that brands with a high perception of quality can be extended successfully. Thus, favourable perception about the quality of the original brand matters considerably in the context of an extension.

Furthermore, we reflect this concern by incorporating the style of thinking as a boundary condition in the hypothesised relationship. With insights from cross-cultural psychology, we see that consumers behave differently due to social and cultural differences; their cognitive processes lead to different styles of thinking (SoT), which affect the link between perceived quality (PQ) of parent brand (PB) and evaluation of an extended brand. It is for this reason that we hypothesised the interactive role of the style of thinking on the relationship between PQ of PB and evaluation of an extended brand.

Since, thinking is a cognitive process and this process is affected by age. For example in the context of this study, consumers at the age bracket of 15-25 may think differently than that of 45 and above in similar society. Therefore, the importance of age is also considered in this study, which, to our knowledge, is absent in existing literature.

With respect to preceding relationships, we found a recent article by Chang (2014) alluding to this question; however, that study highlights the importance of perceived fit by explaining it as benefit similarity and category similarity. Finally, we end our discussion of the findings of the note that brand extension evaluation depends on consumers' perception of the quality of the original brand if they are holistic thinkers. This relationship might be weak if consumers are analytical thinkers, as they tend to detach the object from its context and focus on its characteristics and features alone. However, the key role of consumers' age is also considerable.

4. Conclusion and Contributions

Our main research question has been "How do consumers evaluate brand extension in a multi-cultural country?" We propose that the higher the PQ of the parent brand extension the higher is evaluation of the corresponding extension. Based on a review of the literature, this study found that the "*holistic style of thinking*" (HSoT) and "*Analytic style of thinking*" (ASoT) affect the link between PQ of PB and evaluation of an extended brand in Eastern and Western culture with respect to consumers age. The logic behind this interactive effect could be that different ethnic groups perceive quality differently. Therefore, it is essential for marketers to standardise products to facilitate the segmentation process, which is a well-known marketing tool among MNCs. Finally, the present study adds to the existing body of knowledge on "*cross-cultural psychology*" as well as "*cross-cultural consumer behaviour*".

4.1 Limitations and Avenues for Further Research

The qualitative nature of this study is its main limitation. However, a study of this nature has the potential to provide insights for further quantitative studies. Therefore, the model needs to be tested in future research. The present study only reviews literature pertaining to the PQ of PB and its effect on consumer evaluation of an extended brand. Other determinants should also be included in the future research, to assess combined effects. In this study, we take the style of thinking as an interactive effect between PQ of PB and BEE. Other styles of thinking (SoT), such as “abstract” vs. “concrete”, need to be considered in future research.

4.2 Implications

The review of literature leads to a number of implications. Theoretically, this study contributes to the theory of cultural psychology. Prior studies recommend that the higher the PQ, the more favourable is consumer evaluation of BE. However, in this study, we demonstrate that the effect of perceived quality on brand extension evaluations is moderated through factors of cultural psychology (people’s style of thinking) with respect to age. More specifically, a perception of higher quality of the original brand and its extension leads to more favourable evaluations among consumers who belong to a culture where the holistic style of thinking prevails. From a practical perspective, this finding enhances the understanding of marketing managers, since they frequently implement extension strategies. Our review of literature also extends our present knowledge of cross-cultural differences.

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