



**NANYANG
TECHNOLOGICAL
UNIVERSITY**

**MOVING UP OR DOWN: POWER DISTANCE BELIEF AND
THE ASYMMETRIC EFFECTS OF VERTICAL BRAND
EXTENSION**

XAOYAN LIU

NANYANG BUSINESS SCHOOL

2016

**MOVING UP OR DOWN: POWER DISTANCE BELIEF AND
THE ASYMMETRIC EFFECTS OF VERTICAL BRAND
EXTENSION**

XIAOYAN LIU

Nanyang Business School

A thesis submitted to Nanyang Technological University in partial
fulfilment of the requirement for the degree of Doctor of Philosophy

2016

XIAOYAN LIU

DEDICATION

To my father

ACKNOWLEDGEMENTS

Over the past five years of Ph.D. studies, I have received plenty of support and guidance from many people. I would like to express my most sincere appreciation and thanks to my advisors Professor Sharon Ng and Professor Elison Lim, who are great mentors, colleagues, and friends. I would like to thank them for encouraging my interest in research and for leading me to grow as a researcher. Their rich knowledge, wisdom and openness all made my graduate study an enjoyable and rewarding journey. I am especially grateful to the cogent and critical comments that they patiently provided from the very beginning to the completion of my dissertation. I am also thankful to my dissertation committee members - Professor Chi-yue Chiu and Professor Kuangjie Zhang, for their valuable advice and suggestions for improving the quality of my dissertation. In addition, I am also grateful to other faculty members in the Division of Marketing and International Business (MIB), for their helpful comments on earlier drafts of this dissertation.

I would like to thank my doctoral fellows and friends at NBS for helping me get through the doctoral program through their encouragement and support. I also would like to express my sincere gratitude to the Institute on Asian Consumer Insight, who kindly provided financial support for my dissertation research and graduate studies in the fifth year. And last but not least, many thanks to my family for always being there when I needed them and making this journey possible.

TABLE OF CONTENTS

DEDICATION	I
ACKNOWLEDGEMENTS	II
LIST OF TABLES	V
LIST OF FIGURES	VI
APPENDICES	VII
ABSTRACT.....	1
CHAPTER 1: INTRODUCTION.....	2
DISSERTATION OVERVIEW.....	6
CHAPTER 2: LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK.....	8
THEORETICAL BACKGROUND.....	8
Brand Extensions: Horizontal vs. Vertical.....	8
Consumer Evaluation of Vertical Brand Extension.....	10
CONCEPTUAL FRAMEWORK	19
Individual Mindset and Extension Product Evaluation	19
Power Distance Belief, Status Enhancement Mindset and Evaluation of Vertical Brand Extension.....	21
Brand Feedback Effects	26
Processing Fluency and the Underlying Mechanism.....	27
Moderating Role of Product Symbolic Meaning.....	29
CHAPTER 3:	32
UNDERSTANDING THE IMPACT OF POWER DISTANCE BELIEF ON EVALUATION OF VERTICAL BRAND EXTENSION AND THE PARENT BRAND	32
PRELIMINARY STUDY	32
STUDY 1	36

STUDY 2	44
STUDY 3	53
CHAPTER 4: UNDERLYING MECHANISM AND BOUNDARY CONDITION	60
STUDY 4	60
CHAPTER 5: GENERAL DISCUSSION	70
THEORETICAL CONTRIBUTIONS	71
MANAGERIAL IMPLICATIONS	73
LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH	75
REFERENCES	80
APPENXICES	96

LIST OF TABLES

Table 1 Brief Summary of Existing Research on Vertical Brand Extension.....	17
Table 2 Exploratory Factor Analysis: Power Distance Belief and Desire for Status Enhancement (preliminary study)	35
Table 3 Perceived Brand Familiarity and Brand Prestige of 10 Selected Brands (study 1)	37
Table 4 Individual PDB and Choice of Extension Plan (study 3)	56
Table 5 Results of Correlation Analysis (study 3).....	58
Table 6 Results of Mediation Analysis (study 4).....	66
Table 7 Floodlight Analysis (study 4)	67
Table 8 Extension Evaluation: Moderating Role of Product Symbolic Meaning (study 4)	68

LIST OF FIGURES

Figure 1. Conceptual Framework	31
Figure 2. Evaluation of the Extension Product (study 1).....	40
Figure 3. Johnson-Neyman Analysis: Moderating Role of Extension Type on the Impact of PDB on Consumers Extension Evaluation (study 1)	41
Figure 4. Evaluation of the Extension Product (study 2).....	49
Figure 5. Evaluation of the Parent Brand (study 2)	50
Figure 6. Scatter Plot: Relationship between PDB and Participants' Preference for Upward versus Downward Extension Plans (study 3).....	57
Figure 7. Purchase Intention for the Extension Product (study 4).....	65

APPENDICES

Appendix A: Vertical Extension Scenarios in Study 1	96
Appendix B: Results of Floodlight Analysis in Study 1	97
Appendix C: Vertical Extension Scenarios in Study 2	98
Appendix D: Vertical Extension Scenarios in Study 3	99
Appendix E: Vertical Extension Scenarios in Study 4	100

ABSTRACT

Vertical brand extension is uniquely different from horizontal brand extension in that it evokes a consideration of status due to the changed price points and prestige levels. Thus, to understand how consumers evaluate vertical brand extension, it is important to figure out how they feel about status and the potential status change. In this dissertation, I develop and test a theoretical framework of how individuals' power distance belief (PDB) (i.e., the extent to which people accept and expect power disparity in a society) impacts consumers' evaluation of vertical brand extension and the corresponding parent brand. A preliminary study provides empirical evidence for the proposition that consumers with high (vs. low) PDB strongly emphasize status enhancement. Results of the first three studies consistently demonstrate that, compared to consumers with low PDB, consumers with high PDB evaluate upward extensions more favorably and downward extensions less favorably. In addition, such differences in attitudes lead to an asymmetric brand feedback effect. Specifically, it shows that while upward extension results in greater brand enhancement effect for high versus low PDB consumers, there is no significant difference in brand dilution effect in the context of downward extension (study 2). Study 4 demonstrates that: a) processing fluency is the underlying mechanism that drives the impacts of PDB on consumers' evaluation of vertical brand extensions, and b) the PDB effects on vertical extension evaluation is attenuated for products low in symbolic meaning. This dissertation expands the current research on vertical brand extension by examining the role of individual PDB. The findings also provide practical implications for marketers who are extending a brand vertically to tap into different customer segments.

Keywords: vertical brand extension, power distance belief, status enhancement mindset, processing fluency, product symbolic meaning

CHAPTER 1: INTRODUCTION

Vertical brand extension, or introducing a new product in the same product category but at different price points and prestige levels, is a common strategy for firms to gain growth in premium or value markets (Keller and Aaker 1992). For instance, Marriot introduced *Courtyard Inn by Marriot* to tap into the budget traveler market (downward extension), whereas the luxury Phaeton car was Volkswagen's attempt to change its brand image from a mass market to a premium market supplier (upward extension). One of the primary advantages of introducing a vertical brand extension is that it allows firms to leverage the equity and expertise of an established brand when extending into new customer segments (Aaker 1996).

A recent market report shows that 65% of new product launches in the market involve vertical brand extensions, whereas only 17% are extending to new product categories (i.e., horizontal brand extension) and the remaining 18% involve the launch of a new brand (Les Échos 2004). These statistics suggest that vertical brand extension has been widely adopted as a marketing strategy. Despite this, how consumers evaluate the vertical extension products and the corresponding parent brand are still not well understood. For example, Volkswagen withdrew its premium car model - Phaeton from the US market in 2006 due to large sales decline; however, the same car model achieved great success in Asian markets, such as China, Korea, Thailand, and Singapore (Choi 2013). Moreover, even within a country, the same vertical brand extension may cause different reactions. To illustrate, a recent market research done by Nelson pointed out that American consumers expressed highly divergent attitudes to Volkswagen's decision of reintroducing the Phaeton to US market (Furt 2013). Therefore, a critical question is for whom, when and why a vertical extension works. Are all consumers equally receptive to a prestige-based vertical brand extension? If not, what are the

individual factors that may influence consumers' evaluation of a vertical brand extension and the parent brand?

Despite the prevalence of vertical brand extensions in the marketplace, there is a lack of parallel academic attention on this topic. Existing research in the branding literature has primarily focused on consumers' responses to horizontal brand extension (e.g., Aaker and Keller 1990; Ahluwalia 2008; Monga and John 2010; Yeo and Park 2006), whereas research on how consumers evaluate vertical brand extension is relatively sparse. Some researchers suggest that theories and findings in the horizontal extension literature (e.g., *perceived fit between the extension and the parent product offerings*) are equally applicable in the context of vertical brand extension (Loken and John 1993; Kim and Lavack 1996; Kim, Lavack and Smith 2001). However, a vertical extension differs from horizontal extension in that it evokes a thought of status due to the changed price points and prestige levels (Dall'Olmo Riley, Pina and Bravo 2013; Kirmani, Sood, and Bridges 1999). Therefore, to better understand how consumers evaluate vertical brand extensions, it is important to know how they feel about the increase or decrease in status derived from such extensions.

Prior research, however, has primarily focused on characteristics of the brand and features of vertical brand extension, such as brand quality (high vs. low; Randall, Ulrich, and Reibstein 1998), brand concept (prestige vs. function; Kim et al. 2001; Kirmani et al. 1999), and extension distance (close vs. far; Dall'Olmo Riley et al. 2013). Relatively little is known about why some consumers are more responsive to certain vertical brand extensions than others. In this dissertation, I seek to address this research gap in branding literature by examining the impacts of individual power distance belief on consumers' evaluation of vertical brand extension and the parent brand.

Power distance belief (PDB hereafter) refers to the extent to which people expect and accept power disparity in an organization or in a society (Hofstede 1984, 2001). Previous

research has demonstrated that people with high power distance belief (for brevity, I refer to individuals with high power distance belief as “*high PDBs*” and individuals with low power distance belief as “*low PDBs*”) view status as desirable and strongly emphasize *status enhancement*, whereas low PDBs emphasize equality over hierarchy and may even view status as negative under certain circumstances (Hofstede 2001; Oyserman 2006; Shavitt et al. 2006). As a consequence, status enhancement has been found as a more important consideration for high (vs. low) PDBs when making brand evaluation (Roth 1995) and consumption choice (Kim and Zhang 2014). Specifically, compared to those characterized by low PDB, high PDB consumers are more interested in products and services that can enhance their social status (Huberman, Loch and ÖNçüler 2004; Kim and Zhang 2014; Mattila 1999) while less interested in actions that may aid in minimizing inequality, such as charitable giving (Winterich and Zhang 2014).

Drawing from past research, I expect that consumers’ PDB will influence how they respond to vertical brand extensions that naturally evoke a consideration of status due to the variations in price points and prestige levels. Specifically, I expect that, compared to low PDBs, high PDBs will evaluate the upward extension more favorably. This occurs because introducing a more premium product to target consumers with higher social status is consistent with the status enhancement mindset of high PDBs, and thus will be processed more fluently by these consumers. On the other hand, introducing a less expensive product for lower-status consumers is usually interpreted as status impairment, which is in conflict with the enhancement mindset of high PDBs. Thus, I expect that high (vs. low) PDBs will evaluate a downward extension less favorably. Accordingly, I theorize that the impacts of PDB on vertical extension evaluation can be explained by the level of perceived processing fluency, or the cognitive experience of ease associated with information processing (Schwarz 2004). In other words, a vertical extension that is congruent with consumers’ status mindset

will promote processing fluency, which subsequently leads to more positive attitudes toward the extension product. Furthermore, I argue that the PDB impacts on consumers' evaluation of vertical extensions will be contingent on product symbolic meaning, or the extent to which a product signals the social status of consumers (Dittmar 1992; Elliott 1997). Specifically, I propose that the PDB effect will be attenuated for products low in symbolic meaning, as they are not associated with status enhancement.

To the best of my knowledge, this research is the first to demonstrate the important role of individual PDB in understanding consumers' attitude toward vertical brand extension. Existing research on vertical extension has mainly focused on brand and extension characteristics (i.e., extension distance), while ignoring other important factors, such as individual differences, that have been found to influence new product evaluation and adoption (e.g., Ahluwalia 2008; Monga and John 2010; Ng 2010). This research thus adds to existing knowledge by theorizing how and why consumers varied in PDB will respond to the upward and downward extensions differently.

This research also contributes to the existing literature on culture by expanding our understanding of PDB. As Oyserman (2006) and Shavitt et al. (2006) point out, although PDB was the first cultural factor identified by Hofstede (1984), the focus of existing cultural research has been on the individualism-versus-collectivism dimension at the country level and independent-versus-interdependent self-construal at the individual level. This dissertation builds on a handful of existing work on PDB (e.g., Kim and Zhang 2014; Roth 1995; Winterich and Zhang 2014; Zhang, Winterich, and Mittal 2010) to broaden our inquiry of the impacts of other cultural considerations (i.e., PDB) beyond the individualism-collectivism dimension on consumer behavior.

DISSERTATION OVERVIEW

This dissertation proceeds as follows. In chapter 2, I first review the existing literature on vertical brand extension and identify a research gap regarding the role of individual status mindset. I then propose individual PDB as a solution to the current research gap. Next, I develop the theoretical framework and hypotheses of how PDB impacts consumers' evaluation of vertical brand extension and the parent brand. This is followed by a discussion on processing fluency, which is proposed as the underlying mechanism through which PDB influences consumers' evaluation of vertical extensions. Finally, I propose product symbolic meaning as a boundary condition that moderates the impacts of PDB in the context of vertical brand extension.

In chapters 3 and 4, I test the hypothesized framework using four studies. The preliminary study provides empirical evidence for the proposition that belief in high power distance leads to greater emphasis on status enhancement. Studies 1 and 2 aim to test the main effects of PDB on consumers' evaluation of extension product and the parent brand. The findings of study 1 indicate that individuals with high PDB have a more positive evaluation of upward extension than those with low PDB, supporting hypothesis 1a. In study 2, individual PDB is manipulated to examine the causal effect of PDB on consumers' evaluation of both upward and downward extensions (hypotheses 1a, 1b), as well as overall evaluation of the parent brand (hypothesis 2). Study 3 provides further evidence for the impact of PDB using a more stringent within-subject test, by showing that consumers with higher PDB express greater preference of upward extension over downward extension. Study 3 also examines the impact of PDB on parent brand status after vertical brand extension.

Chapter 4 aims to figure out the underlying mechanism and a boundary condition of the observed PDB effects. Specifically, study 4 tests the mediating role of processing fluency (hypothesis 3) and demonstrates that the impact of PDB on vertical extension evaluation is

contingent on product symbolic meaning (hypothesis 4). In addition, study 4 expands to examine how PDB influences consumers' purchase intention for the vertical extension product.

Finally, in chapter 5, I discuss the theoretical and practical implications of the current research, and potential directions for future research.

CHAPTER 2: LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

In this chapter, I review relevant existing literature on vertical brand extension, and then present a conceptual framework on the role of individual PDB in influencing consumers' evaluation of different types of vertical brand extension.

THEORETICAL BACKGROUND

Brand Extensions: Horizontal vs. Vertical

As a brand becomes more successful in its initial market, growth opportunities would naturally be limited and extending its product offerings to tap into other consumer segments is a rational next step. In a typical brand extension situation, the core brand name (and - usually an established one) is applied to a new product in the same or different categories. The primary advantage of using an existing brand name to launch a new product, rather than introducing a new brand, is that it allows the firm to leverage existing favorable brand recognition to capture new segments of customers at lower cost and lower risk (Aaker and Keller 1990; Vsickner and Sattler 2006). Specifically, consumers may simply transfer their positive association with the core brand to the new product, which will help the brand extension enter into the marketplace more quickly (Boush and Loken 1991).

Brand extension comes in two primary forms: horizontal and vertical (Aaker 1991). A horizontal brand extension (or category extension) refers to applying the core brand name to a new product, either in a similar product category or in a category that is completely new to the brand (Sheinin and Schmitt 1994). By offering a full line of variety, firms are able to keep customers loyal to the brand and prevent customers from switching to competitors' brands (Draganska and Jain 2005). Although the range of product offerings is enlarged, a horizontal

brand extension usually targets existing customers with the same price positioning and quality level (Randall et al. 1998; Pitta and Katsanis 1995; Draganska and Jain 2005). A good example is Diet Coke, where Coke brand introduced a low-calorie cola product with almost same price and quality level, as a strategy to retain consumers who were more health conscious.

In contrast, a vertical brand extension (or line extension) involves introducing new products in the same category but at different price points and prestige levels (Keller and Aaker 1992). There are two directions in which firms can adopt vertical brand extension to stretch their portfolio: upward and downward. Firms adopting an upward extension strategy will introduce a superior version of the core product to attract a more premium segment of customers. Alternatively, firms use the downward extension to tap into a less premium customer segment with a basic version of the current product (Aaker 1997; Kirmani et al. 1999; Liu 2002). For instance, besides the classic A4 model that targets the middle-class customers, Audi recently introduced two car models to expand into new segments. The entry A1 model serves to reach out to a comparatively lower-income customer segment, and the high-end A8 model is designed for customers who are willing to pay for premium features. Compared to the horizontal extension, the primary advantage of vertical extension is that it allows firms to utilize their existing capabilities and expertise when expanding into segments that are not served by existing product offerings (Kirmani et al. 1999). Therefore, prior evidence has shown that vertical brand extension is a more common practice in marketing than horizontal extension (Les Échos 2004), even though existing research on vertical extension is relatively limited.

Ideally, introducing an upward extension will help to enhance a brand's image and extend it into the premium market, while introducing a downward extension will help the brand tap into the mass market without diluting the current positive associations with the

brand (Aaker 1996; Dacin and Smith 1994). Practices in the market, however, have shown mixed results of vertical brand extensions. For instance, the low-end A-Class successfully helped Mercedes expand into a new segment of younger customers, while the low-end Cimarron car model introduced by Cadillac eventually hurt its prestige brand concept. Considering its prevalence and substantial impacts, researchers have made attempts to understand how consumers evaluate different types of vertical brand extension. However, existing research on vertical brand extensions has revealed mixed (*and even contradictory*) findings (e.g., Dall’Olmo Riley et al. 2013; Kim et al. 2001; Kirmani et al. 1999; Lei et al. 2008b; Randall et al. 1998). For example, Kirmani et al. (1999) suggested that upward extension results in positive response and more favorable brand evaluation, yet Lei et al. (2008b) showed that consumers evaluate the upward extension negatively in a service industry. Therefore, further research in this field is needed. In the following sections, I have summarized the theoretical bases and research findings of the existing literature on vertical extension, and discussed an important research gap that needs further investigation to help marketers have a better understanding of this marketing practice.

Consumer Evaluation of Vertical Brand Extension

Categorization theory and perceived fit

Categorization theory (Sujan and Dekleva 1987; Sujan and Bettman 1989) and perceived fit (Aaker 1990) have been applied to understand how consumers evaluate brand extensions and the parent brand. According to categorization theory, every brand is associated with a particular set of attributes, which are continuously updated as new products or features are included. When an extension is introduced, consumers usually compare it with the brand’s existing products and then assess to what extent the new product fits the core brand or not (Aaker 1990; Boush and Loken 1991; Joiner and Loken 1998). Numerous research studies have demonstrated that the higher the perceived fit or similarity, the higher

will be the transference of consumers' original attitudes and beliefs from the parent brand to the extension products (Aaker and Keller 1990; Cohen and Basu 1987; Sujjan 1985; Till and Priluck 2000). As mentioned earlier, firms extend the core brand name to a new product, rather than introducing a new brand, in order to leverage the current positive associations with the brand. Thus, prior research consistently identifies fit perceptions and brand associations as the primary (*and even the most important*) factors that consumers consider when evaluating the extension product (e.g., Aaker 1997; Grime, Diamantopoulos and Smith 2002; Kim and Lavack 1996; Monga and John 2010; Völckner and Sattler 2006) and the corresponding parent brand (Loken and John 1993; Kim, Lavack, and Smith 2001).

Fit may be judged in many ways, such as product category fit and brand concept fit (e.g., Aaker 1997; Lei, Dawar, and Lemmink 2008a; Monga and John 2010; Park, Milberg, and Lawson 1991). First, product category fit will be high if the new extension shares similar features or benefits with the existing products, as a complement or substitute (Aaker and Keller 1990). Product category fit can vary very widely from very concrete levels (e.g., engine size) to very abstract levels (e.g., used in outdoor activities). Second, a new extension, even though in a very different product category, can be perceived as congruent with the parent brand if it shares a similar concept of the brand. Brand concept or brand image refers to brand's unique abstract meanings (e.g., high status) that usually originate from a configuration of product features (e.g., high price, expensive-looking design) and a firm's marketing efforts (e.g., celebrity endorsement) (Park, Jaworski, and MacInnis 1986). Thus, evaluation of brand extensions usually depends on the degree of perceived fit with the product category/features and the brand concept.

Vertical brand extension, price, positioning, and brand concept

By definition, vertical brand extension involves introducing a new product in the same product category yet at different price and prestige levels, to attract consumers varied in

willingness to pay. Thus, in a vertical brand extension context, the issue of product category fit is moot. In contrast, the perception of price/prestige image congruency between the extension product and the parent brand will be the key determinant of consumers' responses (Dall'Omlo Riley et al. 2013). Following this rationale, some researchers suggested that introducing a more or less expensive product will be problematic. More specifically, a new extension that is incongruent with the parent brand's price and quality image will result in a negative evaluation (Dacin and Smith 1994; Kim and Lavack 1996; Milberg, Park, and McCarthy 1997). Moreover, the greater the difference in price range and positioning between the extension and the parent brand, or the further the parent brand is extended upward or downward along the price and prestige continuum, the lower the perceived fit is. To illustrate, Musante (2007) found that a far vertical extension with great price difference and very different positioning is normally perceived as less acceptable than a close vertical extension with a slight change in price and positioning. Similarly, Lei, de Ruyter, and Wetzels (2008b) also demonstrated that a far extension is evaluated as less positive than a close extension in the service context. However, Dall'Olmo Riley et al. (2013) showed that the magnitude of downward extension (i.e., 25% vs. 50%) has no significant impact on consumers' extension evaluation and purchase intention.

Several other studies that focus on the roles of price and its associations with quality and prestige, however, have provided different predictions about consumers' attitudes toward vertical brand extension (e.g., Heath, DelVecchio, and McCarthy 2011; Kirmani et al. 1999; Lei et al. 2008b; Randall et al. 1998). Specifically, prior evidence has suggested that price is the key (*and even the defining*) indicator for consumers to draw inferences of product quality (Curry and Reisz 1998; Petroschius and Monroe 1987; Rao and Monroe 1989) and brand prestige (Brucks, Zeithaml and Naylor 2000; Park, Jaworski, and MacLinnis 1986), especially when the new product is dissimilar or not pertinent to the core brand (Taylor and Bearden

2002). Therefore, introducing a more expensive new product or an upward extension attempt is usually viewed as a signal of better quality and higher prestige, and thus are evaluated as positive. In contrast, a downward extension is interpreted as lower quality and incompetence, and thus is evaluated as negative (Aaker 1996; Gürhan-Canli and Maheswaran 1998; Loken and John 1993). Following this theory, prior evidence has shown that consumers usually express positive attitudes toward upward extensions while having negative evaluations of downward extensions (e.g., Dall'Olmo Riley et al. 2013; Kirmani et al. 1999; Lei et al. 2008).

In light of the two essential elements of price and prestige in the vertical extension context, past research has demonstrated the importance of considering the distinction between functional and prestige brands (e.g., Kim et al. 2001; Kirmani et al. 1999; Park et al. 1991; Pitta and Katsanis 1995). Specifically, compared to a functional brand, it shows that consumers evaluate upward extensions of a prestige brand more favorably and downward extension of the same brand less favorably (Dall'Olmo Riley et al. 2013; Kirmani et al. 1999). This is because, for prestige brands that are strongly associated with status and exclusivity, price and prestige will be highly relevant indicators for consumers to draw inference about the brand. In contrast, functional brands are associated with product performance and quality, and thus price and prestige are perceived as secondary features (Park et al. 1986; Petroschius and Monroe 1987). Kirmani et al. (1999) further demonstrated that such difference in consumers' attitude to upward-versus-downward extension becomes even larger for owners of a prestige brand than non-owners, as owners of a prestige brand have stronger motivation to maintain the brand exclusivity. In the same vein, Dall'Olmo Riley et al. (2013) found that consumers are more sensitive and reactive toward the downward extension of a luxury car brand (e.g., Porsche) than a luxury fashion shoe brand (e.g., Prada), as a car is more conspicuous than fashion shoes and thus a dilution in brand prestige will lead to greater social risks.

Brand Feedback Effects

In brand extension, there would also be brand feedback effect (Heath et al. 2010; Kirmani et al. 1999; Randall et al. 1998), which refers to the reciprocal impact of new brand extensions on the parent brand perception or attitude (Keller and Aaker 1992; Romeo 1991). As brand image is positively correlated with the average quality offered across a brand's portfolio (Janiszewski and van Osselaer 2000), the evaluation of a brand will be continuously updated as a new brand extension is introduced (Sujan and Dekleva 1987; Sujan and Bettman 1989). According to the theory of information integration (Anderson 1974), individuals usually make an overall impression of a set of items by simply calculating the mean (Levin 1974). Consequently, many studies have demonstrated that upward extensions generally enhance consumer's evaluation of the parent brand whereas downward extensions diminish it (e.g., Dall'Olmo Riley et al. 2013; Heath et al. 2011; Petroschius and Monroe 1987). For example, Randall et al. (1998) found that upward extension enhances the brand's price premium and consumers' willingness to pay for the brand. Dall'Olmo Riley et al. (2013) further showed that downward extensions have negative impacts on brand status and brand image, especially for a prestige brand.

However, several other studies in branding literature have presented inconsistent results. For instance, Dacin and Smith (1994) showed that consumers' evaluation of the brand decreases as the variance in product quality increases. Similarly, Kim and his colleagues (Kim and Lavack 1996; Kim, Lavack, and Smith 2001) also suggested that introducing a superior or inferior version of the core product will lead to inconsistent price and quality information about the brand's product offerings, which in turn hurts the prior brand associations and dilute the core brand image. Distancing techniques that signal to consumers the new extension is highly different from the current product offerings have been demonstrated as effective ways to reduce the risk of brand dilution derived from the

inconsistency between vertical extensions and the parent brand (Loken and John 1993; Kim and Lavack 1996; Kim et al. 2001). Specifically, as a vertical brand extension becomes more distal from the core brand, it is more likely to be perceived as an atypical member of the group (Sujan 1985). Under such circumstances, consumers are less likely to extend any inference from the vertical brand extension to their evaluation of the core brand (Loken and John 1993). For instance, Dall'Olmo Riley et al. (2013) found that downward extension with a larger (vs. smaller) discount leads to less (more) negative impact on brand image. Similarly, Kim et al. (2001) suggested that increasing separation between the core brand and the extension via linguistic (e.g., introducing a sub-brand) and graphical (e.g., making the size of the core brand logo smaller) methods can also reduce the negative impacts of vertical extensions on the core brand. To illustrate, the authors demonstrated that introducing a new subbrand of *Manoca* rather than using *Rolex Manoca* successfully reduced consumers' negative evaluation of the core brand (i.e., Rolex) in the context of downward extension.

In addition, by examining the impacts of vertical extensions from a more comprehensive perspective, Randall et al. (1998) showed that introducing more premium products can enhance the brand equity (using market share as a proxy) and consumers' willingness to pay for the brand, whereas introducing a less premium product has very limited negative impact on the overall brand equity. Similarly, Heath et al. (2011) also found a robust asymmetric effect of vertical brand extension, in which the upward extensions improve brand evaluation much more than the downward extensions damage it. This asymmetry is consistent across various product categories and brand personalities, and it is associated with two primary underlying processes: (1) the negative prestige-association after introducing a lower-end product is tempered by positive variety effects as consumers prefer broader product lines in general; (2) consumers consider upward (vs. downward) extension as more relevant to brand evaluation because the brand's best rather than worst product signals

the brand capabilities and expertise. In contrast, Caldieraro, Kao, and Cunha (2015) examined the impact of upward extensions in a dynamic market setting, and found that introducing a more premium subbrand with attributes overlapping with those of the competing brands will lead to negative spillovers on the parent brand while positive spillovers on competing brands. The authors further suggested that one potential strategy to avoid such negative spillover effects is to steer from using overlapping attributes.

To sum up, existing research studies have shown mixed (*and sometimes even contradictory*) findings of consumers' evaluation of vertical brand extensions and the corresponding parent brand, partially due to variation in theoretical basis, methodology, product category, brands selection, and/or respondents' characteristics (see Table 1 for a brief summary). Moreover, based on the categorization theory and perceived fit, existing research has mainly focused on the impacts of brand and extension characteristics (e.g., brand concept, extension distance, and product category), while ignoring many other important factors, such as individual differences, that may also play important roles in understanding consumers' attitudes toward vertical brand extensions. In contrast, many research studies in the horizontal brand extension literature have demonstrated individual differences (e.g., lay belief, thinking style, and regulatory focus) as key predictors of new product evaluation and adoption (e.g., Ahluwalia 2008; Monga and John 2010; Ng 2010; Yorkston et al. 2010). As an attempt to fill up this important research gap, the current dissertation aims to examine how individual difference, power distance belief specifically, impacts consumers' evaluation of vertical brand extensions.

Table 1 *Brief Summary of Existing Research on Vertical Brand Extension (in chronological order)*

Research article	Theoretical basis	Product category	Boundary conditions	Extension evaluation		Parent brand evaluation	
				Upward	Downward	Upward	Downward
Petroshius and Monroe (1987)	Price differentiation	Typewriter and calculator	Extension distance	Positive	Negative	N.A.	N.A.
Loken and John (1993)	Categorization theory	Shampoo and tissue	Extension gentleness	Positive to neutral	Negative	Negative	Negative
Kim and Lavack (1996)	Categorization theory	N.A. <i>(theoretical paper)</i>	Brand concept and distancing technique	(-)	(-)	(-)	(-)
Randall, Ulrich, and Reibstein (1998)	Quality association and brand equity	Mountain Bike	Brand quality	N.A.	N.A.	Positive	Neutral
Kirmani, Sood, and Bridges (1999)	Ownership effect	Car and cloth	Brand concept, brand ownership	Positive	Negative	Positive	Negative
Kim, Lavack, and Smith (2001)	Categorization theory	Car and wristwatch	Brand concept, distancing technique	Negative	Negative to neutral	Negative	Negative

Table 1 *Brief Summary of Existing Research on Vertical Brand Extension (in chronological order)*

Research article	Theoretical basis	Product category	Boundary conditions	Extension evaluation		Parent brand evaluation	
				Upward	Downward	Upward	Downward
Musante (2007)	Categorization theory	Pen	Extension distance	Negative	Negative	N.A.	N.A.
Lei, de Ruyter, and Wetzels (2008)	Risk perception	Hotel	Prior knowledge and service guarantee	Negative	Positive	Positive	Negative
Hamilton and Chernev (2010)	Consumer goals	DVD store, grocery store	Consumer goals	N.A.	N.A.	Negative	Positive
Heath, DelVecchio, and McCarthy (2011)	Variety effect, extension relevance	Pasta sauce, CD player, restaurant, and fashion cloth	Extension distance	Positive	Negative	Positive to neutral	Neutral to negative
Dall'Olmo Riley, Pina, and Bravo (2013)	Categorization theory	Car and fashion shoes	Brand concept, product category, extension distance	N.A.	Negative	N.A.	Negative

CONCEPTUAL FRAMEWORK

Individual Mindset and Extension Product Evaluation

By definition, firms extend a brand vertically by introducing a more or less premium version of the current product to target consumers varied in willingness to pay (Keller and Aaker 1992). Therefore, as mentioned earlier, vertical extension naturally evokes a thought of status due to the variations in price points and prestige levels. Thus, to better understand how consumers evaluate vertical brand extension, it is essential to figure out how they evaluate the increase and decrease in price points and prestige levels, as well as the subsequent change in perceived product/brand status. More specifically, consumers who focus more on brand status may not be equally receptive to such status change compared to those who view status as a secondary consideration when making product evaluation, as accessibility of a status concept might be different between the two groups of consumers. Moreover, consumers might react to a firm's upward and downward extensions in different ways if they process the status-related information differently.

Existing research in the branding literature, however, has mainly focused on the brand and extension characteristics, which provides very limited insight into how variations in status belief impacts consumers' evaluation of vertical extensions. One of the research efforts that provide evidence for the critical role of individuals' status belief was done by Kirmani, Sood, and Bridges (1999). Specifically, the authors found an "ownership effect" whereby owners (vs. non-owners) of a prestige brand have more favorable responses to the upward extensions but react less favorably to downward extensions. The authors further demonstrated that the "ownership effect" occurs because an upward (vs. downward) extension is consistent with the owners' mindset to maintain or enhance brand exclusivity. In other words, a vertical

brand extension that is consistent with consumers' activated mindset will be evaluated as more favorable.

A mindset refers to a set of judgmental criteria and cognitive processes that create a general disposition and readiness to respond in a particular manner (Gollwitzer 1990). Specifically, the activated mindset determines the concepts and knowledge that comes to one's mind at the first time, which will subsequently impact the follow-up judgments and decisions (e.g., Gollwitzer and Bayer 1999). This is because people not usually base their judgments on information or criteria that are the most relevant or most reliable, but rather, on the cognitions that are most salient at that time (Bargh 1997; Higgins 1996; Wyer 2004, 2008). Such a tendency has been demonstrated at all stages of information processing from the initial acquisition and comprehension of information to the generation of an overt response (Bargh 1997; Higgins 1996; Wyer 2004). Individual differences in mindset salience or knowledge accessibility can be a result of chronic social norms and cultural values that determines the frequency of specific concepts used in one's daily life (Higgins 1996; Oyserman and Lee 2008), or the temporary result of priming or tasks engagement (Scrull and Wyer 1979; Xu and Wyer 2007; Wyer 2008). Specifically, a mindset is associated with a set of cognitive processes and judgmental criteria. Once activated, it can generalize to other situations and affects responses in these situations as well (Wyer and Xu 2010; Xu and Wyer 2007).

More recent research in the horizontal extension literature has provided valuable insights into the role of individual mindset in new product evaluation and adoption (e.g., Ahluwalia 2008; Monga and John 2010; Ng 2010; Tellis, Stremersch, and Yin 2003; Yorkston, Nunes, and Matta 2010). For instance, as relationship with others is more accessible and prioritized for consumers from a collectivistic (vs. individualistic) cultures, collectivistic consumers express more positive attitudes toward a far extension by paying

more attention to the relationship between extension product and the parent brand (Ahluwalia 2008). Similarly, Monga and John (2010) found that consumers primed with a holistic (vs. analytic) mindset perceive higher level of fit with the parent brand, and thus evaluate the extension product in a different category more favorably. In addition, Yorkston et al. (2010) demonstrated that far extension is more acceptable to participants with an incremental (vs. entity) mindset, because the knowledge that traits are malleable is more accessible to them when evaluating the extension product.

In the context of vertical brand extension, firms introduce a new product in the same category but at different price points and prestige levels. Thus, as discussed earlier, vertical extension is uniquely different from horizontal extension in that it evokes a status consideration. Therefore, individuals' status mindset or the way in which consumers naturally process the status related information will play an important role in understanding their responses toward the extension product and parent brand. In light of preceding discussions, I argue that power distance belief (PDB), which has been found as a key predictor of individual attitude toward status and status change, will have important implications for vertical brand extensions.

Power Distance Belief, Status Enhancement Mindset and Evaluation of Vertical Brand Extension

Power distance belief (PDB), as defined earlier, was the first cultural factor identified by Hofstede (1980) at the country level (Oyserman 2006), and also manifests as an individual difference within a culture (Lian, Ferris, and Brown 2012). In his seminal work, Hofstede (1984, 2001) found that institutions and groups are usually structured hierarchically by a clear separation of social classes in high PDB cultures (e.g., China), and everyone is supposed to have a rightful position along the social hierarchy. Therefore, individuals have to constantly monitor their behaviors to ensure the relative social standing is correctly carried out

(Hofstede 1984, 2001). For example, in the Chinese banquet, seating order is strictly orchestrated according to the social status of every guest. More importantly, in high PDB cultures, status, power, and privilege always go together, and thus people at lower positions are more likely to be dependent on those at higher positions (Hofstede 2001; Huberman et al. 2004). To illustrate, in high PDB cultures, subordinates are less frequently consulted and are supposed to not question the decisions of people in authority. As power and resources are concentrated among a few members at higher positions (House et al. 2004), individuals in a high PDB culture value status highly and believe status shapes the boundary between social classes (Hofstede 2001). Consequently, high PDB people are strongly motivated to enhance their social status or their relative standing in the social hierarchy (Hofstede 1984).

In contrast, people in low PDB cultures (e.g., Americans) believe inequalities among people should be minimized, and power or status should not be used to differentiate individuals (Hofstede 1984, 2001). The phrase in the US Declaration of Independence “*All men are created equal*” may be a good example of Americans’ belief about power parity. Additionally, in low PDB cultures, more and less powerful people are expected to be interdependent on each other, and people at lower positions are supposed to have an equal say in the organizations (Hofstede 2001). Therefore, subordinates are consulted more frequently and decentralization of power is more common and widely accepted (Hofstede and Hofstede 2005). As a consequence, in low PDB cultures, power or status difference is perceived as negative and powerful people even try to appear less powerful under certain situations (Hofstede 2001). To sum up, the key difference between high and low PDB cultures lies not in actual power difference *per se* but rather in people’s attitude toward power disparity (Oyserman 2006). In general, people in high PDB cultures are more accustomed to inequality and more likely to accept power disparity than individuals in low PDB cultures, regardless of their actual positions in social hierarchies (Hofstede 1984, 2001).

In recent years, there has been growing research interest in PDB in marketing literature (e.g., Eisingerich and Rubera 2010; Kim and Zhang 2014; Matos et al. 2011; van den Bos et al. 2013; Winterich and Zhang 2014; Zhang et al. 2010). In addition, findings from prior research have demonstrated that individual-level PDB, either measured or temporarily activated, produces similar effects as country-level PDB across various domains (Brockner et al. 2001; Kim and Zhang 2014; Winterich and Zhang 2014; Zhang et al. 2010). For instance, an awareness of power disparity and emphasis on conformity gradually strengthen a person's self-control muscle, and thus consumers from a high PDB culture or primed with high PDB display less impulsive buying than those characterized/primed by low PDB (Zhang et al. 2010).

Moreover, in high PDB cultures, conformity (from powerless individuals) to powerful figures is not only expected in the social interactions but also in the interactions between consumers and firms in the market. Specifically, consumers in a high PDB culture normally view firms as more powerful and at a higher status, while consumers in low PDB cultures do not expect or accept power being distributed unequally between firms and consumers (Eisingerich and Rubera 2010; Hofstede 1980). Therefore, consumers in high PDB cultures are less likely to complain directly to firms after experiencing a service failure (Matos et al. 2011), because powerless people (consumers) are not supposed to question the powerful ones (firms) in a high PDB culture (Hofstede 1980, 1984). Similarly, voicing has been found as a less effective strategy to improve customer satisfaction in a high (vs. low) PDB culture, as decision-making power is centralized to those at higher status, and thus makes voicing less desirable and less effective (van den Bos et al. 2013). In addition, corporate social responsibility has been found more effective in enhancing brand commitment in a high PDB culture (e.g., China) than in a low PDB culture (e.g., United Kingdom). This is because low (vs. high) PDBs are more likely to hold the expectancy that everyone (including the firms)

share the burden of social welfare and contribute to minimizing inequalities, and thus give less credit to cause-related marketing activities (Eisingerich and Rubera 2010). Following the same rationale, Winterich and Zhang (2014) demonstrated that low PDB people donate more than high PDB people due to a higher level of perceived responsibility to help others and to reduce inequality.

The prevalence of status concept and status disparity in high (vs. low) PDB cultures constantly reminds individuals to examine their social status and look for ways to improve their standing along the social hierarchy (Kim and Zhang 2014). As a consequence, it has been shown that the desirability of a public display of status and intensity of striving for status are highly corresponding with the power distance index across various cultures (Huberman, Loch, and ÖNçüler 2004). For such an emphasis on status enhancement, high (vs. low) PDB consumers display greater preference for products/service that may conform to people in the class to which they aspire and help to enhance their social status as well (Kim and Zhang 2014; Roth 1995). For instance, Mattila (1999) found that Asians, who are characterized as higher in PDB than Westerners, are more likely to sacrifice certain benefits of pleasant physical environment for customization and personalized services when choosing a luxury hotel. This is because Asians (vs. Westerners) perceive greater status enhancement from the exclusive personal service than from the pleasant physical environment that is shared with everyone. In the similar vein, Roth (1995) also showed that a brand image associated with status, social approval and accreditation is perceived as more favorable in high (vs. low) PDB cultures. Furthermore, Kim and Zhang (2014) demonstrated that high PDBs express greater preference for brands strongly associated with social status, such as Rolex and Louis Vuitton, than those with low PDB, as owning status brands can work as a compensation of one's lower social status (Rucker and Galinsky 2008).

To sum up, people with high (vs. low) PDB value status more and place more

emphasis on enhancement of their social status (Eisingerich and Rubera 2010; Oyserman 2006; Shavitt et al. 2006). For instance, Shavitt et al. (2006) found that participants from a hierarchical versus horizontal culture use more status-enhancing themes when designing ads for a new product. Furthermore, such a status enhancement mindset has been found as one of the driving forces for consumers' preference of products/service that are strongly associated with status and exclusivity (Huberman et al. 2004; Kim and Zhang 2014; Mattila 1999; Roth 1995). Therefore, with such a mindset, the concept of status enhancement will be more accessible in the minds of high PDBs than low PDBs. In light of the preceding discussions, I expect that consumers who differ in their PDB will process vertical brand extension, which involves either a step-up or step-down of brand status, differently. As discussed earlier, people always show more positive attitude to a product or a message frame that is consistent with the way they naturally think about that issue (i.e., their mindset) (Higgins 2006; Lee and Aaker 2004; Lee et al. 2010; Lee and Labroo 2004). In particular, I argue that an attempt by brands to extend into more premium segments (i.e., upward brand extension) is congruent with the status enhancement mindset of high PDBs. Thus, high PDBs should exhibit more favorable attitude toward an upward extension product as compared to low PDBs. In contrast, when a brand introduces a lower-end product, such downward brand extension would be frowned upon by high PDBs as it represents a step-down in status and runs counter to their status enhancement mindset. In such situations, I expect high (vs. low) PDBs to exhibit less favorable attitude toward a downward extension. Taken together, I propose that:

H1a: Compared to low PDBs, high PDBs will evaluate an upward extension more favorably.

H1b: Compared to low PDBs, high PDBs will evaluate a downward extension less favorably.

Brand Feedback Effects

Besides the importance of understanding how consumers view the extension product, it is also important to examine its reciprocal impact on the parent brand - the feedback effect. Consumers not only transfer their existing brand recognitions to the new product, but also continuously update their parent brand knowledge by integrating the new features (Keller and Aaker 1992; Romeo 1991). A handful of research suggests that any form of vertical extension results in brand dilution because of inconsistent price and quality information (Kim et al. 2001; Loken and John 1993). However, more research studies have demonstrated that upward extensions usually enhance consumers' evaluation of the brand while downward extensions diminish it (e.g., Dall'Olmo Riley et al. 2013; Kirmani et al. 1999; Lei et al. 2008; Petroschius and Monroe 1987), especially when evaluating the brand prestige (Heath, DelVecchio, and MaCarthy 2011). This is because consumers often simply calculated the mean of a set of items when making overall evaluation, thus adding a more or less premium item would shift the average image of the brand accordingly (Petroschius and Monroe 1987). In this dissertation, I argue this process might be more likely to happen for consumers who pay more attention to the price level and brand prestige. For example, Kirmani, Sood, and Bridges (1999) found that owners' respond to the parent brand less favorably attitude is significantly decreased after introducing a downward extension while non-owners' perception of the brand is not affected by the extension, because owners care more about maintaining the brand prestige and exclusivity than non-owners. Given that status/prestige is a more important consideration for high versus low PDBs (Huberman, Loch, and ÖNçüler 2004; Kim and Zhang 2014; Roth 1995), I expect that high PDBs will be more reactive to the parent brand that engages in vertical brand extension. Specifically, I propose that high PDBs, who perceive upward extensions that aim at status enhancement as more desirable, will have more favorable parent brand attitude than low PDBs. In contrast, when downward extensions that

may lead to lower brand prestige are introduced, high (vs. low) PDBs will perceive the parent brand as less desirable. Thus, I propose

H2: Compared to low PDBs, high PDBs will (a) evaluate the parent brand more favorably after introducing an upward extension, and (b) less favorably after introducing a downward extension.

Processing Fluency and the Underlying Mechanism

An underlying reason for the impact of individual PDB on consumers' attitudes toward vertical brand extension is processing fluency, or the meta-cognitive experience of ease or difficulty associated with information processing (Jacoby and Dallas 1981; Schwarz 1998, 2004). Processing fluency can be perceptual or conceptual in nature (Tulving and Schacter 1990). To elaborate, perceptual fluency refers to the ease with which people identify a target stimulus on subsequent encounters and involves the processing of physical features, such as modality and shape (Jacoby and Dallas 1981). In contrast, conceptual fluency reflects the ease with which the target comes to people's minds and pertains to the processing of meanings (e.g., Hamann 1990). Therefore, prior research has shown that processing fluency can be generated by various means, such as prior exposure to the same (Lee 2001) or semantically-related stimulus (e.g., sugar-sweet; Rajaram and Geraci 2000), expectancy (Lee and Labroo 2004), and more importantly, the consistency with individual mindset (e.g., Higgins 2006; Lee and Aaker 2004; Lee, Keller, and Sternthal 2010). For instance, Lee et al. (2010) found that people with a prevention mindset evaluate the product described at low construal level more favorably, as the concrete product features that tell people how something is done fit their emphasis of avoiding mistakes. In contrast, individuals with a promotion mindset rate the product described at high construal level more favorably, as the abstract product benefits that specify why something is done match their focus on accomplishment and growth. The authors further demonstrated the perceived regulatory fit

between the product (means) and individuals' mindset (goals) results in higher processing fluency or "subjective feeling right", which mediates the effect of mindsets on product judgments. In other words, when an object or action is consistent with the way that individuals naturally or currently think about that issue (i.e., mindset), it will be processed more fluently (Jacoby and Dallas 1981; Lee and Labroo 2004; Whittlesea et al. 1990). Such experience of processing fluency or "subjective feeling right" in turn impacts the evaluation of the product (Higgins 2006; Lee and Aaker 2004). Numerous research studies have demonstrated that processing fluency is affectively positive, which enhances the perceived value of a product (Higgins et al. 2003), attitude toward a brand (Higgins 2006; Lee and Aaker 2004; Lee and Labroo 2004), and willingness to pay for a product (Avnet and Higgins 2003).

In the context of vertical brand extension, firms extend a brand by introducing a more or less premium version of the current product to attract customers varied in willingness to pay (Keller and Aaker 1992), which evokes a thought of status. Therefore, I expect that consumers' status mindset, which determines the most accessible status knowledge in their minds, will eventually influence how they process the vertical brand extension information. As evidence, Kirmani et al. (1999) found that owners of a prestige brand evaluate the upward (vs. downward) extension more favorably, because upward extension is consistent with the owners' mindset to maintain or enhance the brand status. In the same vein, I propose that upward extension (i.e., introducing a more premium product targeting higher-status customers) will be processed more fluently by high (vs. low) PDBs as it fits their status enhancement mindset. Such experience of processing fluency or "subjective feeling right" will subsequently lead to more favorable evaluation of the upward extension. In contrast, attempts by brands to extend into lower-status customers (i.e., introducing a less premium new product to attract mass market customers), which are in conflict with such an

enhancement mindset of high (vs. low) PDBs, will need more effort to justify and thus will be processed less fluently. Such experience of dis-fluency or “feeling wrong” will result in lower evaluation of a downward brand extension. Thus, hypothesis 3 proposes that:

H3: Processing fluency mediates the impact of PDB on consumers’ evaluation of vertical brand extension.

Moderating Role of Product Symbolic Meaning

In the previous sections, I theorize that high (vs. low) PDBs will have more positive attitude to upward extensions than downward extensions due to greater fluency when processing status enhancement information. In this section, I argue that the impacts of PDB on vertical extension evaluation will be contingent on product symbolic meaning, or the extent to which consumers would use the product to influence how others view or make inference about them, especially about their social status (Dittmar 1992; Elliott 1997). This is because people are more likely to use products that have high symbolic meaning as means of self-enhancement. For instance, it has been shown that conspicuous products such as wristwatch, automobile and jewelry are usually purchased for identity supporting (Richins 1994), public recognition (Fisher and Price 1992), and image enhancement (Pedersen 2005). In contrast, products such as toothpaste and water-heater that are used privately are less likely purchased for status purpose (Bourne 1957). Consistent with this line of research, Dall’Olmo et al. (2013) suggested that driving a cheap car will hurt a consumer’s image to a larger extent than wearing a pair of cheap shoes. This is because a car is more conspicuous, and thus is comparatively higher in symbolic meaning than shoes.

Beyond the product category characteristics, a product’s symbolic meaning may be varied due to the brand name and individual differences. For instance, branding literature has demonstrated that the same product may differ in symbolic meaning due to the image of its brand name (Park et al. 1986; Park, Milberg, and Lawson 1991). Specifically, prestige brands

such as Rolex and BMW are strongly associated with social image and status, whereas functional brands such as Timex and Toyota are more related with product reliability and performance. Thus, prior evidence shows that prestige brands are usually purchased as means of status compensation (Rucker and Galinsky 2008) or status enhancement (Kim and Zhang 2014). As a consequence, a change in prestige levels (i.e., vertical brand extension) will have greater impacts on a prestige brand than a functional brand (Dall'Olmo Riley et al. 2013; Kim et al. 2001; Kirmani et al. 1999).

In addition, although consumers learn and develop product symbolic meaning through socialization processes and exposures to mass media, it does not mean that a particular product has the same symbolic meaning to all consumers (Elliott and Wattanasuwan 1998). To illustrate, Ritson, Elliott, and Eccles (1996) pointed out that a product may carry a variety of meanings, as each individual may assign different and inconsistent meanings to a product depending on the extent to which they share the same group identity. Specifically, the authors found that the subcultural group that consumers belong to significantly influences the symbolic meaning of Ikea furniture to them. Similarly, Hudders (2012) demonstrated that females and materialistic consumers assign more status signaling utility to luxury products they owned than males and consumers who are less materialistic.

Following the preceding discussion, high (vs. low) symbolic products are supposed to be more instrumental for status enhancement (Pedersen 2005; Richins 1994; Rucker and Galinsky 2008). Thus, a status enhancement consideration will be more accessible to consumers when evaluating the vertical brand extensions of a product strongly associated with social status or social image. In contrast, for low symbolic products that are not consumed for signaling or self-enhancing purpose, a status enhancement thought will not naturally come to consumer's mind during the evaluation process. Therefore, I expect the effects of PDB will increase along the continuum of low to high product symbolic meaning.

Specifically, I propose that vertical extensions of product high (low) in symbolic meaning should be more (less) susceptible to the impact of individual PDB:

H4: The impact of PDB on consumers' evaluation of vertical brand extension will be attenuated when the product is perceived as low (vs. high) in symbolic meaning.

Figure 1 below depicts the conceptual framework proposed in this chapter.

Specifically, I expect that high (vs. low) PDBs will evaluate the upward extension more favorably (H1a) and the downward extension less favorably (H1b). Moreover, I propose that such differences in attitudes toward vertical brand extension will spill over to influence consumers' parent brand evaluation in the same direction (H2). I further theorize that the impact of PDB on evaluation of vertical extension can be explained by the perceived level of processing fluency (H3). In addition, I argue that the impact of PDB on consumers' evaluation of vertical brand extension will be contingent on the product symbolic meaning, with weaker effect on products low (vs. high) in symbolic meaning (H4).

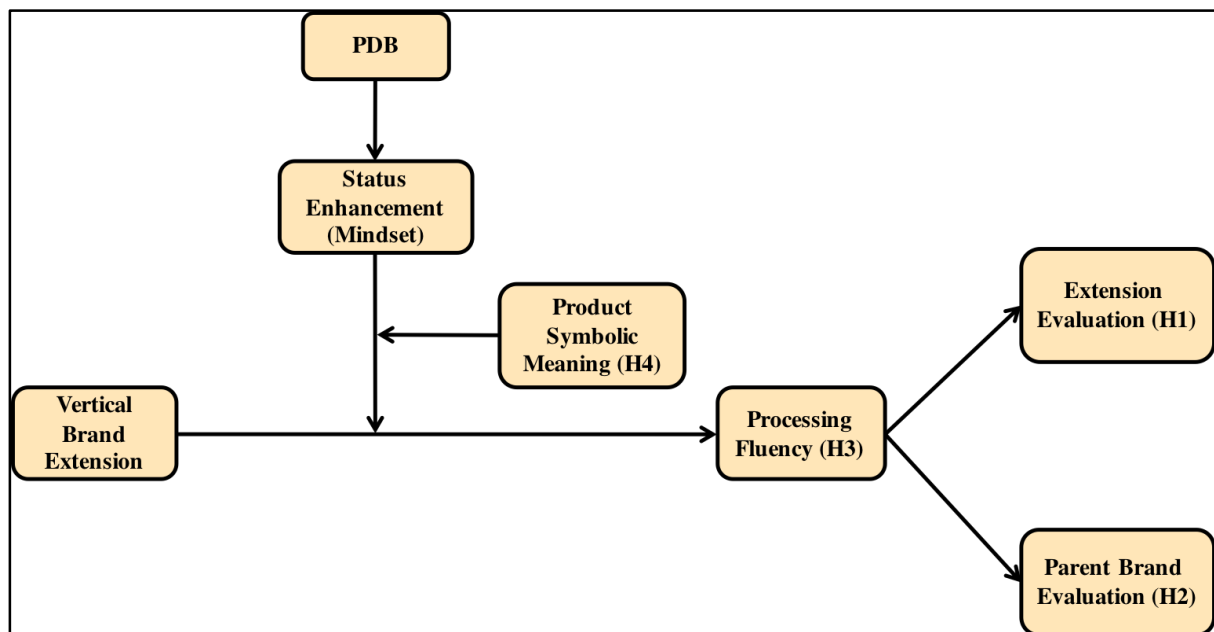


Figure 1. Conceptual Framework

CHAPTER 3:
UNDERSTANDING THE IMPACT OF POWER DISTANCE BELIEF
ON EVALUATION OF VERTICAL BRAND EXTENSION AND THE
PARENT BRAND

PRELIMINARY STUDY

Both Oyserman (2006) and Shavitt et al. (2006) suggested that a belief in social hierarchy or power distance leads to greater emphasis on status enhancement. However, there is currently no empirical evidence for this claim. The primary purpose of this preliminary study is to test this proposition by demonstrating the positive relationship between desire for status enhancement and PDB.

Method

Pretests and Scale Revision

An existing PDB scale developed by Zhang, Winterich and Mattila (2010) was adopted to examine the relationship between PDB and desire for status enhancement. As this scale was developed mainly using Western samples, I conducted a pretest to examine the scale reliability and validity to make sure it was equally applicable to participants in another culture. A total of 107 undergraduate students (57 females; mean age = 20.45, SD = 1.43) from Nanyang Technological University (NTU) in Singapore were recruited for the pretest. However, the composite reliability index ($\alpha = .46$) showed that the scale was relatively low in reliability. By examining the results in greater depth, I found it might be because the scale was mix-worded, with both positive- and reverse-worded items. Exploratory factor analysis showed that the 4 reverse-worded items and the 4 positive-worded items loaded onto separate latent factors. Moreover, the scale reliability would be significantly improved if some of the

reverse-worded items were removed. According to prior research (Baumgartner and Steenkamp 2001; Schriesheim and Hill 1981; Swain, Weathers, and Niedrich 2008), reverse-worded items tend to lower the reliability of multi-item scale due to respondent carelessness, confusion, and/or (dis)acquiescence response style. The problem becomes even more severe when it applies to a very different sample (Wong, Rindfleisch, and Burroughs 2003). Therefore, I substituted the four reverse-coded items with another four items from Brockner et al. (2001), which measured similar dimensions yet were positively worded. For example, the item “*Disagreement with our bosses will promote productivity*” was substituted by “*People are better off not questioning the decisions of those in authority*”. For details, please see Table 2. The first four items are taken from Zhang et al. (2010), whereas the other four items are taken from Brockner et al. (2001).

Another 155 undergraduate students (86 females; mean age = 20.19, SD = 1.12) were recruited to test the reliability and validity of the revised scale. First, participants completed the 8-item PDB scale. Next, they answered a short version of the individualism-collectivism scale (Triandis and Gelfand 1998), which included eight items concerning individual hierarchy belief (e.g., *It is important to me that I respect the decisions made by my groups*). As Oyserman (2006) and Shavitt et al. (2006) suggested, PDB and vertical self-construal are positively correlated. Finally, participants provided the demographic information (i.e., age and gender). The Cronbach alpha of the PDB scale was .74, demonstrating a good internal reliability (Nunnally 1978). More importantly, there was a positive correlation between PDB and vertical self-construal ($\alpha = .24, p < .01$), which proved the convergent validity of the new scale. Thus, the revised PDB scale was statistically reliable and valid.

Design, Participants, and Procedure

A total of 150 undergraduate students (82 females, 68 males) from Nanyang Technological University (NTU) in Singapore participated in this study for course credit.

Among the 150 participants, 94% were Chinese, 2% were Indian, with the remaining 4% reporting others (e.g., Malay, Indonesia). Participants' age ranged from 18 to 23 years ($M = 20.17$, $SD = 1.11$).

In the cover story, students were invited to answer a simple personality questionnaire. Participants first completed the 5-item desire for status enhancement scale adapted from prior research (Kim and Zhang 2014; $\alpha = .87$, see Table 2). A pretest completed by undergraduates from the same university ($n = 48$, 30 females; mean of age = 20.10, $SD=1.28$) ensured good reliability of the scale ($\alpha = .88$). An unrelated filler task was used to hide the true purpose of the study. Next, participants were asked to complete the revised 8-item PDB scale ($\alpha = .76$). A mean of the 8 items was taken as a proxy of individual power distance belief, with higher score indicates higher PDB. Last, participants provided details about their demographic background (i.e., age, gender and ethnicity).

Results and Discussion

A regression analysis on desire for status enhancement, with PDB, age, gender, and ethnicity as predictors, was conducted. As expected, PDB predicted individual desire for status enhancement ($\beta = .34$, $t = 2.44$, $p = .02$). None of the demographic factors was significant (p 's ranged from .24 to .99), and thus were removed from further discussion in this study.

Results from this preliminary study thus demonstrated a positive relationship between PDB and individual desire for status enhancement, which was proposed in previous research, yet has not been empirically proved (Oyserman 2006; Shavitt et al. 2006).

Table 2 *Exploratory Factor Analysis: Power Distance Belief and Desire for Status Enhancement (preliminary study)*

Items	Factor loading	
	Power Distance Belief	Desire For Status Enhancement
Power Distance Belief Scale		
1. As citizens we should put high value on conformity.	.70	
2. Communications with superiors should always be done using formally established procedures.	.75	
3. People are better off not questioning the decisions of those in authority.	.67	
4. Even if an employee may feel he deserves a salary increase, it would be disrespectful to ask his manager for it.	.58	
5. There should be established ranks in society with everyone occupying their rightful place regardless of whether that place is high or low in the ranking.	.71	
6. Employees should respect their supervisors highly.	.63	
7. In work-related matters, managers have a right to expect obedience from their subordinates.	.71	
8. I would like to work with a manager who expects subordinates to carry out decisions loyally and without raising questions.	.67	
Desire for Status Enhancement Scale		
1. I always seek to maintain and enhance my social status.		.87
2. I admire people who are at a higher status in the society.		.80
3. I will be much happier if I had a higher social status.		.79
4. I will have a better life if I had a higher social status.		.78
5. I will feel really bad if my social status was downgraded to a lower level.		.75

STUDY 1

The primary objective of study 1 is to test hypothesis 1a (i.e., that consumers with high PDB will evaluate an upward extension more favorably than consumers with low PDB), using a real brand in the market. In addition, I seek to remove the alternative explanation of collectivism in study 1.

Method

Stimulus Development and Pretest

A pretest was conducted to find a suitable focal brand for the formal study. The specific goal was to identify a brand that was moderately prestigious and moderately familiar to consumers, because prior research has shown that brand prestige (Kim et al. 2001) and prior brand knowledge (Lei et al. 2008b) can influence consumers' evaluation of vertical brand extensions. A total of 82 participants (35 females; mean age = 32.01, SD = 11.11) in US were recruited through Amazon Mechanical Turk (MTurk) for this pretest. Prior evidence has shown that MTurk participants are more diversified than university students and the data obtained are as reliable as those obtained via traditional method (see Buhrmester, Kwang, and Gosling 2011). Participants were asked to rate 10 brands (Cartier, Coach, Giorgio Armani, Guess, Holiday Inn, Lexus, Rolex, Seiko, Timex, and Toyota), in terms of brand familiarity and brand prestige on 9-point scales (1 = not at all, 9 = very much). Participants received 15 cents for taking part in this study and on average spent 2 minutes to complete it. This is an acceptable payment for MTurk workers.

Among the 10 brands under review, Seiko was chosen as the target brand as it was perceived as a moderately familiar and moderately prestigious brand to consumers in US (compared to 5; $M_{\text{prestige}} = 5.27$, $t = 1.32$, $p = .19$; $M_{\text{familiarity}} = 5.46$, $t = 1.55$, $p = .13$). Table 3 shows the familiarity and prestige ratings of all the 10 brands. In recent years, Seiko has

extended itself into the premium watch market with its high-end Grand Seiko series, making it a believable example of brands that engage in vertical brand extensions. Further, the wristwatch is deemed as an appropriate product context for this study, given its wide range of brands at different price and prestige levels. Also, wristwatch has been used as a focal product in several previous studies. For example, Kim et al. (2001) examined how consumers react to vertical extensions of prestige versus functional wristwatch brands in market (study 2, Timex vs. Rolex). For the above reasons, Seiko was deemed to be a suitable focal brand for this study.

Table 3 *Perceived Brand Familiarity and Brand Prestige of the 10 Selected Brands (study 1)*

	Brand Familiarity	SD	Brand Prestige	SD
Cartier	4.74	2.05	6.90	2.73
Coach	5.56	1.85	6.82	2.75
Giorgio Armani	6.41	1.22	7.87	2.45
Guess	6.52	1.66	4.78	2.34
Holiday Inn	7.76	1.62	3.95	1.80
Lexus	7.52	1.32	7.33	1.91
Rolex	7.35	0.90	8.37	2.09
Seiko	5.46	1.84	5.27	2.70
Timex	6.54	1.84	4.62	2.42
Toyota	8.05	1.55	4.90	1.54

* All measures are based on 9-point scales, 1 = not at all, 9 = very much

Design, Participants, and Procedure

Study 1 adopted a 2 (vertical extension: upward vs. control) × 2 (PDB: high vs. low) mixed design, in which vertical extension was manipulated and PDB was measured as a

continuous variable. A total of 114 participants (59 females, 55 males) in US were recruited through MTurk for this study, and each received 60 cents for taking part in this study for about 10 minutes. Among them, 81.58% were Caucasian, 9.65% were African American, with the remaining 8.77% reporting other ethnicities (e.g., Asian, Spanish American, Black, etc.). Participants' age ranged from 19 to 68 years ($M = 35.84$, $SD = 11.73$).

In the cover story, participants were told that the research was to understand how consumers evaluate new products. Participants first read a brief introduction of Seiko, which was described as a basic to middle level watch brand with typical retail price ranging from \$200 to \$500. Then, depending on the condition to which they were allocated, participants saw either an upward extension scenario or a control condition scenario. In the upward extension condition, each participant read that Seiko recently introduced a new high-end watch, selling at \$5,000, into the market to attract premium customers. In the control condition, participants were told that Seiko recently introduced a new watch, priced at \$250, into the market targeting its current customers (see Appendix A). Next, participants indicated their overall evaluation of the new watch (positive, desirable, appealing; $\alpha = .95$) and perceived product prestige (luxury, expensive, high status; $\alpha = .88$), based on 7-point scales (1 = not at all, 7 = very much). This was followed by a measurement of familiarity with the Seiko brand ("*To what extent are you familiar with Seiko brand?*", 1 = not at all familiar, 7 = very familiar; $M = 4.18$, $SD = 1.67$). Next, participants completed the same PDB scale developed in the preliminary study ($\alpha = .76$)¹. Finally, participants completed a short version of Triandis and Gelfand's (1998) collectivism scale with 8-items ($\alpha = .77$; $M = 5.08$, $SD = .95$), before reporting their demographic information about age, gender, and ethnicity.

¹ In another pretest ($N = 82$, 35 females; mean age = 30.02, $SD = 11.12$), results ensured that the scale was equally applicable to the US sample with good reliability ($\alpha = .84$) and validity (correlation with vertical self-construal = .34, $p < .01$).

Results

Manipulation Check

As discussed in the earlier sections, the two key elements of vertical extension are changes in price point and positioning (Keller and Aaker 1992). Therefore, following a common stance taken by many other researchers (e.g., Dall’Olmo et al. 2013; Kirmani et al. 1999; Lei et al. 2008), product prestige or the level of product exclusivity and association with status (Park, Milberg, and Lawson 1991) was measured (luxury, expensive, high status) as manipulation check to make sure that participants did notice such variations. One-way ANOVA showed that the premium watch in the upward extension condition was perceived to be more prestigious than the basic watch described in the control condition ($M_{\text{upward}} = 6.02$, $M_{\text{control}} = 4.69$; $F(1, 112) = 45.65$, $p < .01$). Thus, the extension manipulation was successful.

Evaluation of the Extension Product

A regression analysis on average product evaluation, with vertical extension (dummy coded; 0 = control, 1 = upward extension), the continuous measure of PDB (mean centered), their interaction, and brand familiarity as predictors, was conducted. Brand familiarity showed a positive impact on extension evaluation ($\beta = .17$, $t = 2.31$, $p = .02$).² The effect of vertical extension was significant ($\beta = 2.50$, $t = 2.62$, $p = .01$), but the effect of PDB was not significant ($\beta = .07$, $t = .33$, $p = .74$). More importantly, the interaction between brand extension and PDB was significant ($\beta = .72$, $t = 2.56$, $p = .01$). None of the demographic factors was significant in a separate analysis, and thus were removed from further discussion in this study. Thus, consistent with my theorization, individual PDB indeed moderated participants’ evaluation vertical brand extension.

² A separate regression analysis showed that the interaction between vertical brand extension and brand familiarity was not significant ($\beta = -.12$, $t = .75$, $p = .46$). Thus it was not further discussed in this section.

To better understand the difference in extension evaluation between high and low PDBs, a spotlight analysis was conducted (Aiken and West 1991). As shown in Figure 1, high PDBs (at 1SD above the mean), compared to low PDBs (at 1SD below the mean), reported significantly higher evaluation of the upward extension ($M_{\text{high PDB}} = 5.87$, $M_{\text{low PDB}} = 3.39$; $t(17) = 10.01$, $p < .01$); whereas no significant difference was found in the control condition ($M_{\text{high PDB}} = 4.91$, $M_{\text{low PDB}} = 4.75$; $t(15) = .14$, $p = .74$). Thus, hypothesis 1a was supported. Thus, hypothesis 1a was supported. Furthermore, follow-up analyses showed that high PDBs evaluated the premium product more favorably than the basic product ($M_{\text{upward}} = 5.87$, $M_{\text{control}} = 4.91$; $t(18) = 4.10$, $p < .01$), while low PDBs rated the premium product less favorably than the basic product ($M_{\text{upward}} = 3.39$, $M_{\text{control}} = 4.75$; $t(14) = 9.28$, $p < .01$).

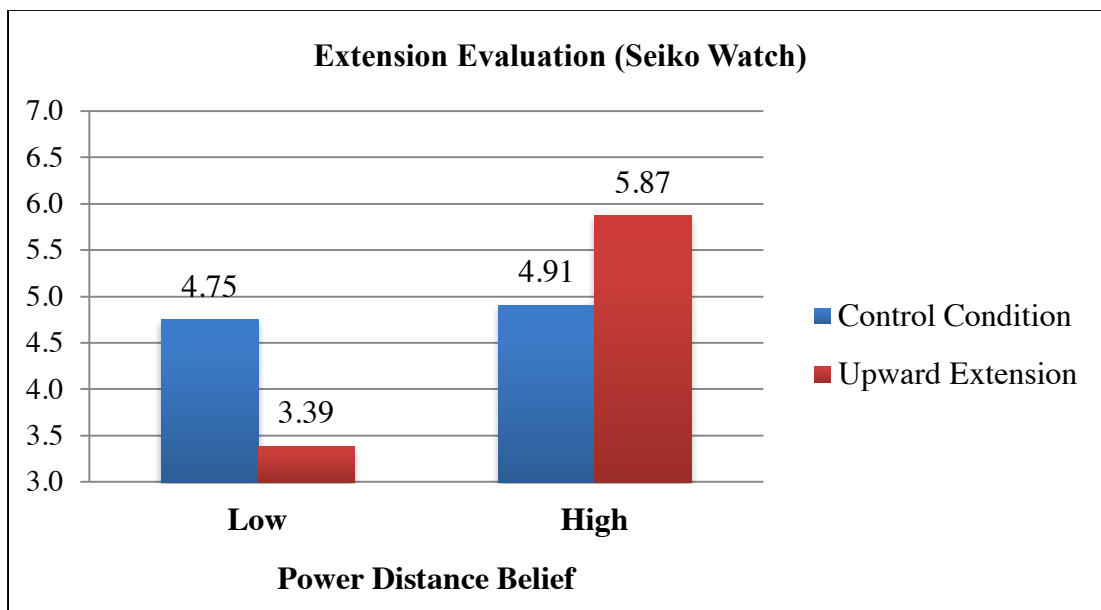


Figure 2. Evaluation of the Extension Product (study 1)

To decompose the interaction effect, I adopted the Johnson-Neyman technique (also called the floodlight analysis; Spiller et al. 2013) to identify the range(s) of PDB for which the simple effect of the vertical brand extension was significant (see Figure 3). The analysis revealed that there was a significant negative effect of upward brand extension on extension evaluation for any individual with PDB lower than 2.62 ($\beta = -.63$, $t = 1.98$, $p = .05$), yet a

significant positive effect for any individual with PDB higher than 4.70 ($\beta = .95, t = 1.98, p = .05$). For more details, please see Appendix B. Consistent with my theorization, high PDB individuals who strongly emphasize status enhancement express more favorable attitude toward the upward extension. In contrast, low PDB individuals who emphasize more on equality show negative attitudes toward the upward extension that introduce more expensive products for high status consumers.

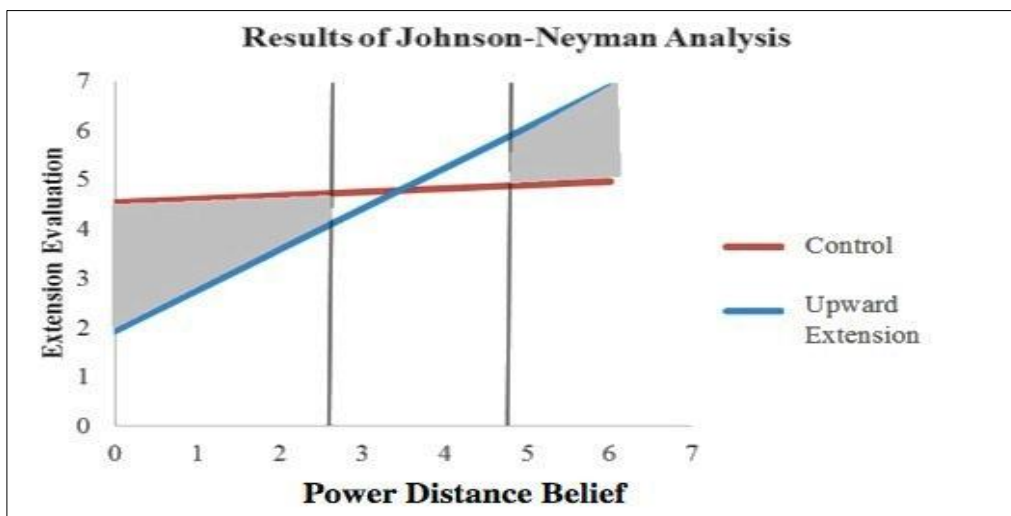


Figure 3. Moderating Role of Extension Type on the Impact of PDB on Consumers' Extension Evaluation (study 1)

Note: The figure shows the region of significant of the simple effect of vertical brand extension (upward vs. control) at different levels of PDB. There was a significant negative effect of upward brand extension on extension evaluation for any individual with PDB lower than 2.62, yet a significant positive effect for any individual with PDB higher than 4.70. The thin black vertical lines represent these points of significance.

Additional Analysis

Objective of the additional analysis is to rule out the alternative explanation that high (vs. low) PDB consumers evaluate the upward extension more favorably because of a collectivistic mindset. Prior research in the cross-cultural literature has shown that Easterners or people in collectivistic cultures focus more on relationship between objects and thus are more tolerant of inconsistency, compared to Westerners or people from individualistic cultures (Nisbett et al. 2001; Oyserman et al. 2009). As a consequence, consumers high in

collectivism (vs. individualism) or consumers with interdependent (vs. independent) self-construal see more connections between the extension and the parent brand, and therefore express more favorable attitude toward the extension product (Ahluwalia 2008; Monga and John 2010). In other words, consumers with a collectivistic mindset are more likely to include the extension product into the brand portfolio and change the evaluation of the brand/product accordingly. Many research studies have demonstrated that collectivism and PDB is positively correlated (e.g., Etgar and Rachman-Moore 2011; Oyserman 2006; Winterich and Zhang 2014). Thus, it is important to rule out the role of collectivism and to prove the unique impact of PDB on consumers' attitude towards vertical brand extension.

First of all, correlation analysis revealed a positive relationship between individual PDB and collectivism ($r = .21, p < .01$). Next, included collectivism as a covariate, a regression analysis on extension evaluation with the same set of predictors (PDB, vertical brand extension, and their interaction) was conducted. Consistent with prior research, the main effect of collectivism was positive ($\beta = .46, t = 3.60, p < .01$). The effect of vertical brand extension was also significant ($\beta = 2.57, t = 2.83, p = .01$). More importantly, the interaction between PDB and vertical extension remained significant ($\beta = .75, t = 2.81, p = .01$), and the effect size was not significantly decreased (95% CI = .22 to 1.28). In other words, the inclusion of collectivism did not attenuate the impact of individual PDB. In addition, a separate regression analysis was conducted to examine whether collectivism interacted with vertical brand extension and subsequently influenced consumers' evaluation of the extension product. Although results revealed a positive impact of collectivism ($\beta = .41, t = 2.23, p = .03$), the interaction between collectivism and vertical brand extension was not significant ($\beta = .34, t = 1.26, p = .21$). Therefore, collectivism or a collectivistic mindset was not the driving force for the impact of individual PDB on consumers' evaluation of vertical brand extension.

Discussion

An alternative explanation for the PDB effects on vertical extension is that high (vs. low) PDBs may perceive the premium watch in the upward extension condition to be more prestigious, and thus rate it more favorably. Prior research has demonstrated that high PDB consumers value status products more than low PDB consumers (Kim and Zhang 2014). To address this concern, a separate regression analysis, with the same set of independent variables while the perceived product prestige as the dependent variable, was conducted. Results showed significant main effects of vertical extension ($\beta = .73, t = 4.95, p < .01$) and PDB ($\beta = .32, t = 2.38, p = .02$). However, the interaction between vertical extension and PDB was not significant ($\beta = .16, t = .74, p = .46$). In other words, individual PDB did not moderate consumers' evaluation of the product prestige. A follow-up PROCESS analysis (Hayes 2013) also rejected product prestige as a mediator of the PDB effects (Mediated Effect = $-.06, SE = .10, 95\% CI = -.29 \text{ to } .10$). Hence, perceived product prestige is not the driving force for the difference in extension evaluation between high and low PDB consumers.

To sum up, findings from study 1 provided preliminary evidence for the prediction that high (vs. low) PDBs will rate an upward extension product more favorably, and thus support hypothesis 1a. In this study, I examined how PDB affected consumers' evaluations of upward extension using real products in the market. However, although the use of a real brand (Seiko) increases the realism of the study, it also brings with potential confounds in terms of how people view the brand, such as brand image and brand knowledge (Lei et al. 2008b). Therefore, the next study expands to test hypotheses 1a and 1b using a fictitious brand.

STUDY 2

The objectives of study 2 are multi-fold. First, study 2 aims to provide a more direct test of the causal effect by priming individual PDB. PDB was measured in study 1, which subjects the result to alternative explanations and thus the casual path is unclear. One way to solve this problem is to directly manipulate PDB and then examine its impact on consumers' attitude towards vertical brand extensions. According to recent cross-cultural research (Hong et al. 2000, 2003; Oyserman et al. 2002; Oyserman and Lee 2007), people cultivate cultural values, such as PDB and related concepts, through various mechanisms and develop a semantic network of culture and associated concepts. In other words, regardless of whether people reside in a high- or low-PDB culture, individuals experience situations that enable them to learn both high and low PDB concepts and associations. For example, although the United States is a chronically low-PDB culture, people in US still have opportunity to learn high PDB concepts through personal experience and observation, e.g., behaviors in military organizations (Zhang et al. 2010). Therefore, situational factors, such as event framing and task performing, can temporarily enhance or inhibit the accessibility of PDB concept and elicit responses consistent with either high or low PDB. For this reason, I expect that the effect of individual PDB on consumers' evaluation of vertical brand extension will be obtained by priming.

Second, study 2 seeks to expand the findings of study 1 by examining the impacts of PDB on consumers' evaluation of both upward and downward extensions, to provide a full test of hypotheses 1a and 1b. Third, to address potential concerns of using a real brand, a fictitious brand is used in this study. Fourth, I also examine the feedback effects of vertical extensions on overall parent brand attitude to provide evidence for hypothesis 2. Lastly, in this study, I also seek to rule out an alternative explanation, i.e., materialism, for the observed PDB effects.

Method

Stimulus Development and Pretest

Purpose of this pretest was to ensure the upward and downward extension stimuli were suitable for the formal study. Specifically, as extension distance has been demonstrated as a moderator of consumers' response to vertical brand extensions (Lei et al. 2008b, study 2), it is important to make the two extensions were perceived as equally distance form the core product. Given prices has been demonstrated as the key (*and even defining*) indicator of product prestige/status (Brucks et al. 2000; Krmani and Zeithaml 1993), perceived distances between the extension prices and the original price were examined in the pretest. A total of 75 participants (23 females, 55 males) were recruited from MTurk in US to complete the pretest, in exchange for a payment of 30 cents. Participants' age ranged from 20 to 75 years ($M = 33.84$, $SD = 12.05$).

Participants first read about a fictitious automobile company (Brand X). Automobile was chosen as the focal product because vertical extensions are common in this industry, and thus makes the experiment stimuli more believable to the participants. Participants were told that the typical retail price of Brand X car was \$45,000, and the company planned to introduce two new car models into the market. Next, they read that the upward extension car model would be priced at \$69,900 and the downward extension car model would cost \$19,900, one after one. Sequence of the two new cars was counter-balanced to remove potential confounding effect.

Participants were then asked to rate the extent to which they perceive the new car was more or less expensive than the average price, based on a scale ranging from 0 to 100% (0 = much less expensive, 50% = the same, 100% = much more expensive). As expected, the upward extension model was perceived as more expensive ($M_{\text{upward}} = 77.49\%$; compared with 50%, $t = 19.54$, $p < .01$) while the downward extension car model was perceived as less

expensive ($M_{\text{downward}} = 22.51\%$; compare with 50%, $t = 13.94$, $p < .01$). Moreover, results of t-tests showed that the two price points were perceived as similarly distant from the middle point (compare to 50% = the same; $D_{\text{downward}} = 27.49\%$, $D_{\text{upward}} = 27.49\%$; $t = .00$, $p = .99$). Thus, the two price points were selected for the formal study.

Design, Participants, and Procedure

Study 2 employed a 2 (PDB: high vs. low) \times 2 (brand extension: upward vs. downward) between-subjects design. A total of 101 participants from MTurk completed this study in exchange for a small payment (70 cents). Of these, 8 participants were excluded from data analysis due to incomplete or unusable responses (e.g., did not follow the instructions properly). Therefore, a total of 93 participants (57 females, 35 males, 1 did not report gender) were included in the final analysis. In the sample, 77.42% were Caucasian, 7.53% were Hispanic American, 3.23% were African American, 9.68% reported other ethnicities, with the remaining 2.15% reporting no race information. Participants' age ranged from 18 to 73 years ($M = 34.39$, $SD = 13.17$).

In the cover story, the study was described as several unrelated tasks. First, following Zhang et al. (2010, study 2), I had participants completed an essay writing task, to prime either high or low PDB. Participants all read a statement of social hierarchy "*There should be an order of inequality in this world in which everyone has a rightful place; high and low are protected by this order.*" In the high PDB condition, participants were asked to provide at least three arguments to support this statement; while in the low PDB condition, they were required to provide at least three arguments against the same statement.³ Three items were

³ Among all the participants, 7 did not properly follow the directions in the essay-writing task for PDB prime. For example, one such participant who was assigned to write an essay to support the social hierarchy statement wrote that: "*No, this is not a good statement as all should be equal. All should be equal. No man should be better than another. The constitution states that we are all free men and that no one should have to suffer for the better of others.*" In addition, 1 participant did not complete this task as she said that she did not know how to argue against this statement in the low PDB condition. In total, 8 participants were excluded from data analysis.

used as a manipulation check of PDB prime: “*For the time being, I mainly think that...*”; “*At this moment, I feel that...*”; and “*On top of my mind right now are thoughts in agreement with saying that....*” Participants rated each item via a 7-point scale (1 = social hierarchy is important, 7 = social equality is important; $\alpha = .97$, $M = 5.32$, $SD = 1.92$). A higher score indicated lower PDB.

After completing the PDB priming task, participants were randomly allocated to one of the two vertical brand extension conditions. In the upward extension condition, participants were told that Brand X was a well-established automobile brand with typical selling price of \$45,000. Currently, Brand X was planning to introduce a new car to attract the premium market. The new car would have exciting new designs and practical features, priced at \$69,900 (about \$25,000 higher than the average price). In the downward extension condition, participants were told that Brand X was planning to introduce a new car priced at \$19,900 (about \$25,000 lower than the average price) to tap into the mass market. The new car would be equipped with basic features that were available in most cars.

Participants then were asked to indicate their favorability towards the extension product (positive, desirable, appealing; $\alpha = .94$) as well as perceived product prestige (luxury, expensive, high status; $\alpha = .96$). Next, participants were asked to report their attitude toward the parent brand – Brand X (good, positive, favorable; $\alpha = .96$). All items were measured using 7-point Likert scales (1 = not at all, 7 = very much). Next, participants reported to the standardized measure of materialism (Richins 2004; $\alpha = .92$, $M = 4.14$, $SD = 1.44$). Last, participants provided demographic information (i.e., age, gender, and ethnicity).

Results

Manipulation Check

To test whether or not the PDB prime was successful, I ran a one-way ANOVA on the mean of the 3 manipulation check items detailed earlier with PDB prime as the predictor. As

expected, participants in the high (vs. low) PDB condition reported higher importance of social hierarchy (reversed coded, $M_{\text{high PDB}} = 3.22$, $M_{\text{low PDB}} = 2.16$; $F(1, 91) = 7.71$, $p < .01$). To check if the upward extension was viewed to be more premium than the downward extension, ANOVA was also run on the mean of the 3 product prestige items. As expected, participants perceived the car described in the upward extension condition more prestigious than the car described in the downward extension condition ($M_{\text{upward}} = 5.93$, $M_{\text{downward}} = 2.98$; $F(1, 91) = 92.93$, $p < .01$). Thus, both the PDB prime and the vertical extension manipulation worked as intended.

Evaluation of the Extension Product

I performed a 2-way Vertical extension \times PDB ANOVA on extension evaluation. The overall model was significant ($F(3, 89) = 2.78$, $p = .05$). Neither the vertical extension ($\beta = -.38$, $t = .87$, $p = .39$) nor PDB ($\beta = -.74$, $t = 1.68$, $p = .10$) showed significant impact on the dependent variable. However, results revealed a significant interaction between vertical extension and PDB ($\beta = 1.57$, $t = 2.56$, $p = .01$). As shown in Figure 5, high PDBs, compared to low PDBs, evaluated the upward extension more favorably ($M_{\text{high PDB}} = 5.49$, $M_{\text{low PDB}} = 4.65$; $F(1, 46) = 3.65$, $p = .06$), and the downward extension less favorably ($M_{\text{high PDB}} = 4.29$, $M_{\text{low PDB}} = 5.03$; $F(1, 43) = 3.59$, $p = .07$).

To better understand the Vertical extension \times PDB interaction, I further analyzed how high and low PDB respondents react differently to upward and downward extension. Results showed that high PDB participants expressed more positive attitude to upward extension than downward extension ($M_{\text{upward}} = 5.49$, $M_{\text{downward}} = 4.29$; $F(1, 44) = 8.23$, $p < .01$). In contrast, the difference was not significant for low PDBs ($M_{\text{upward}} = 4.65$, $M_{\text{downward}} = 5.03$; $F(1, 45) = .70$, $p = .41$). Thus, consumers with high PDB appear to be more sensitive and responsive to the vertical brand extensions than individuals with low PDB. This may be because status

(change) is a more important consideration in their daily life as well as in product/brand evaluation (Hofstede 1984; Huberman et al. 2004, Kim and Zhang 2014).

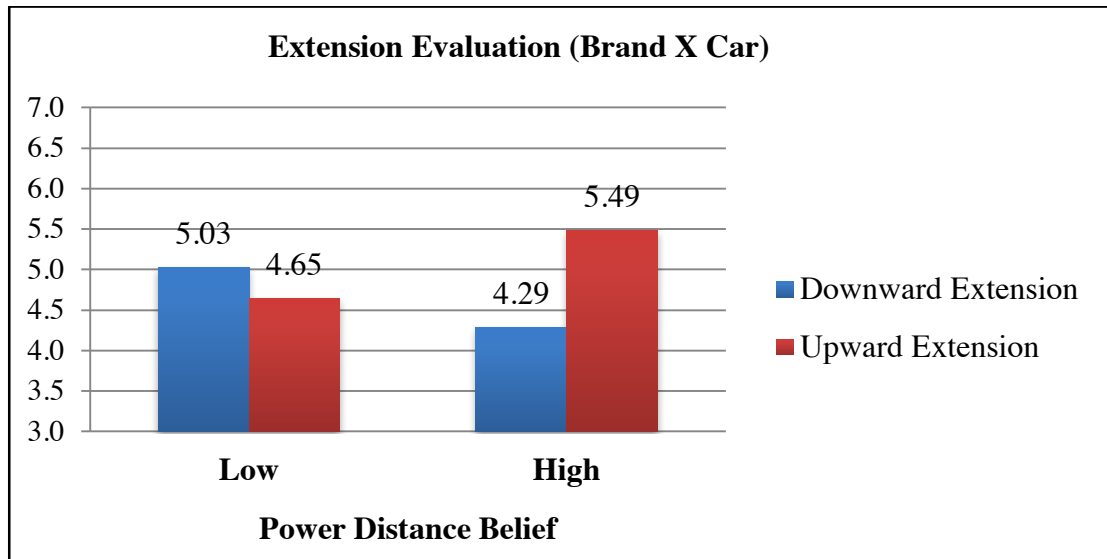


Figure 4. Evaluation of the Extension Product (study 2)

Parent Brand Evaluation

A separate 2-way ANOVA on parent brand evaluation was conducted. As expected, results showed a significant interaction between PDB and vertical brand extension ($\beta = 1.42$, $F(1, 89) = 2.75$, $p = .04$). As shown in Figure 6, after introducing an upward extension, high PDBs evaluated the parent brand more favorably than low PDBs ($M_{\text{high PDB}} = 5.67$, $M_{\text{low PDB}} = 4.75$; $F(1, 46) = 4.70$, $p = .04$). In contrast, high PDBs rated the parent brand introducing a downward extension less favorably than low PDBs, although the difference was not significant ($M_{\text{high PDB}} = 4.56$, $M_{\text{low PDB}} = 5.07$; $F(1, 43) = 1.27$, $p > .1$). Thus, hypothesis 2 was only partially supported in this study.

Although hypothesis 2 about the brand feedback effect of downward extension was not fully supported in this study, this is consistent with the findings of Heath, DelVecchio, and McCarthy (2011). In their research, the authors demonstrated that upward extensions usually have significantly positive impact on parent brand evaluation, while downward extensions show slightly negative to neutral feedback effect on overall parent brand attitude.

This is because, though upward and downward extension significantly changed the perceived brand prestige, the negative impact of downward extension is mitigated by consumers' positive evaluation of broader brand variety. Similarly, Randall et al. (1998) also revealed an asymmetric impact of vertical brand extension on parent brand evaluation, with positive impact of upward extension yet neutral effect of downward extension. In the same vein, study 2 showed that upward extension significantly enhanced high (vs. low) PDBs' evaluation of the parent brand, while downward extension did not significantly decrease it.

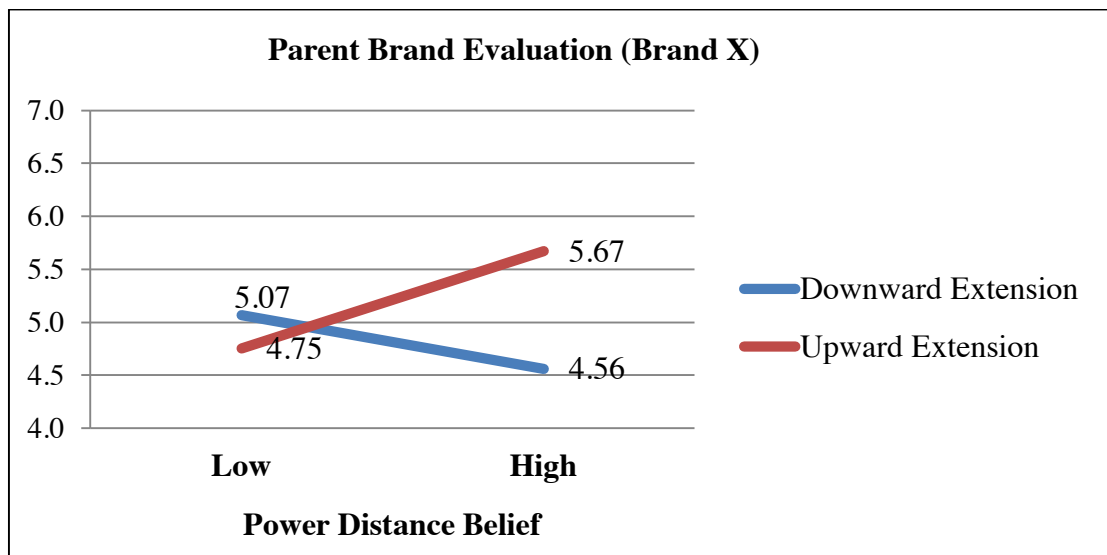


Figure 5. Overall Attitude toward the Parent Brand (study 2)

Additional Analysis

An alternative explanation for individuals' different attitudes toward upward and downward extension is materialism. Richins and her colleagues (Richins 2004; Richins and Dawson 1992) defined materialism as the importance ascribed to the ownership and acquisition of material goods in achieving major life goals or desired states. They conceptualized material values as encompassing three domains: acquisition centrality, the role of acquisition in happiness, and the role of possessions in defining success. Prior research has demonstrated that materialism is strongly associated with status consumption,

emphasis on physical appearance, and lower personal wellbeing (Cheung and Chow 1999; Eastman et al. 1997; Richins 2004; Wong and Ahuvia 1998). Thus, by definition, materialism might be correlated with PDB concerning their value of status and status consumption. However, as I mentioned earlier, the impact of PDB on consumer evaluation of vertical extension is not only due to its value of status, but also the status enhancement mindset.

Purpose of the supplementary analysis is to rule out the alternative explanation of materialism. First, I ran the same Vertical brand extension \times PDB ANOVA on extension evaluation with materialism as a covariate. The results revealed a positive impact of materialism ($\beta = .33, F(1, 89) = 10.60, p < .01$), supporting its emphasis on possession. However, the interaction between PDB and vertical brand extension remained significant ($\beta = 1.61, F(1, 89) = 7.60, p < .01$) even when materialism was added into the model. A separate regression on extension evaluation with vertical brand extension, materialism, and their interaction as independent variables was conducted. Although materialism still showed a positive effect ($\beta = .33, F(1, 89) = 10.60, p < .01$), the two-way interaction (vertical brand extension \times materialism) was not significant ($\beta = -.16, F(1, 89) = .54, p = .47$). In other words, materialism did not moderate respondents' evaluation of the upward or downward extension. Therefore, materialism was ruled out as an alternative explanation.

Discussion

Study 2 replicated the findings of study 1 by showing that high PDBs rated the upward extension more positively than low PDBs. In addition, results from this study also demonstrated that high PDBs rated the downward extension less favorably than low PDBs, providing support for hypothesis 1b. More importantly, study 2 replicated the findings of study 1 by temporarily activating individual high or low PDB concept, and thus provided a test of causality. Furthermore, study 2 also examined the brand feedback effects to test hypothesis 2. Specifically, results showed that, compared to participants with low PDB, high

PDBs express more positive attitude to the parent brand after introducing an upward extension. However, though high PDBs evaluated the parent brand engaging in downward extension less favorably than low PDBs, the difference was not significantly. Thus, hypothesis 2 was only partially supported. In addition, study 2 successfully ruled out materialism as an alternative explanation.

STUDY 3

Across studies 1 and 2, participants were randomly assigned either to an upward or a downward extension condition (except a control condition in study 1). Thus, the impact of PDB on vertical brand extension was examined by comparing how high versus low PDB participants responded to upward and downward extension separately. However, it is common for consumers to observe both upward and downward extensions in the market place. Thus, in study 3, a within-subject method is adopted to examine how PDB influences individuals' preference between an upward and a downward extension. By doing this, we can see how people varied in PDB react to vertical extensions differently in a more direct way, and in a more realistic setting as well. Thus, the main objective of study 3 is to extend the between-subjects method to a within-subject test, and thus provide a more stringent test of the PDB effects. Prior research studies, such as Hamilton and Chernev (2010, study 3) and Heath et al. (2011, study 3), have also adopted the within-subject method to test the differences in consumers' responses toward upward and downward extensions in a more direct way. Secondly, study 3 aims to expand brand feedback effects found in study 2 by examining the impact of PDB on perceived parent brand status. Study 2 showed that upward (vs. downward) extensions lead to greater difference in consumers' overall parent brand evaluation between high and low PDBs than downward extensions. According to Heath et al. (2011), perceived brand prestige is more susceptible to the impacts of vertical brand extension than overall brand attitude. Moreover, as discussed in the earlier section, status is a more important consideration for high (vs. low) PDB consumers (Huberman et al. 2004; Kim and Zhang 2014). Thus, in this study, I seek to examine how individual PDB may influence consumers' evaluation of the parent brand status after introducing an upward or downward extension.

Method

Design, Participants, and Procedure

A total of 101 participants (49 females, 52 males) were recruited from MTurk based in US for the study, and each received 50 cents for taking part in this study. Among them, 20.79% reported annual household income less than \$25,000, 22.77% less than \$35,000, 21.78% less than \$50,000, 16.83% less than \$70,000, 13.86% more than \$70,000, with the remaining 3.96% reporting no income information. Participants' age ranged from 18 to 73 years ($M = 35.28$, $SD = 12.99$).

The same stimuli that used in study 2 were used here, except in this case: 1) vertical extension conditions became a within-subject factor; 2) individual PDB was measured not primed. In the first task, participants were told that an automobile firm - Company A - was seeking advice from consumers about introducing a new car model into the market. In the introduction, participants were told that Brand A was a well-established automobile company with typical selling price of was \$45,000, and they were invited to help the company make a choice between two marketing strategies as potential customers: 1) *Plan A - to introduce a new car priced at \$19,900 to tap into the mass market. The new car will come with basic features that are available in most other cars*; 2) *Plan B - to introduce a new car, priced at \$69,900, to attract the premium customers. The new car will come with exciting new designs and superior features.*

After reading the two optional plans, participants were asked “*Between Plan A and Plan B, which one would you suggest Company A to choose?*” (1 = Plan A; 2 = Plan B), as a simple measure of their extension strategy preference. To better understand their preference between the two plans, participants also indicated that “*Of the two plans mentioned above, toward which you feel more favorable / more positive / and better?*” ($\alpha = .97$; 1= Plan A, by a lot, 7 = Plan B, by a lot). This was a comparative question - so a higher score indicated

greater preference toward the upward extension plan. How participants perceived the upward and downward extensions would affect the parent brand's status was measured using two items, "*Of the two plans mentioned above, which plan will enhance Brand A's status,*" and "*Of the two plans mentioned above, which plan will impair Brand A's status*" (1= Plan A, by a lot, 7 = Plan B, by a lot). Responses to these two items were highly correlated ($\alpha = -.59, p < .01$) and were thus averaged (with the second item reverse-coded) to form an overall brand status enhancement index.

After completing the marketing plan selection task, participants responded to the power distance belief items. To measure PDB, the 3-item scale used by Winterich and Zhang (2014, study 5) was adopted: "*For the time being, I mainly think that*"; "*At this moment, I feel that*"; and "*On top of my mind right now are thoughts in agreement with saying that.*" Each item was rated on a 7-point scale (1 = social hierarchy is important, 7 = social equality is important; $\alpha = .98$). The items were reverse-coded such that higher scores indicated higher PDB. Finally, participants answered several demographic questions concerning their age, gender, and income.

Results

Vertical Extension Plan Preference

This part of analysis aims to examine how individual PDB influenced participants' choice between the upward and downward extension plans. First, participants were divided into high versus low PDB groups by medium-split (Medium = 2.33, SD = 1.81). Consistent with my expectation, compared to participants with low PDB, results showed that the percentage of high PDBs choosing upward extension was much higher ($M_{\text{high PDB}} = 31.25\%$, $M_{\text{low PDB}} = 1.89\%$; $t = 7.00, p < .01$) while the proportion of choosing downward extension is much lower ($M_{\text{high PDB}} = 68.75\%$, $M_{\text{low PDB}} = 98.11\%$; $t = 2.10, p = .04$). However, even the difference in plan choice between high and low PDBs was in the expected direction, the

follow-up analysis revealed that majority of participants recommended the downward extension plan (84.2%) while 13.8% of participants recommended the upward extension plan. Please see Table 4 for more details.

Table 4 *Individual PDB and Choice of Extension Plan (median split; study 3)*

	Low PDB		High PDB	
	Frequency	Percent	Frequency	Percent
Plan A = Downward Extension	52	98.11%	33	68.75%
Plan B = Upward Extension	1	1.89%	15	31.25%

Thus, to better understand the impact of individual PDB on consumers' plan choice, a binary logistic regression was conducted, with the binary plan choice (1 = Plan A, 2 = Plan B) as the dependent variable and individual PDB as the predictor. First of all, the overall effect of PDB on participants' plan choice was significant ($Wald = 11.94, df = 1, p < .01$) with an effect size of .63. In other words, consumers with high (vs. low) PDB expressed greater intention to choose the upward extension plan than the downward extension plan. Results of the regression analysis showed that none of the demographic factors was significant, and thus it was not discussed further in this section.

To examine the impact of PDB on individual preference between the two extension plans (a higher score means greater preference of the upward extension over the downward extension), a separate regression analysis on the mean of plan preference with individual PDB as independent variable was conducted. Results showed that PDB predicted participants' preference between the two marketing plans ($\beta = .51, t = 5.83, p < .01$). Specifically, respondents expressed more positive attitude toward an upward (vs. downward) extension plan as individual PDB increased. To make sure the result was not driven by potential confounding demographic factors, age, gender, and income were also included in a

re-run of the model and none of the demographic factors was significant in the model. Thus, they were not further discussed in this section. The scatter plot in Figure 6 was drawn to present the relationship between PDB and participants' preference between the two vertical extension plans.

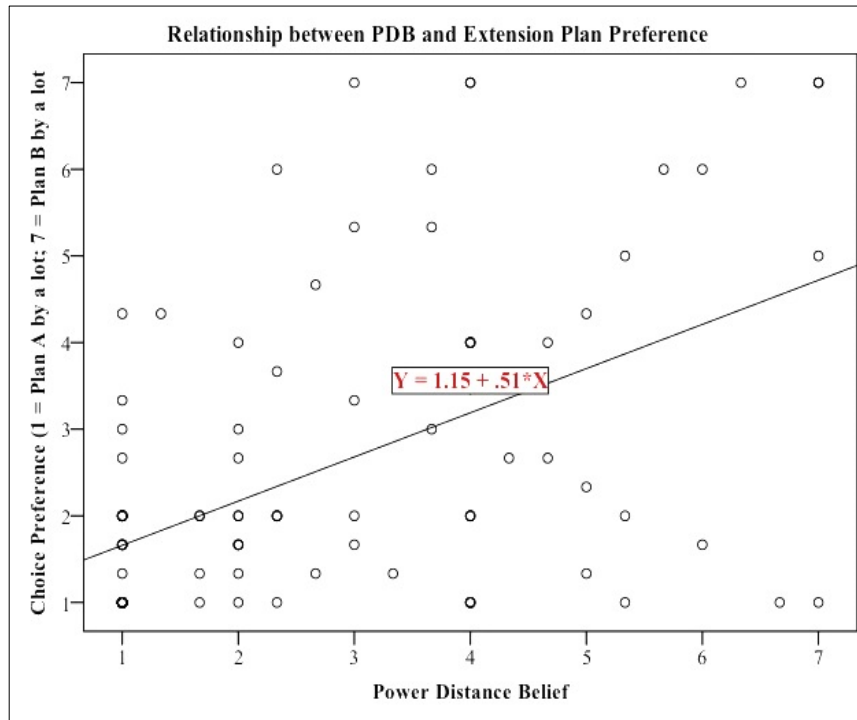


Figure 6. Scatter plot: Relationship between PDB and Participants' Preference between Two Vertical Extension Plans (study 3)

Impacts of Vertical Extensions on Parent Brand Status

A separate regression analysis was conducted to examine how individual PDB may influence respondents' attitude toward the impact of upward and downward extensions on parent brand status. Results showed that individual PDB predicted participants' perception of brand status enhancement ($\beta = .27, t = 3.09, p < .01$). More specifically, as PDB increased, individuals were more likely to view upward extensions (introducing a more expensive product for premium consumers) as brand status enhancement while downward extensions (introducing a less expensive product for lower-end customers) as brand status impairment. A follow-up correlation analysis showed that PDB, brand status enhancement and extension plan preference were positively correlated with each other (please see Table 5).

Table 5. *Results of Correlation Analysis (study 3)*

	1	2	3	4
1. PDB	...			
2. Extension Plan Choice (1= Plan A, 2 = Plan B)	.37 ^{***}	...		
3. Extension Plan Preference (1 = Plan A by a lot, 7 = Plan B by a lot)	.51 ^{***}	.82 ^{***}	...	
4. Brand Status Enhancement	.32 ^{**}	.54 ^{***}	.61 ^{***}	...

Plan A = downward extension, Plan B = upward extension

*** $p < .001$, ** $p < .01$, * $p < .05$; coefficients are unstandardized.

Discussion

The first part of analysis showed that, compared to low PDBs, high PDBs expressed greater (less) intention to recommend the upward (downward) extension plan. However, it also showed that majority of high PDBs recommended downward extension (68.75%) rather than upward extension (31.25%), which was in conflict with the prediction. One possible explanation for this inconsistency might be due to the way how the question was asked. Specifically, for this question, participants were asked to recommend one out of the two plans (upward or downward extension) to the company, rather than the plan that they preferred. Therefore, it is highly understandable that more people will recommend the downward extension plan, which is usually perceived as less risky than the upward extension (Lei et al. 2008). Although the difference in the plan choice was not in the expected direction, the follow-up regression analysis still showed that as individual PDB increased participants expressed greater preference for upward extension over downward extension. Moreover, high PDBs perceived upward extension would enhance the brand status more while downward extension will decrease the brand status to a greater extent. Thus, to some extent, findings of study 3 provided additional evidence for the status enhancement mindset of high PDB consumers.

In addition, the previous two studies examined how individuals varied in PDB respond differently toward an upward extension or a downward extension, separately. Using a within-subject method, study 3 provided a more stringent test of how individual PDB impacts respondents' attitude toward upward and downward extensions. Lastly, to demonstrate generalizability, individual PDB was measured using a different scale in this study.

CHAPTER 4:

UNDERLYING MECHANISM AND BOUNDARY CONDITION

STUDY 4

Across the previous studies (studies 1, 2 and 3), I have established the impacts of PDB on vertical extension evaluation by using both real and fictitious brands across product categories of wristwatch and automobile. Building on these studies, in this chapter, I seek to figure out the underlying mechanism through which PDB influences consumers' evaluation of vertical brand extension, as well as the boundary condition that may attenuate or nullify the PDB effects. In particular, the first objective of study 4 is to show that high PDBs, compared to low PDBs, possess a (less) more favorable attitude toward (downward) upward brand extensions because of the perception of processing (dis)fluency (hypothesis 3). Specifically, I propose that an upward extension that is consistent with the high (vs. low) PDBs' status enhancement mindset will be processed more fluently; whereas downward extension will need more efforts to justify and will be processed less fluently for high (vs. low) PDBs. Such perceived processing fluency (disfluency) will subsequently lead to more (less) favorable attitude toward upward (downward) extension.

The second objective is to examine the moderating role of product symbolic meaning (hypothesis 4). Specifically, I argue that a thought of status will be less accessible when the product has lower symbolic meaning to consumers, and thus the impact of PDB on the subsequent extension evaluation will be attenuated under such circumstance. Thirdly, study 4 expands the scope of outcome considerations to examine consumers' intention to purchase the extension products. Last, I test the generalizability of my theorization by examining brand extensions in the service industry, i.e., hotels. Upward and downward extensions in the hotel industry are prevalent, which provide rich ground for my examination.

Pretest

The primary objective of the pretest is to make sure that a hotel is moderately high in symbolic meaning among participants and thus is a suitable focal product/service for the formal study. A total of 119 participants (67 females, 52 males) were recruited from MTurk in US in exchange for a payment of 50 cents. Participants' age ranged from 19 to 65 ($M = 36.08$, $SD = 12.10$).

Participants were invited to complete a short survey about their hotel experience and perceptions. After answering several questions about how many times they have stayed in hotel ($M = 10$ to 20 times, $SD = .97$) and how familiar they were with hotel and its service ($M = 5.23$, $SD = 1.36$), participants completed the hotel symbolic meaning questions. The scale included 3 items ("*A hotel has very important social meaning in the society*", "*A hotel can reflect the social status of the customer*", and "*A hotel can express what kind of person the customer is*"; $\alpha = .81$) revised from a related scale developed by Escalas and Bettman (2005). After that, participants completed several personality questions in which the PDB scale ($\alpha = .79$) was embedded.

Result showed that participants rated hotel as moderately symbolic with adequate variation ($M = 4.05$, $SD = 1.47$)⁴. Furthermore, results showed that hotel symbolic meaning had a weak positive relationship with individual PDB ($r = .19$, $p = .05$). Exploratory factor analysis further showed that items of the two constructs were loaded on two different latent factors. Thus, though PDB and hotel symbolic meaning were positively correlated, they were conceptually independent from each other. Therefore, hotel was selected as a suitable focal object for the formal study.

⁴ In a separate pretest ($n = 50$, 30 females; mean age = 20.16, $SD = 1.28$), car was rated as 5.53 ($SD = 1.25$) and wristwatch was rated as 5.01 ($SD = 1.27$) in terms of product symbolic meaning, based on the same 3-item scale.

Method

Design, Participants, and Procedure

Study 4 employed a 2 (vertical extension: upward vs. downward) \times 2 (PDB: high vs. low) \times 2 (product symbolic meaning: high vs. low) mixed design, with vertical brand extension as between-subjects manipulation, whereas the other two were measured as continuous variables. A total of 244 participants (146 females, 98 males) were recruited from MTurk in US for this study, and each received 50 cents as compensation. In the sample, 73.77% were Caucasian, 9.43% were Asian American, 8.61% were African American, 2.05% were Spanish American, 2.05% were Black, with the remaining 4.10% reporting other ethnicities. Concerning annual household income, 23.77% reported income less than \$25,000, 15.57% less than \$35,000, 17.21% less than \$50,000, 16.39% less than \$70,001, 14.34% less than \$100,000, with the remaining 13.11% reporting more than \$100,000. Participants' age ranged from 18 to 73 years ($M = 35.28$, $SD = 12.99$).

In the cover story, the study was described as comprising of several unrelated tasks. First, participants completed a series of personality questionnaires including the measure of PDB, which was the same 8-item scale used in study 1 ($\alpha = .80$). Then, participants were randomly assigned to one of the two vertical extension conditions. The scenarios used were revised from Lei et al. (2008b) (see Appendix E for details), with changes in: 1) a fictitious hotel name (Hoteling Global) rather than a real hotel brand was used to address potential concerns mentioned in study 1; 2) room rates of the hotels were changed basing on average price of Holiday Inn in US, to make it more realistic to participants; 3) photos showing how the hotel (and its new hotels) looks like were added to facilitate imagination and information processing.

Participants were told that Hoteling Global was a mid-priced hotel with typical room rates ranged from \$188 to \$388. For participants assigned to the upward extension condition,

they were told that Hoteling Global was going to open a new hotel named Hoteling Global *Empire* targeting the premium travelers. The new hotel provided luxurious facilities and services, with a price range of \$358 - \$788. In contrast, participants in the downward extension condition were told that the new hotel was named as Hoteling Global *Express*, targeting budget travelers. The new hotel provided only basic facilities and services and charged for \$88 - \$168. The distance of extensions was approximately the same for the upward extension and the downward extension following the design of Lei et al. (2008). Next, participants rated the perceived prestige of the new hotel (luxury, expensive, and high status; $\alpha = .92$). The overall evaluation of the new hotel was measured using a single item (“*Your overall attitude toward the new hotel is?*”; 1 = negative, 7 = positive). In addition, participants were asked to what extent they would book the new hotel for a business trip and a personal trip respectively (1 = very unlikely, 7 = very likely). Responses to these two items were significantly correlated ($\alpha = .87$) and were thus averaged to form an overall purchase intention index, in which higher score indicated greater intention to purchase.

To measure processing fluency, participants were asked to indicate how they had felt about when processing the extension scenario (open a new premium or budget hotel), on a set of four 7-point items (pleasant, right, fluent, and comfortable; 1 = not at all, 7 = very much; $\alpha = .88$). Following this, participants completed the same 3-item hotel symbolic meaning scale used in the pretest ($\alpha = .82$). Finally, participants indicated their demographic information (i.e., age, gender, ethnicity, and income).

Results

Manipulation Check

To check if the vertical extension manipulation worked as intended, ANOVA was run on the mean of the three hotel prestige items. As expected, participants perceived the

premium hotel to be more prestigious than the budget hotel ($M_{\text{upward}} = 5.86$, $M_{\text{downward}} = 3.00$; $F(1, 242) = 395.61$, $p < .01$). Thus, the vertical extension manipulation was successful.

Evaluation of Extension Product and Purchase Intention

Following the procedural in study 1, the overall extension evaluation was regressed onto vertical extension (dummy coded), individual PDB (mean centered), and their interaction. Results showed the overall model was significant ($F(4, 239) = 11.16$, $p < .01$). Specifically, significant effects of vertical extension ($\beta = 1.07$, $t = 1.94$, $p = .05$) and individual PDB ($\beta = .25$, $t = 2.46$, $p = .01$) on the new hotel evaluation were observed. More importantly, the interaction between vertical extension and PDB on extension evaluation was significant ($\beta = .56$, $t = 3.61$, $p < .01$). Replicating the finding of previous studies, Spotlight analysis revealed that high PDBs (+1SD), compared to low PDBs (-1SD), evaluated the upward extension hotel more favorably ($M_{\text{high PDB}} = 5.67$, $M_{\text{low PDB}} = 5.18$; $t(26) = 2.24$, $p = .03$), but rated the downward extension hotel less favorably ($M_{\text{high PDB}} = 4.50$, $M_{\text{low PDB}} = 4.98$; $t(40) = 2.46$, $p = .01$).

A separate regression analysis with the same set of predictors on purchase intention was conducted. The full model was significant ($F(4, 239) = 13.89$, $p < .01$). Results showed neither the effect of vertical extension ($\beta = .53$, $t = .66$, $p = .51$) nor the impact of PDB ($\beta = .15$, $t = 1.06$, $p = .29$) was significant. However, the interaction between vertical extension and PDB was significant ($\beta = .50$, $t = 2.30$, $p = .02$). Spotlight analysis further showed that, compared to low PDBs (-1SD), high PDBs (+1SD) were more likely to book the new premium hotel for their travels ($M_{\text{high PDB}} = 5.66$, $M_{\text{low PDB}} = 4.98$; $t(26) = 2.14$, $p = .03$), and the difference was significant. In contrast, high (vs. low) PDBs were less likely to book the new budget hotel ($M_{\text{high PDB}} = 3.93$, $M_{\text{low PDB}} = 4.23$; $t(40) = 1.06$, $p = .29$), although the difference was not significant.

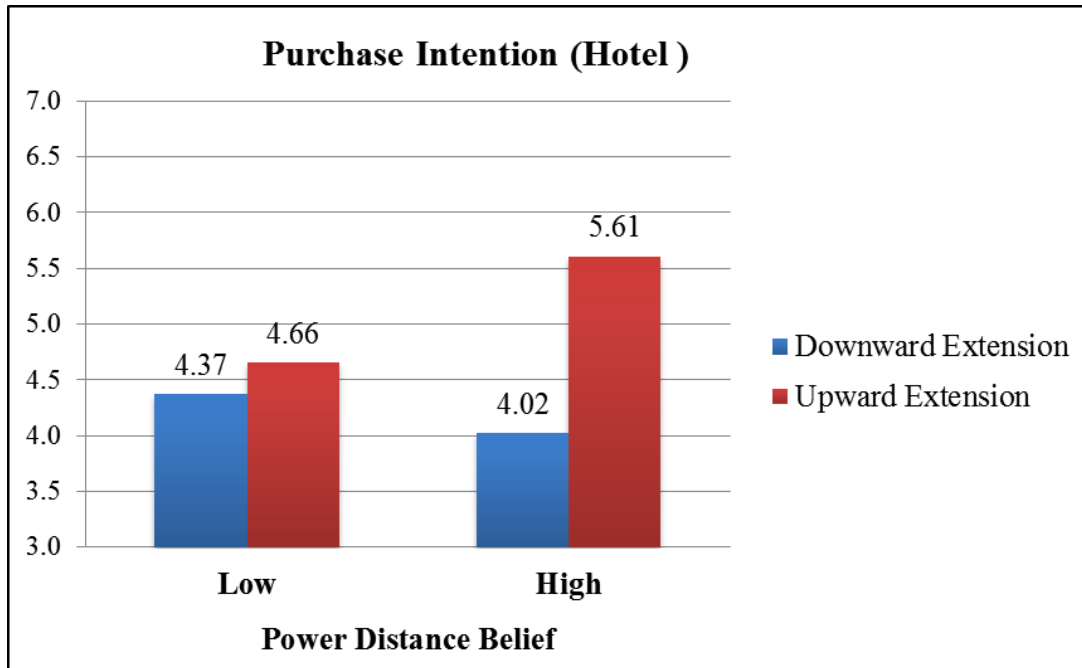


Figure 7. Purchase Intention for the Extension Product (study 4)

Mediation Analysis

To provide evidence for the underlying process, I conducted a bootstrapping analysis for moderated mediation developed by Preacher, Rucker, and Hayes (2007) using the PROCESS macro in SPSS for Model 8 (Hayes 2013). In this analysis, brand extension was the independent variable, PDB was the moderator, processing fluency was the mediator, and extension evaluation was the dependent variable. As expected, the bootstrapping analysis showed the indirect effect of the highest order interaction with processing fluency as a mediator was significant (Mediated Effect = .31, SE = .10, 95% CI = .15 to .53), confirming the mediation effect. Moreover, when including the mediator into the full model, the coefficient of the interaction between vertical extension and PDB became not significant ($\beta = .19, t = .90, p = .37$), indicating a full mediation effect. For details, please refer to Table 6. Thus, hypothesis 3 was supported.

Table 6 Results of Mediation Analysis (study 4)

Dependent Variable	Processing Fluency	Extension Evaluation	
	Model 1	Model 2	Model 3
Power Distance Belief (PDB)	.21	.25***	-.04
Vertical Brand Extension (VBE)	2.13	1.07*	.61***
PDB * VBE	.59***	.56**	.19
Processing Fluency			.53***

*** $p < .001$, ** $p < .01$, * $p < .05$; Coefficients are unstandardized.

Moderating Role of Product Symbolic Meaning

Hypothesis 4 proposes that the impact of PDB on consumer evaluation of vertical brand extension will be attenuated for a product that perceived as less symbolic to consumers. To test this hypothesis, a separate bootstrapping analysis using the PROCESS macro in SPSS for Model 3 (Hayes 2013) was conducted. In this analysis, vertical extension was the independent variable, product symbolic meaning was the moderator, PDB was the moderated moderator, and extension evaluation was the dependent variable. Results showed the whole model was significant ($F(7, 236) = 6.94, p < .01$). The effects of PDB, vertical extension, and their interaction were not significant (p 's ranged from .30 to .99). However, the main effect of hotel symbolic meaning was marginally significant ($\beta = .42, t = 1.84, p = .07$), which means participants who viewed hotel as more symbolic expressed more favorable attitude toward the new hotel on average. In addition, its interaction with vertical extension was marginally significant ($\beta = .68, t = 1.92, p = .06$). Specifically, upward extension was evaluated as more favorable than downward extension for consumers viewing hotel as high in symbolic meaning ($M_{\text{upward}} = 5.76, M_{\text{downward}} = 4.87; t(30) = 2.92, p < .01$), while there was no difference in attitudes toward upward and downward extension for consumers viewing hotel low in symbolic meaning ($M_{\text{upward}} = 5.16, M_{\text{downward}} = 4.65; t(36) = 1.09, p = .28$).

Furthermore, the interaction between hotel symbolic meaning and PDB was not significant ($\beta = .08, t = 1.27, p = .21$). More importantly, the 3-way interaction (vertical extension \times PDB \times hotel symbolic meaning) was significant ($\beta = .21, t = 2.04, p = .04$), providing evidence for the moderating role of product symbolic meaning. Results of the follow-up Floodlight analysis revealed that the effect of PDB on consumers' evaluation of vertical extension was significant for any individual who perceived hotel with symbolic meaning greater than **3.42** ($\beta = .37, SE = .19, t = 1.97, p = .05$) but not for any individual lower than **3.42** (see Table 7 for more details).

Table 7 *Floodlight Analysis: Conditional effect of X (vertical brand extension) \times M (PDB) on Y (extension evaluation) at values of the moderator (hotel symbolic meaning)*

PDB	Effect	se	t	Sig.	LLCI	ULCI
1.00	-.12	.38	-.33	.74	-.86	.61
1.30	-.06	.35	-.18	.86	-.75	.62
1.60	.00	.32	-.01	1.00	-.64	.63
1.90	.06	.30	.20	.84	-.52	.64
2.20	.12	.27	.45	.66	-.41	.66
2.50	.18	.25	.74	.46	-.31	.67
2.80	.24	.23	1.08	.28	-.20	.69
3.10	.31	.21	1.48	.14	-.10	.71
3.40	.37	.19	1.94	.05	-.01	.74
3.42	.37	.19	1.97	.05	.00	.74
3.70	.43	.18	2.43	.02	.08	.78
4.00	.49	.17	2.93	.00	.16	.82
4.30	.55	.16	3.36	.00	.23	.88
4.60	.61	.17	3.70	.00	.29	.94
4.90	.68	.17	3.90	.00	.33	1.02
5.20	.74	.19	3.98	.00	.37	1.10
5.50	.80	.20	3.97	.00	.40	1.19
5.80	.86	.22	3.91	.00	.43	1.29
6.10	.92	.24	3.82	.00	.45	1.40
6.40	.98	.26	3.72	.00	.46	1.50
6.70	1.04	.29	3.62	.00	.48	1.61
7.00	1.11	.31	3.53	.00	.49	1.72

Spotlight analysis results (see Table 8) also revealed that only when hotel was perceived as high in symbolic meaning, the impact of PDB on vertical extension evaluation was replicated, whereas there was no difference in extension evaluation between high and low PDBs when hotel was perceived as low in symbolic meaning. Therefore, hypothesis 4 was supported.

Table 8 *Extension Evaluation: Moderating Role of Product Symbolic Meaning (study 4)*

	Low Symbolic Meaning (< 2.84)		High Symbolic Meaning (> 5.71)	
	Low PDB (< 2.56)	High PDB (> 4.51)	Low PDB (< 2.56)	High PDB (> 4.51)
Downward Extension	4.78 ^a	4.35 ^a	5.38^a	4.43^b
Upward Extension	5.13 ^a	5.15 ^a	5.29^a	5.99^b

* Cells not sharing the same subscript in the same row differ significantly; $p < .05$.

*All measures were based on 7-point scales.

Discussion

Replicating the findings of previous studies, study 4 showed that high (vs. low) PDBs rated the upward extension more favorably and the downward extension less favorably. In addition, study 4 further demonstrated that individual PDB moderated consumers' purchase intention for the extension products, with high (vs. low) PDBs were more likely to purchase the premium product (upward extension) while less likely to purchase the basic product (downward extension). However, the difference in the downward extension condition was not significant. Expanding the findings of brand feedback effect in study 2, study 4 also revealed an asymmetric impact of vertical brand extension, with upward extension shows greater impact on high (vs. low) PDB consumers' purchase intention than downward extension does.

Thus, good news for marketers is that the high PDB consumers' negative attitude toward the downward extension product will not be expanded to significantly reduce their evaluation of the parent brand or their likelihood of purchasing.

Results from this study also provided support for hypothesis 3 by demonstrating the mediating role of processing fluency. Moreover, this study further demonstrated that the effect of PDB was attenuated when the product under review was low in symbolic meaning. This is consistent with prior research showing that perceived prestige of a product/brand moderated how consumers react to the extension product and the corresponding parent brand (Dall'Olmo Riley et al. 2013; Kim et al. 2001; Kirmani et al. 1999). In this study, I further showed that consumers might personally assign different symbolic meaning to the same product (partially due to individual traits or socialization processes), which set a boundary condition that moderated their evaluation of a related vertical brand extension. Specifically, when consumers not associating the product (hotel in this study) with status or social meaning, it is less likely for them to create a connection with this product and think about how it can help enhance their social status. Under such circumstance, individual PDB that influences consumers' status enhancement mindset can hardly show impact on how consumers evaluate the vertical extension product.

CHAPTER 5: GENERAL DISCUSSION

Across four studies, this dissertation provides converging evidence that individual power distance belief (PDB) influences how consumers evaluate vertical brand extensions. The preliminary study provided empirical evidence such that people with high (vs. low) PDB place greater emphasis on status enhancement, which was proposed but has not been tested in past research (Oyserman 2006; Shavitt et al. 2006). Following this, three studies demonstrated that consumers with high PDB evaluated upward (downward) extensions more (less) favorably than consumers with low PDB. This result was obtained using actual brands (study 1) and fictitious brands (studies 2 and 3), regardless of whether power distance belief was primed (study 2) or measured (studies 1 and 3). Results of study 2 further showed that consumers' attitudes toward the extension product spilled over to influence their parent brand evaluations, in an asymmetrical manner. Specifically, the upward extension significantly enhanced high (vs. low) PDBs' evaluation of the parent brand while downward extension did not significantly impair it (study 2). Study 3 adopted a within-subject design to provide a more stringent test of the proposed PDB effects on consumer evaluation of vertical brand extensions. Specifically, it showed that high (vs. low) PDBs preferred upward extension over downward extension. Furthermore, study 3 also showed that high (vs. low) PDBs perceive upward extension will enhance parent brand status more while downward extension will impair it more. Study 4 demonstrated the underlying mechanism by showing that processing fluency mediated the impacts of PDB on consumers' evaluation of vertical extensions. Moreover, study 4 also showed that the PDB effects were attenuated for products low (vs. high) in symbolic meaning. In addition, study 4 also examined consumers' purchase intention for the extension product, and found that high (vs. low) PDBs had more interest in the upward extension product yet no less interest in the downward extension product.

THEORETICAL CONTRIBUTIONS

This research makes important contributions to the literature in several ways. First, this study expands existing research on vertical brand extension by providing an initial empirical investigation into the impacts of PDB. This endeavor connects the two streams of research - on power distance and vertical brand extension - which have till now developed fairly independently. Prior research has mainly focused on the important roles of brand characteristics (e.g., brand concept, brand quality) and extension features (e.g., extension direction, extension distance) in understanding how consumers evaluate vertical brand extensions. The current research demonstrated that individual differences, such as belief in power distance, might be another key factor that influences the effectiveness of vertical brand extensions. Research on horizontal brand extension has intensively examined the influence of related individual traits, such as styles of thinking (Monga and John 2010), implicit theories (Yorkston, Nunes, and Matta 2010), and regulatory focus (Yeo and Park 2006), while similar research in the vertical extension literature is still limited. The current work thus contributes to fill up this research gap in vertical brand extension literature.

More importantly, no extant research has yet investigated the impact of culture or individual cultural orientation on vertical extension evaluation, although prior research has demonstrated those factors are highly important in new product evaluation and adoption (e.g., Ahluwalia 2008; Ma, Yang, and Mourali 2014; Ng 2010; Tellis et al. 2003). In this dissertation, I propose and test how consumers view status and status change would influence their responses to vertical brand extension that usually evokes a status consideration. By examining the role of PDB, which is one of the five cultural dimensions identified by Hofstede (1980, 1984), in the vertical brand extension context, this dissertation expands existing research in the branding literature.

This dissertation also makes contribution to research on PDB. Existing cultural research on consumer behavior has mainly focused on the individualism-collectivism dimension at the country level and the independent-interdependent self-construal at the individual level, while research on the hierarchical dimension is relatively limited (Oyserman 2006; Shavitt et al. 2006). This trend seems set to change as there are growing research studies examine the impacts of PDB on a list of varied consumption scenarios (Kim and Zhang 2014; Winterich and Zhang 2014; Zhang et al. 2010). Thus, the current research joins other emerging research on PDB by investigating its important role in the context of vertical brand extension. More importantly, although PDB is always studied at the country level or in the cross-cultural context, this dissertation shows that individuals can vary widely around the country's PDB norm and thus respond differently toward the same marketing practice.

Furthermore, the current research provides insight into the process through which PDB impacts consumer evaluation of vertical extension. Specifically, I find that high (vs. low) PDBs process upward extension more fluently because introducing more premium products is consistent with their status enhancement mindset, which subsequently leads to more positive evaluation. In contrast, a downward extension involving less expensive products that target consumers with lower status is in conflict with the status enhancement mindset and thus is less appealing to high (vs. low) PDBs. Additional analysis further shows that such PDB effects are beyond the influences of collectivism and materialism. Therefore, this dissertation also contributes to PDB research by showing that it not only influences consumers' consumption choice but also shapes their mindset and thus the way they process status-related information.

Finally, I identify a boundary condition in which the effect of PDB is attenuated. In particular, results show that the impacts of PDB on consumers' evaluation of vertical brand extensions will be diminished for products low in symbolic meaning. This finding extends

previous research in this field by showing that consumers may assign different meanings to the same product, such difference subsequently sets the boundary of how PDB influences their attitudes toward vertical extensions of the product.

MANAGERIAL IMPLICATIONS

Findings of the current research will provide valuable insights for marketers who are seeking to extend a brand vertically to attract consumers from various segments. Results of the current research suggest that marketers should take individual PDB into consideration before new product-launches, as high (vs. low) PDB consumers may react negatively to a lower-end extension, though they may have more positive attitude to a higher-end new product. Several demographic features may help marketers to get a hint of the target consumers' PDB levels. Hofstede (1984) revealed that individual PDB is negatively correlated with income and education yet positively correlated with warm climate and Catholicism. Similarly, Winterich and Zhang (2014) also found that PDB is negatively related with income and education level, yet positively related with age and gender (i.e., male).

Past research has demonstrated that country- and individual-level PDB have similar impacts on consumers' product and brand evaluation (e.g., Kim and Zhang 2014; Zhang et al. 2010), thus I expect the individual PDB effects demonstrated in the current research will be equally applicable to a cross-cultural context. In other words, marketers can also use knowledge about consumers' cultural background of PDB or a chronic measure of PDB to adapt their vertical brand extension strategies in multicultural markets. This might be even more important for firms that target consumers in Asian countries, which are characterized as high in PDB (Hofstede 1984, 2001). Findings of the current research suggest that Asian consumers are more responsive toward vertical brand extensions than Western consumers. In particular, compared to Western consumers, Asian consumers would be more positive to

upward extension yet more negative to downward extension. As evidence, the present research provides an explanation for why the premium Phaeton car under Volkswagen achieved great success in Asian market yet failed in US. Another example is Gucci. Gucci introduced series of lower-priced handbags during the past few years, which met with cold receptions in China but sold well in Europe. Therefore, marketers should be more cautious when launching vertical brand extensions in Asian countries, especially when introducing a less expensive new product.

Besides, the current research provided converging evidence for the PDB effects on consumers' evaluation of vertical extension by making the high or low PDB concept temporarily accessible in their mind (study 2). Although individual PDB was primed using an unrelated task in this research, it is possible that marketers can embed the PDB manipulation material in the same TV commercial or print advertisement. More specifically, marketers can use scenarios and slogans that strongly associate with high (low) PDB concept to enhance consumers' attitude toward an upward (downward) extension. For example, to make a premium new product more appealing to consumers, marketers can creatively embed military related contents that have been found strongly associated with high power disparity in the advertisement (Soeters, Pojonete, and Page 2006).

In addition, marketers should ascertain whether a specific product is viewed as high or low in symbolic meaning, and the extent to which that image varies within the target customers. Consumers' evaluation of vertical extension involving a product with low symbolic meaning will be less susceptible to the PDB effects. However, attitude toward vertical extensions of a product high in symbolic meaning will be in a highly impressionable state, which calls for more caution when developing marketing strategies. In other words, findings of this research suggest that (dis)associating an upward (downward) extension with social image and status will enhance consumers' attitude toward the product. One good

example is Mercedes. Its vertical extension car model A-Class is a low-end compact car targeting consumers who are looking for affordable prestige. By focusing on the product features (e.g., power and speed) and high quality rather than status association, Mercedes successfully expands to a new customer segment without brand dilution. By understanding the interaction between PDB and vertical brand extensions, managers can increase sales by exploiting their product positioning along the high versus low symbolic meaning continuum.

LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

Although the current research offers robust set of studies to support the theorization, it is important to address potential limitations as well as areas for additional research.

First of all, across four studies, I recruited participants in US through MTurk to test the framework and hypotheses, thus generalization of the sample might be questioned. Although Buhrmester et al. (2011) suggested that MTurk participants better represent the US public than university students and standard Internet samples, other research studies (e.g., Kang et al. 2014; Simons and Chabris 2012) also showed that MTurk workers differ from US sample in many ways, such as age, gender, and political beliefs. Thus, future research could test the effects of PDB using another sample of participants in US. In addition, only US participants were recruited in this study, thus it might be helpful to run a study in another high PDB culture (compared to US) to extend external validity of this research.

Furthermore, the current research examined the effects of PDB at the individual level using measurement and priming, as was the stance taken by several other researchers (e.g., Matos et al. 2011; Lian et al. 2012). Many research studies have also examined the impact of PDB as a country-level variable, based on the Hofstede (1984, 2001) country index of power distance (e.g., Blodgett et al. 2001; Brockner et al. 2001; Winterich and Zhang 2014; Zhang et al. 2010). Thus, future research could examine the generalizability of the current research in the cross-cultural context. As past research has provided converging evidence of country-

and individual-level PDB effects across various marketing domains (e.g., Kim and Zhang 2014; Winterich and Zhang 2014; Zhang et al. 2010), my conjecture is that consumers from a high (vs. low) PDB culture will evaluate the upward extension more favorably while the downward extension less favorably.

Moving forward, studies that examine the other dimensions of culture, such as femininity versus masculinity, will be important extensions to the current research. Prior research suggests that masculine cultures encourage individuals, especially males, to be ambitious, competitive and to strive for material success, whereas societies that are characterized as femininity emphasize caring for others, quality of life, and social wellbeing (Hofstede 1980). Thus, I expect that consumers high in masculinity will value an upward extension more than a downward extension compared to consumers high in femininity. Future research can conduct studies to test these hypotheses. Investigating the other cultural dimensions will provide better understanding of how culture and/or individual cultural orientation might shape consumers' attitude to vertical brand extensions in the era of international marketing.

Another limitation of the current research might be the lack of control condition in the experiment design. In study 1, the PDB effects on consumer's evaluation of upward extension were examined with a comparison to the control condition (extension with no difference in price point and positioning). Results showed that high PDBs evaluated the upward extension more favorably than the control condition while low PDBs evaluated the upward extension less favorably than the control condition. However, whether downward extensions improve or reduce high versus low PDB consumers' evaluation of the extension product was still unclear. More importantly, how vertical extensions interacting with individual PDB would hurt or enhance consumers' evaluation of the parent brand compared with no extension also needs further investigation. Thus, a future study that examines the

theoretical framework with a control condition will help marketers better understand whether or not they should engage in vertical extension and in which direction they should move.

Furthermore, in this dissertation, I argued that high (vs. low) PDBs strongly emphasize status enhancement, which subsequently impacts how (dis)fluently they process the status-based vertical brand extensions. Proposition of positive relationship between PDB and status enhancement mindset has been offered in prior research (Oyserman 2006; Shavitt et al. 2006), and was also supported by results of the preliminary study and study 3. Thus, the current research focused more on the underlying mechanism (processing fluency) through which such enhancement mindset influences how consumers evaluate the vertical brand extensions. Future study could examine the full conceptual framework regarding the role of status enhancement mindset. Another way to test the role of status enhancement mindset is to examine the PDB effects when such a mindset is inhibited or satisfied. Prior research has shown that consumers vary in terms of their need for social status. For example, Rucker and Galinsky (2008) demonstrated that consumers primed with high (vs. low) power are less likely to purchase and pay more for status products, as a compensation for their threatened social status. Kim and Zhang (2014) also found that self-affirmation or heightened self-worth decreases individuals' desire for status enhancing products. Thus, it is highly possible that the PDB effects on consumers' evaluation of vertical brand extension will be attenuated when they are primed with power or high in self-affirmation.

In study 4, product symbolic meaning was found as a boundary condition for the PDB effects on consumers' evaluation of vertical brand extension. Thus, future research could examine whether such PDB effect is limited to certain product or service categories. Prior research has shown that some products such as wristwatch and automobile are strongly associated with social status, whereas some other products such as toothpaste and dishwasher that purchased for private usage are less associated with social status (Elliott 1977; Fisher and

Price 1992; Richins 1994). Based on the findings of study 4, I expect that the impacts of PDB will be stronger for public products than private products. Similarly, it might be also interesting to examine the role of brand concept (i.e., prestige vs. functional). Branding literature suggests that the same product may convey different symbolic meaning with different brand concepts (e.g., Park et al. 1986; Park, Milberg, and Lawson 1991). For example, prestige brands such as Rolex and BMW are strongly associated with social image and status, whereas functional brands such as Timex and Toyota are more associated with functionality. Future research could examine the functional versus prestige image of brands as another potential boundary condition. My conjecture is that a functional (vs. prestige) brand concept will attenuate the proposed PDB effects on evaluation of vertical brand extensions.

Moving forward, it might be also interesting to examine the role of brand ownership in the context of vertical brand extension. Kirmani, Sood, and Bridges (1999) pointed out that owners are more involved with their brands and are more likely to care about maintaining the core equity associated with the brands than non-owners. As a consequence, owners (vs. non-owner) of a prestige (vs. functional) brand have stronger motivation to maintain the brand exclusivity and thus value upward extension more than downward extensions. Given that high PDBs strongly emphasize status enhancement, it is highly possible that ownership of a brand will even reinforce high (vs. low) PDBs' positive attitudes toward upward extensions and negative attitudes toward downward extensions.

Finally, the current research looks at consumers' reactions to vertical extensions of a single brand. However, in practice, consumers often find themselves in situations where they have to make a choice among various brands at the same price level. For example, with a budget of \$33,000, one can choose to buy a high-end Volkswagen R-Line or a low-end BMW 2 Series. These cars have very similar features and target the same segment of consumers, but

represent very different positioning (i.e., higher- or lower-end) along their respective brands. Based on findings of the current research, compared to low PDBs, high PDBs should give more credits to the high-end Volkswagen R-Line because upward extension fits their status enhancement mindset. On the other hand, prior evidence also shows that a status brand (i.e., BMW), compared with a non-status brand (i.e., Volkswagen), is more appealing to high PDB consumers (Kim and Zhang 2014). Thus, an interesting research question is how PDB might influence consumers' trade-off between brand status in the market and product status within the brand-line. My preliminary prediction is that high PDB consumers will stick to a status brand until they feel the downward extension really diminishes the parent brand to a lower level as the non-status brand. In contrast, low PDB consumers will pay less attention to the status theme yet focus more on product features when making product choice.

In summary, the pursuit of these lines of inquiry holds the promise of delivering insights into how PDB and other important cultural and individual factors can interact with vertical brand extensions, and how their interactions can influence consumer evaluations of the extension products and the parent brand as well.

REFERENCES

- Aaker, David A. (1991), *Managing Brand Equity. Capitalizing on the Value of a Brand Name*. New York: The Free Press.
- _____ (1996), *Building Strong Brands*. New York: The Free Press.
- _____ (1997), "Should You Take Your Brand to Where the Action Is?" *Harvard Business Review*, 75 (5), 135-43.
- _____, and Kevin L. Keller (1990), "Consumer Evaluations of Brand Extensions," *Journal of Marketing*, 54 (1), 27-41.
- Ahluwalia, Rohini (2008), "How Far Can a Brand Stretch? Understanding the Role of Self-Constraint," *Journal of Marketing Research*, 45 (3), 337-50.
- Aiken, Leona S. and Stephen G. West (1991), *Multiple Regression: Testing and Interpreting Interactions*. Newbury Park: Sage.
- Anderson, Norman H. (1974), *Methods for Studying Information Integration*. San Diego, CA: Center for Human Information Processing, University of California.
- Avnet, Tamar, and E. Tory Higgins (2003), "Locomotion, Assessment, and Regulatory Fit: Value Transfer from 'How' to 'What'," *Journal of Experimental Social Psychology*, 39 (5), 525-530.
- Bargh, John A. (1997), "The Automaticity of Everyday Life," in *Advances in Social Cognition*, Vol. 10, Robert S. Wyer, ed. Mahwah, NJ: Erlbaum
- Baumgartner, Hans, and Jan-Benedict E. M. Steenkamp (2001), "Response Styles in Marketing Research: A Cross-national Investigation," *Journal of Marketing Research*, 38 (2), 143-56.
- Bearden, William O. and Terence A. Shimp (1982), "The Use of Extrinsic Cues to Facilitate Product Adoption," *Journal of Marketing Research*, 19 (2), 229-39.
- Blodgett, Jeffrey G., Long-Chuan Lu, Gregory M. Rose, and Scott J. Vitell (2001), "Ethical

- Sensitivity to Stakeholder Interests: A Cross-Cultural Comparison,” *Journal of the Academy of Marketing Science*, 29 (2), 190-202.
- Bourne, Francies S. (1957), “Group Influence in Marketing and Public Relations,” in *Some Applications of Behavioral Research*, Rensis Likert and Samuel P. Hayes, eds. Paris: UNESCO, 207-57.
- Boush, David M. and Barbara Loken (1991), “A Process-Tracing Study of Brand Extension Evaluation,” *Journal of Marketing Research*, 28 (1), 16-28.
- Briley, Donnel A. and Robert S. Wyer (2001), “Transitory Determinants of Values and Decisions: The Utility (or nonutility) of Individualism and Collectivism in Understanding Cultural Differences,” *Social Cognition*, 19 (3), 197-227.
- Brockner, J., G. Ackerman, J. Grenberg, M. Gelfand, A. M. Francesco, Z. Chen, . . . , and D. Shapiro (2001), “Culture and Procedural Justice: The Influence of Power Distance on Reactions to Voice,” *Journal of Experimental Social Psychology*, 37 (4), 300-15.
- Brucks, Merrie, Valarie A. Zeithaml, and Gillian Naylor (2000), “Price and Brand Name as Indicators of Quality Dimensions for Consumer Durables,” *Journal of the Academy of Marketing Science*, 28(3), 359-74.
- Buhrmester, Michael, Tracy Kwang, and Samuel D. Gosling (2011), “Amazon's Mechanical Turk: A New Source of Inexpensive, Yet High-quality Data?” *Perspectives on Psychological Science*, 6 (1), 3-5.
- Caldieraro, Fabio, Ling-Jing Kao, and Marcus Cunha Jr. (2015), “Harmful Upward Line Extensions: Can the Launch of Premium Products Result in Competitive Disadvantages?” *Journal of Marketing*, 79 (6), 50-70.
- Cheung, Gordon W., and Irene Hau-Siu Chow (1999), “Subcultures in Greater China: A Comparison of Managerial Values in the People's Republic of China, Hong Kong, and Taiwan,” *Asia Pacific Journal of Management*, 16 (3), 369-87.

- Choi, Joseph (2013), "The Volkswagen Phaeton to Attempt Successful Rebirth in US Market," (accessed July 30, 2014), [available at <http://www.nada.com/b2b/NADA-Outlook/UsedCarTruckBlog/tabid/96/entryid/280/The-Volkswagen-Phaeton-to-Attempt-Successful-Rebirth-in-U-S-Market.aspx>].
- Cohen, Joel B. and Kunal Basu (1987), "Alternative Models of Categorization: Toward A Contingent Processing Framework," *Journal of Consumer Research*, 13 (March), 455-72.
- Curry, David J. and Peter C. Riesz (1988), "Prices and Price/Quality Relationship: A Longitudinal Analysis," *Journal of Marketing*, 52 (January), 36-51.
- Dacin, Peter A., and Daniel C. Smith (1994), "The Effect of Brand Portfolio Characteristics on Consumer Evaluations of Brand Extensions," *Journal of Marketing Research*, 31 (2), 229-42.
- Dall'Olmo Riley, Francesca, José M. Pina, and Rafael Bravo (2013), "Downscale Extensions: Consumer Evaluation and Feedback Effects," *Journal of Business Research*, 66 (2), 196-206.
- DelVecchio, Devon, and Daniel C. Smith (2005), "Brand-Extension Price Premiums: The Effect of Perceived Fit and Extension Product Category Risk," *Journal of the Academy of Management Science*, 33 (2), 184-96.
- Dittmar, Helga (1992), *The Social Psychology of Material Possessions: To Have is to Be*. Harvester Wheatsheaf, Hemel Hempstead and St Martin's Press, New York.
- Draganska, Micheala, and Dipak C. Jain (2005), "Consumer Preferences and Product-Line Pricing Strategies: An Empirical Analysis," *Marketing Science*, 25 (2), 164-74.
- Eastman, Jacqueline K., Bill Fredenberger, David Campbell and Stephen Calvert (1997), "The Relationship between Status Consumption and Materialism: A Cross-Cultural Comparison of Chinese, Mexican, and American Students," *Journal of Marketing Theory and Practice*, 5 (1), 52-66.

- Eisingerich, Andreas B. and Gaia Rubera (2010), "Drivers of Brand Commitment: A Cross-National Investigation," *Journal of International Marketing*, 18 (2), 64.
- Elliott, Richard (1997), "Existential Consumption and Irrational Desire," *European Journal of Marketing*, 31 (3/4), 285-96
- _____, and Kritsadarat Wattanasuwan (1998), "Brands as Symbolic Resources for Construction of Identity," *International Journal of Advertising*, 17 (2), 131-44.
- Escalas, Jennifer Edson and James R. Bettman (2005), "Self-Construal, Reference Groups, and Brand Meaning," *Journal of Consumer Research*, 32 (3), 378-89.
- Etgar, Michael, and Dalia Rachman-Moore (2011), "The Relationship between National Cultural Dimensions and Retail Format Strategies," *Journal of Retailing and Consumer Services*, 18 (5), 397-404.
- Fisher, Robert J., and Linda Price (1992), "An Investigation into the Social Context of Early Adoption Behavior," *Journal of Consumer Research*, 19 (3), 477-87.
- Freitas, Antonio L., Peter Gollwitzer, and Yaacov Trope (2004), "The Influence of Abstract and Concrete Mindsets on Anticipating and Guiding Others' Self-Regulatory Efforts," *Journal of Experimental Social Psychology*, 40 (6), 739-52.
- Furt, Frank (2013), "VW Plans to Bring Phaeton Back to US to Fill 'Halo' Void," (accessed May 16, 2014), [available at <http://www.autonews.com/article/20130716/OEM04/130719891/vw-plans-to-bring-phaeton-back-to-u.s.-to-fill-halo-void>].
- Gollwitzer, Peter M. (1990), "Action Phases and Mindsets," in *The Handbook of Motivation and Cognition: Foundations of Social Behavior*, Vol. 2, Richard M. Sorrentino and E. Tory Higgins, eds. New York: Guilford Press, 53-92.
- _____, and U. Bayer (1999), "Deliberative Versus Implemental Mindsets in the Control of Action," in *Dual-Process Theories in Social Psychology*, S. Chaiken and Y. Trope, eds. New York: Guilford Press, 403-22.

- Grime, Ian, Adamantios Diamantopoulos, and Gareth Smith (2002), "Consumer Evaluations of Extensions and Their Effects on the Core Brand: Key Issues and Research Propositions", *European Journal of Marketing*, 36 (11/12), 1415-38.
- Gürhan-Canli, Zeynep, and Durairaj Maheswaran (1998), "The Effects of Extensions on Brand Name Dilution and Enhancement," *Journal of Marketing Research*, 35 (November), 464-73.
- Hamann, Stephan B. (1990), "Level-of-Processing Effects in Conceptually Driven Implicit Tasks," *Journal of Experimental Psychology: Learning, Memory, and Cognition*, 16 (November), 970-77.
- Hamilton, Ryan and Alexander Chernev (2010), "The Impact of Product Line Extensions and Consumer Goals on the Formation of Price Image," *Journal of Marketing Research*, 47 (1), 51-62.
- Hayes, Andrew F. (2013), *Introduction to Mediation, Moderation, and Conditional Process Analysis: A Regression-Based Approach*. New York: NY: Guilford.
- Heath, Timothy B., Devon DelVecchio, and Michael S. McCarthy (2011), "The Asymmetric Effects of Extending Brands to Lower and Higher Quality," *Journal of Marketing*, 75 (4), 3-20.
- Henry, P. J. (2009), "Low-status Compensation: A Theory for Understanding the Role of Status in Cultures of Honor," *Journal of Personality and Social Psychology*, 97 (3), 451-66.
- Higgins, E. Tory (1996), "Knowledge Activation: Accessibility, Applicability, and Salience". in *Social Psychology: Handbook of Basic Principles*, Tory E. Higgins and A. Kruglanski, eds. New York: Guilford, 133-68.
- _____ (2006), "Value from Hedonic Experience and Engagement," *Psychological Review*, 113 (3), 439-60.

- _____, Lorraine C. Idson, Antonio L. Freitas, Scott Spiegel, and Daniel C. Molden (2003), "Transfer of Value from Fit," *Journal of Personality and Social Psychology*, 84 (6), 1140-1153.
- Hofstede, G. (1980), *Culture's Consequences: International Differences in Work-Related Values*. Beverly Hills, CA: Sage.
- _____ (1984), *Culture's Consequences: International Differences in Work-Related Values*. Newbury Park: CA: Sage.
- _____ (2001), *Culture's Consequences: Comparing Values, Behaviors, Institutions, and Organizations across Nations*. Thousand Oaks, California: Sage Publications.
- _____, and Gert Jan Hofstede (2005), *Cultures and Organizations: Software of the Mind*. McGraw-Hill USA.
- Hong, Ying-yi, Michael Morris, Chi-yue Chiu, and Veronica Benet-Martinez (2000), "Multicultural Minds: A Dynamic Constructivist Approach to Culture and Cognition," *American Psychologist*, 55 (7), 709-20.
- _____, Veronica Benet-Martinez, Chi-Yue Chiu, and Michael W. Morris (2003), "Boundaries of Cultural Influence: Construct Activation as a Mechanism for Cultural Differences in Social Perception," *Journal of Cross-cultural Psychology*, 34 (4), 453-64.
- House, Robert J., Paul J. Hanges, Mansour Javidan, Peter W. Dorfman, and Vipin Gupta (2004), *Leadership, Culture, and Organizations: The GLOBE Study of 62 Societies*, Thousand Oaks, CA: Sage.
- Huberman, Bernardo A., Christoph H. Loch, and Ayse ÖNçüler (2004), "Status as a Valued Resource," *Social Psychology Quarterly*, 67 (1), 103-14.
- Hudders, Liselot (2012), "Why the Devil Wears Prada: Consumers' Purchase Motives for Luxuries," *Journal of Brand Management*, 19 (7), 609-22.
- Janiszewski, Chris and Stijn M.J. van Osselaer (2000), "A Connectionist Model of Brand-

- Quality Associations,” *Journal of Marketing Research*, 37 (August), 331-50.
- Jacoby, Larry L., and Mark Dallas (1981), "On the Relationship Between Autobiographical Memory and Perceptual Learning," *Journal of Experimental Psychology: General*, 110 (3), 306-40.
- Ji, Li-Jun, Zhiyong Zhang, and Richard E. Nisbett (2004), “Is It Culture or Is It Language? Examination of Language Effects in Cross-Cultural Research on Categorization,” *Journal of Personality and Social Psychology*, 87 (1), 57-65
- Johnson, Michael D. (1984), “Consumer Choice Strategies for Comparing Noncomparable Alternatives,” *Journal of Consumer Research*, 11 (December), 741-53.
- Joiner, Christopher, and Barbara Loken (1998), “The Inclusion Effect and Category-Based Induction: Theory and Application to Brand Categories,” *Journal of Consumer Psychology*, 7 (2), 101-29.
- Kang, Ruogu, Stephanie Brown, Laura Dabbish, and Sara Kiesler (2014), “Privacy Attitudes of Mechanical Turk Workers and the US Public,” *Symposium on Usable Privacy and Security (SOUPS)*, July 9-11, 37-49.
- Keller, Kevin Lane and David A. Aaker (1992), “The Effects of Sequential Introduction of Brand Extensions,” *Journal of Marketing Research*, 29 (1), 35-60.
- Kim, Chung K. and Anne M. Lavack (1996), “Vertical Brand Extensions: Current Research and Managerial Implications,” *Journal of Product & Brand Management*, 5 (6), 24-37.
- _____, Anne M. Lavack, and Margo Smith (2001), “Consumer Evaluation of Vertical Brand Extensions and Core Brands,” *Journal of Business Research*, 52 (3), 211-22.
- Kim, Youngseon and Yinlong Zhang (2014), “The Impact of Power-Distance Belief on Consumers’ Preference for Status Brands,” *Journal of Global Marketing*, 27 (1), 13-29.
- Kirmani, Amna, Sanjay Sood, and Sheri Bridges (1999), “The Ownership Effect in Consumer Responses to Brand Line Stretches,” *Journal of Marketing*, 63 (1), 88-101.

- _____, and Valarie Zeithaml (1993), "Advertising, Perceived Quality and Brand Image," in *Brand Equity and Advertising*, David A. Aaker and Alexander Biel, eds. Hillsdale, NJ: Lawrence Erlbaum Associates, 143-62.
- Lee, Angela Y. (2001), "The Mere Exposure Effect: An Uncertainty Reduction Explanation Revisited," *Personality and Social Psychology Bulletin*, 27 (10), 1255-66.
- _____, and Jennifer L. Aaker, (2004), "Bringing the Frame into Focus: The Influence of Regulatory Fit on Processing Fluency and Persuasion," *Journal of Personality & Social Psychology*, 86 (2), 205-18.
- _____, Punam A. Keller, and Brian Sternthal (2010), "Value from Regulatory Construal Fit: The Persuasive Impact of Fit between Consumer Goals and Message Concreteness," *Journal of Consumer Research*, 36(5), 735-47.
- _____, Aparna A. Labroo (2004), "The Effect of Conceptual and Perceptual Fluency on Brand Evaluation," *Journal of Marketing Research*, 41 (2), 151-65.
- Lei, Jing, Niraj Dawar, and Jos Lemmink (2008a), "Negative Spillover in Brand Portfolios: Exploring the Antecedents of Asymmetric Effects," *Journal of Marketing*, 72, 111-23.
- _____, Ko de Ruyter, and Martin Wetzels (2008b), "Consumer Responses to Vertical Service Line Extensions," *Journal of Retailing*, 84 (3), 268-80.
- Les Échos (2004), "Étendre sa marque, un pari souvent gagnant," (Extending Its Brand, Winning A Bet), (accessed June 20, 2014), [available at <http://archives.lesechos.fr/archives/2004/LeEchos/19301-50-ECH.htm>].
- Levin, Irwin P. (1974), "Averaging Processes in Ratings and Choices Based on Numerical Information," *Memory and Cognition*, 2 (4), 786-90.
- Lian, Huiwen, Lance D. Ferris, and Douglas J. Brown (2012), "Does Power Distance Exacerbate or Mitigate the Effects of Abusive Supervision? It Depends on the Outcome," *Journal of Applied Psychology*, 97 (1), 107-23.

- Liu, Ch-Mei (2002), "The Effects of Promotional Activities on Brand Decision in the Cellular Telephone Industry," *Journal of Product & Brand Management*, 11 (1), 42-51.
- Loken, Barbara and Deborah R. John (1993), "Diluting Brand Beliefs: When Do Brand Extensions Have a Negative Impact?" *Journal of Marketing*, 57 (3), 71-84.
- Ma, Zhenfeng, Zhiyong Yang, Mehdi Murali (2014), "Consumer Adoption of New Products: Independent versus Interdependent Self-Perspectives," *Journal of Marketing*, 78 (2), 101-17.
- Matos, Celso Augusto de, Daniel Von der Heyde Fernandes, Rodrigo Pinto Leis, and Guilherme Trez (2011), "A Cross-Cultural Investigation of Customer Reactions to Service Failure and Recovery," *Journal of International Consumer Marketing*, 23 (3/4), 211-28.
- Masuda, Takahiko, and Richard E. Nisbett (2001), "Attending Holistically versus Analytically: Comparing the Context Sensitivity of Japanese and Americans," *Journal of Personality and Social Psychology*, 81 (5), 922-34.
- Mattila, Anna S. (1999), "The Role of Culture in the Service Evaluation Process," *Journal of Service Research*, 1 (3), 250-61.
- Milberg, Sandra J., Whan C. Park, and Michael S. McCarthy (1997), "Managing Negative Feedback Effects Associated with Brand Extensions: The Impact of Alternative Branding Strategies," *Journal of Consumer Psychology*, 6 (2), 119-40.
- Mourey, James A., Daphna Oyserman, and Carolyn Yoon (2013), "One Without the Other: Seeing Relationships in Everyday Objects," *Psychological Science*, 24 (9), 1615-22.
- Monga, Alokparna B. and Deborah R. John (2010), "What Makes Brands Elastic? The Influence of Brand Concept and Styles of Thinking on Brand Extension Evaluation," *Journal of Marketing*, 74 (3), 80-92.
- Musante, Michael (2007), "Brand Portfolio Influences on Vertical Brand Extension Evaluations," *Innovative Marketing*, 3 (4), 59-65.

- Ng, Sharon (2010), "Cultural Orientation and Brand Dilution: Impact of Motivation Level and Extension Typicality", *Journal of Marketing Research*, 47 (1), 186-98.
- Nisbett, Richard E., Kaiping Peng, Incheol Choi, and Ara Norenzayan (2001), "Culture and Systems of Thought: Holistic vs. Analytical Cognition," *Psychological Review*, 108 (2), 291-310.
- Nunnally, Jum (1978), *Psychometric Theory*, New York: McGraw-Hill.
- Oyserman, Daphna (2006), "High Power, Low Power, and Equality: Culture Beyond Individualism and Collectivism," *Journal of Consumer Psychology*, 16 (4), 352-56.
- _____ (2011), "Culture as Situated Cognition: Cultural Mindsets, Cultural Fluency, and Meaning Making, *European Review of Social Psychology*, 22 (1), 164-214.
- _____, and Spike W. S. Lee (2007'), "Priming 'Culture': Culture as Situated Cognition," in *Handbook of Cultural Psychology*, Shinobu Kitayama and Dov Cohen, eds. New York: Guilford Press, 255-79.
- Park, C. Whan, Bernard J. Jaworski, and Deborah J. MacInnis (1986), "Strategic Brand Concept-Image Management," *Journal of Marketing*, 50 (4), 135-45.
- _____, Sandra Milberg, and Robert Lawson (1991), "Evaluation of Brand Extensions: The Role of Product Feature Similarity and Brand Concept Consistency," *Journal of Consumer Research*, 18 (2), 185-93.
- Pedersen, Per E., (2005) "Adoption of Mobile Internet Services: An Exploratory Study of Mobile Commerce Early Adopters", *Journal of Organizational Computing and Electronic Commerce*, 15 (3), 203-22.
- Petroshius, Susan M. and Kent B. Monroe (1987), "Effect of Product-Line Pricing Characteristics on Product Evaluation," *Journal of Consumer Research*, 13 (4), 511-19.
- Pitta, Dennis A., and Lea Prevel Katsanis (1995), "Understanding Brand Equity for Successful Brand Extension," *Journal of Consumer Marketing*, 12 (4), 51-64.

- Preacher, Kristopher J., Derek D. Rucker, and Andrew F. Hayes (2007), "Addressing Moderated Mediation Hypotheses: Theory, Methods, and Prescriptions," *Multivariate Behavioral Research*, 42 (1), 185-227.
- Rajaram, Suparna, and Lisa Geraci (2000), "Conceptual Fluency Selectively Influences Knowing," *Journal of Experimental Psychology: Learning, Memory, and Cognition*, 26 (4), 1070-74.
- Randall, Taylor, Karl Ulrich, and David Reibstein (1998), "Brand Equity and Vertical Product Line Extent," *Marketing Science*, 17 (4), 356-79.
- Richins, Marsha L. (2004), "The Material Values Scale: Measurement Properties and Development of a Short Form," *Journal of Consumer Research*, 31 (1), 209-19.
- _____ (1994), "Valuing Things: The Public and Private Meanings of Possessions", *Journal of Consumer Research*, 21 (3), 504-21.
- _____, and Scott Dawson (1992), "A Consumer Values Orientation for Materialism and Its Measurement: Scale Development and Validation," *Journal of Consumer Research*, 19 (December), 303-16.
- Ritson, Mark, Richard Elliott, and Sue Eccles (1996), "Reframing IKEA: Commodity-signs, Consumer Creativity and the Social/self-dialectic", in *Advances in Consumer Research*, Vol. 23, Kim P. Corfman and John G. Lynch, eds. Provo, UT: Association for Consumer Research, 127-31.
- Rao, Akshay R. and Kent B. Monroe (1989), "The Effect of Price, Brand Name, and Store Name on Buyer's Perceptions of Product Quality: An Integrative Review," *Journal of Marketing Research*, 26 (August), 351-57.
- Romeo, Jean B. (1991), "The Effect of Negative Information on the Evaluation of Brand Extensions and the Family Brand," in *Advances in Consumer Research*, Vol. 18, R. H. Holmann and R. Solomon, eds. Provo, UT: Association for Consumer Research, 399-406.

- Roth, Martin S. (1995), "The Effects of Culture and Socioeconomics on the Performance of Global Brand Image Strategies," *Journal of Marketing Research*, 32 (2), 163-75.
- Rucker, Derek D and Adam Galinsky (2008), "Desire to Acquire: Powerlessness and Compensatory Consumption," *Journal of Consumer Research*, 35 (2), 257-67.
- Schriesheim, Chester A., Kenneth D. Hill (1981), "Controlling Acquiescence Response Bias by Item Reversals: The Effect on Questionnaire Validity", *Educational and Psychological Measurement*, 41 (4), 1101-14.
- Schwarz, Norbert (1998), "Accessible Content and Accessibility Experiences: The Interplay of Declarative and Experiential Information in Judgment," *Personality and Social Psychology Review*, 2 (2), 87-99.
- _____ (2004), "Meta-cognitive Experiences in Consumer Judgment and Decision Making," *Journal of Consumer Psychology*, 14 (4), 332-48.
- Shavitt, Sharon, Ashok K. Lalwani, Jing Zhang, and Carlos J. Torelli (2006), "The Horizontal/Vertical Distinction in Cross-Cultural Consumer Research," *Journal of Consumer Psychology*, 16 (4), 325-42.
- Sheinin, Daniel A. and Bernd H. Schmitt (1994), "Extending Brands with New Product Concepts: The Role of Category Attribute Congruity, Brand Affect and Brand Breadth," *Journal of Business Research*, 31 (1), 1-10.
- Simons, Daniel J., Chris F. Chabris (2012), "Common (Mis)Beliefs about Memory: A Replication and Comparison of Telephone and Mechanical Turk Survey Methods," *PLoS ONE*, 7(12): e51876.
- Soeters, Joseph L., Cristina-Rodica Poponete, and Joseph T. Page (2006), "Culture's Consequences in the Military," in *Military Life*, Vol. 4, Thomas W. Britt, Amy B. Adler, and Carl A. Castro, eds. Westport, CT: Greenwood Publishing Group, 13-34.
- Spiller, Stephen A., Gavan J. Fitzsimons, John G. Lynch, and Gary H. McClelland (2013),

- “Spotlights, Floodlights, and the Magic Number Zero: Simple Effects Tests in Moderated Regression,” *Journal of Marketing Research*, 50 (April), 277-88.
- Srull, Thomas K., Robert S. Wyer (1979), “The Role of Category Accessibility in the Interpretation of Information about Persons: Some Determinants and Implications,” *Journal of Personality and Social Psychology*, 37 (10), 1660-72.
- Sujan, Mita (1985), “Consumer Knowledge: Effects on Evaluation Strategies Mediating Consumer Judgments,” *Journal of Consumer Research*, 12 (1), 31-46.
- _____, and James Bettman (1989), “The Effects of Brand Positioning Strategies on Consumers' Brand and Category Perceptions: Some Insights from Consumer Research,” *Journal of Marketing Research*, 26 (4), 454-67.
- _____, and Christine Dekleva (1987), “Product Categorization and Inference-Making: Some Implications for Comparative Advertising,” *Journal of Consumer Research*, 14 (3), 372-78.
- Swain, Scott D., Danny Weathers, and Ronald W. Niedrich (2008), “Assessing Three Sources of Misresponse to Reversed Likert Items,” *Journal of Marketing Research*, 45 (February), 116-31.
- Taylor, Valerie A., and William Bearden (2002), “The Effects of Price on Brand Extension Evaluations: The Moderating Role of Extension Similarity,” *Journal of the Academy of Marketing Science*, 30 (2), 131-40.
- Tellis, Gerard J., Stefan Stremersch, and Eden Yin (2003), “The International Takeoff of New Products: The Role of Economics, Culture and Country Innovativeness,” *Marketing Science*, 22 (2), 188-208.
- Till, Brain D., and Randi L. Priluck (2000), “Stimulus Generalization in Classical Conditioning: An Initial Investigation and Extension,” *Psychology and Marketing*, 17 (1), 55-64.

- Triandis, Harry C. and Michele J. Gelfand (1998), "Converging Measurement of Horizontal and Vertical Individualism and Collectivism," *Journal of Personality and Social Psychology*, 74 (1), 118-28.
- Tulving, Endel, and Daniel L. Schacter (1990), "Priming and Human Memory," *Science*, 247 (January), 301-306.
- van den Bos, Kees, Joel Brockner, Michael van den Oudenaalder, Shanmukh V. Kamble, and Afreen Nasabi (2013), "Delineating a Method to Study Cross-Cultural Differences with Experimental Control: The Voice Effect and Countercultural Contexts Regarding Power Distance," *Journal of Experimental Social Psychology*, 49 (4), 624-34.
- Völckner, Franziska and Henrik Sattler (2006), "Drivers of Brand Extension Success," *Journal of Marketing*, 70 (2), 18-34.
- White, Katherine, Rhiannon MacDonnell, and Darren W. Dahl (2011), "It's the Mindset That Matters: The Role of Construal Level and Message Framing in Influencing Consumer Efficacy and Conservation Behavior," *Journal of Marketing Research*, 48 (3), 472-85.
- Whittlesea, Bruce W. A., Larry L. Jacoby, and Krista Girard (1990), "Illusions of Immediate Memory: Evidence of an Attributional Basis for Feelings of Familiarity and Perceptual Quality," *Journal of Memory and Language*, 29 (6), 716-32.
- Winterich, Karen Page and Yinlong Zhang (2014), "Accepting Inequality Deters Responsibility: How Power Distance Decreases Charitable Behavior," *Journal of Consumer Research*, 41 (2), 274-93.
- Wong, Nancy, Aric Rindfleisch, and James E. Burroughs (2003) "Do Reverse-Worded Items Confound Measures in Cross-Cultural Consumer Research? The Case of the Material Values Scale", *Journal of Consumer Research*, 30 (1), 72-91.
- _____, and Aaron C. Ahuvia (1998), "Personal Taste and Family Face: Luxury Consumption in Confucian and Western Societies," *Psychology and Marketing*, 15 (5),

423-41.

Wyer, Robert S. (2004), *Social Comprehension and Judgment: The Role of Situation Models, Narratives, and Implicit Theories*. Mahwah, NJ: Erlbaum.

_____ (2008), "The Role of Knowledge Accessibility in Cognition and Behavior: Implications for Consumer Information Processing," in *Handbook of Consumer Psychology*, Curtis P. Haugtvedt, Paul M. Herr, and Frank R. Kardes, eds. Mahwah, NJ: Erlbaum, 31-76.

_____, and Alison Jing Xu (2010), "The Role of Behavioral Mind-sets in Goal-Directed Activity: Conceptual Underpinnings and Empirical Evidence," *Journal of Consumer Psychology*, 20 (20), 107-25.

Xu, Jing, Zixi Jiang and Ravi Dhar (2013), "Mental Representation and Assortment Size: How Thinking Abstractly Helps Choosing," *Journal of Marketing Research*, 50 (August), 548-59

_____, and Robert S. Wyer (2007), "The Effect of Mind-sets on Consumer Decision Strategies," *Journal of Consumer Research*, 34 (4), 556-66.

Yeo, Junsang and Jongwon Park (2006), "Effects of Parent-Extension Similarity and Self-Regulatory Focus on Evaluations of Brand Extensions," *Journal of Consumer Psychology*, 16 (3), 272-82.

Yorkston, Eric A., Joseph C. Nunes, and Shashi Matta (2010), "The Malleable Brand: The Role of Implicit Theories in Evaluating Brand Extensions," *Journal of Marketing*, 74 (1), 80-93.

Zhang, Yinlong, Karen Winterich, and Vikas Mittal (2010), "Power Distance Belief and Impulsive Buying," *Journal of Marketing Research*, 47 (October), 945-54.

Appendix A: Vertical Extension Scenarios in Study 1

Introduction

Seiko is a successful Japanese watch company, which has been focusing on designing and producing watches for more than 100 years. Seiko aims at producing high quality yet affordable watches. It is regarded as a basic to middle level watch brand, and the typical retail price of a Seiko watch is around \$200 to \$500.

Description of upward extension

Last year, Seiko introduced a new watch into its product line -Spring Drive Chronograph (SBGC005). Seiko Spring Drive Chronograph is a grand automatic watch, with high intensity titanium case and band. The glass is made from dual-curved sapphire crystal. Moreover, a 50-jewel movement provides high accuracy and good durability. Seiko introduced this high-end watch in order to enhance its brand image as well as to attract customers with higher social status. Retailing price of Seiko Spring Drive Chronograph is over \$ 5, 000.



Description of control condition

Last year, Seiko introduced a new watch into its product line - Seiko 5 SNZG17. Seiko 5 SNZG17 is a mechanical watch, with stainless steel case and band. The glass is made from Hardlex mineral crystal. Seiko introduced this basic watch to satisfy more specific needs of its current customers, and retailing price of Seiko 5 SNZG17 is around \$250.



Appendix B: Results of Floodlight Analysis in Study 1

Conditional Effect of X (Vertical Brand Extension: Upward) on Y (extension product evaluation) at Values of the Moderator (PDB)

PDB	Effect	se	t	Sig.	LLCI	ULCI
1.38	1.58	.60	2.62	.01	.38	2.77
1.62	1.39	.54	2.58	.01	.32	2.46
1.86	1.21	.48	2.51	.01	.25	2.16
2.11	1.02	.42	2.42	.02	.18	1.86
2.35	.84	.37	2.26	.03	.10	1.57
2.59	.65	.32	2.01	.05	.01	1.29
2.62	.63	.32	1.98	.05	.00	1.26
2.84	.47	.29	1.63	.11	-.10	1.03
3.08	.28	.26	1.07	.29	-.24	.80
3.33	.09	.26	.37	.71	-.41	.60
3.57	-.09	.27	-.34	.74	-.62	.44
3.81	-.28	.30	-.93	.35	-.87	.31
4.06	-.46	.34	-1.36	.18	-1.13	.21
4.30	-.65	.39	-1.67	.10	-1.42	.12
4.54	-.83	.44	-1.88	.06	-1.71	.04
4.70	-.95	.48	-1.98	.05	-1.90	.00
4.79	-1.02	.50	-2.03	.04	-2.01	-.03
5.03	-1.20	.56	-2.14	.03	-2.32	-.09
5.28	-1.39	.63	-2.22	.03	-2.63	-.15
5.52	-1.57	.69	-2.28	.02	-2.94	-.21
5.76	-1.76	.75	-2.33	.02	-3.26	-.26
6.01	-1.95	.82	-2.37	.02	-3.57	-.32
6.25	-2.13	.89	-2.40	.02	-3.89	-.37

Appendix C: Vertical Extension Scenarios in Study 2

Introduction

Brand X is a well-established automobile company. Currently, Brand X products include sedans, SUVs, hybrid and convertibles. The sales of Brand X automobiles have been consistently good, and its market share has increased continuously every year. Brand X automobiles are well known to be cutting edge, stylish and modern. The average selling price of Brand X automobile is \$45,000.



Description of upward extension

In 2014, Brand X is planning to introduce a new car into the market. To attract the premium market, the new car will come with exciting new designs and practical features. The new car will be priced at \$69,900.

Description of downward extension

In 2014, Brand X is planning to introduce a new car into the market. To tap into the mass market, the new car will come with basic features that are available in most other cars. The new car will be priced at \$19,990.

Appendix D: Vertical Extension Scenarios in Study 3

Introduction

Brand A is a well-established automobile company. Current Brand A products include sedan, hybrid, SUV, and convertible. The sales of Brand A products have been consistently good, and its market share has stably increased every year. Brand A aims at providing excellent and comfortable driving solutions for every consumer. Based on a recent Consumer Report, Brand A is one of the Best Car Brands in 2014. Brand A automobiles typically retail for \$45,000.



Recently, Brand A decided to introduce a new car model into market to attract another group of customers. Below are two plans from which Brand A would like to make a choice.

Plan A: To introduce a new car priced at \$19,900 to tap into the mass market. The new car will come with basic features that are available in most other cars.

Plan B: To introduce a new car priced at \$69,900 to attract the premium customers. The new car will come with exciting new design and superior features.

Appendix E: Vertical Extension Scenarios in Study 4

Introduction

Hoteling Global is a mid-priced hotel, which aims to provide travelers the utmost quality in service, facilities and comfort. The room rates of Hoteling Global range from \$188 to \$338.

The photo below tells you how the hotel looks like.



The facilities provided by Hoteling Global include:

✔ Free breakfast ✔ High-speed internet ✔ Free parking ✔ Indoor pool ✔ No smoking rooms/facilities	
General	No smoking rooms/facilities • Free local telephone calls • Ice machine
Activities	Indoor pool
Dining	Free breakfast • Coffee maker in room
Services	Business center • Maid service • Guest laundromat • In-Room Safe • Car rental desk • FAX • White board
Internet	High-speed internet
Parking	Free parking • Parking
Accessibility	Accessible facilities

Description of upward extension

Recently, Hoteling Global is planning to expand its hotel business and open a new hotel-*Hoteling Global Empire* in another city, which will target the premium travellers. Here is some brief information about the services and the price range of this hotel. In this hotel, every room is equipped with luxurious facilities and services, such as satellite television, multimedia system, Internet access, 24-h room services, gourmet coffee service, and so forth.

It also provides extensive business and outdoor facilities/services such as conference

and ballrooms, conference organization services, concierge, swimming pool, sundeck, training, and so forth. The room rates range from \$358 to \$788.

The photo below gives you a brief idea about how the new hotel looks like.



Description of downward extension

Recently, Hoteling Global is planning to expand its hotel business and open a new hotel-named **Hoteling Global Express** in another city, which will target the budget travellers.

Here is some brief information about the services and the price range of this hotel. In this hotel, every room is equipped with basic room facilities/services such as bed, television, telephone, cold and hot water, en-suite or shared bathrooms.

It has a common meeting room for guests and provides some free flyers about sightseeing tour at the reception. No business facilities/services are available in the hotel. The room rates range from \$88 to \$168.

The photo below gives you a brief idea about how the new hotel looks like.

