Abstract

**Purpose** – This study aims to understand how consumers evaluate downscale vertical line extensions of a prestige/luxury original equipment manufacturer (OEM) in the European automotive market. The authors investigate the moderator effects of innovativeness and the need-for-status traits on the relationships between consumers' extension perceived fit (EPF), extension attitude (EA) and extension perceived value (EPV).

**Design/methodology/approach** – Experimental design with quantitative analyses based on a sample of 419 participants. Participants were randomly assigned to two treatments: low-fit and high-fit extension simulations.

**Findings** – The purchase intention of the downscale vertical extension of a luxury OEM brand is directly influenced by EPV and indirectly influenced by consumer EA and EPF with the parent brand. Findings also suggest that parent brand equity is transferable to extensions that present closeness and consistency with the brand’s heritage. Moreover, the need for status strengthens the relationship between the EPF and the extension perceived social value (EPSV).

**Originality/value** – The authors developed a realistic simulation of a downscale model of a well-known prestige/luxury car brand. The authors test the influence of innovativeness and need-for-status personal traits on consumer extension acceptance.

**Keywords** Downscale vertical line extension, Fit, Innovativeness, Status-seeking behaviour, European automotive market, Luxury

**Paper type** Research paper

1. Introduction

In the last decades, the downscale vertical line extension of prestige car brands has been a common strategy of the main European original equipment manufacturers (OEMs). Class A from Mercedes-Benz is one of the best examples of a successful downscale vertical line extension strategy for a premium automotive brand (Tournois and Chanaron, 2018). However, such extensions can be associated with lower quality and prices, which might negatively affect consumers' brand perceptions. This aspect is especially critical for prestige/luxury brands that usually involve high-quality expectations and other subjective considerations, primarily driven by symbolic purchases (Figueiredo and Eiriz, 2021).
Therefore, a downscale (or downward or step-down) line extension can pose a risk to the luxury aura and social value that prestige automotive brands provide to their customers (Dall’Olmo Riley et al., 2015; Royo-Vela and Voss, 2015). Nevertheless, the tendency in the last decades of massitization of old luxury automotive brands (e.g. Mercedes, BMW and Porsche) reflects the importance of these step-down extensions on the revenues of the European OEMs (Silverstein and Fiske, 2003). A masstige (or mass prestige) strategy might be the only option for a luxury brand to gain market share (Nobre et al., 2023).

A brand extension strategy represents less risk for companies compared to the launch of a new brand. A strong established brand can enter new categories, penetrate new markets and gain extra segments with less risk and investment (Chun et al., 2015; Klink and Smith, 2001). Usually, consumers respond favourably to brand line extensions (Figueiredo and Eiriz, 2021) since parent brand familiness (Bargoni et al., 2023) saves them time and reduces other costs associated with a new purchase. Consumers value brands above product categories (Banerjee and Shaikh, 2022). Consumers tend to buy the extensions of the brands to which they have strong emotional bonds (Nobre, 2011). Extant research suggests that the extension strategy should be consistent with the parent brand’s core values, meanings and main brand identity elements. Therefore, the extension perceived fit (EPF), which corresponds to the similarity between the brand extension and the parent brand, represents a good indicator of the success of a brand extension strategy (Park et al., 1991). Moreover, a close fit with the parent brand seems to be the most suitable option for step-down lines of luxury brands (Dall’Olmo Riley et al., 2015).

Despite the importance and success of downscale vertical extensions in the mass-prestige market for automotive brands, there is a scarcity of literature devoted to bringing together brand extension theory and the mass-prestige perspective. This study innovates and takes advantage of the latest developments in academic research in masstige marketing and integrates it with the traditional brand extension theory.

The operationalisation of our empirical study also brings innovation to the brand extension literature. First, in line with the need for the use of more realistic stimuli in brand extension research (Dens and Pelsmacker, 2016; Kottemann et al., 2018), we develop two specific simulations for this study of a high-fit and a low-fit downscale vertical line of a well-known luxury brand. By contrast, research on automotive downward line extensions usually uses cheaper versions of existing models as stimuli (Dall’Olmo Riley et al., 2015; Royo-Vela and Voss, 2015), which might compromise the robustness of empirical results as it does not fully replicate the scenario of entering a small-size segment for the first time (Grewal et al., 2004; Kim and Wingate, 2017). Second, there is a lack of studies on the smaller automotive segments in Europe compared to non-European markets (e.g. Bonilla et al., 2012; Qu et al., 2014; Swar, 2018). Third, investigation on the impact of different levels of perceived fit on extension purchase intention (EPI), as our study still emerges as a relevant topic in the literature (Banerjee and Shaikh, 2022). Finally, in this study, we test multiple dimensions of the EPF construct (Park et al., 1991), whilst most of the research in the field usually assesses only price fit (e.g. Allman et al., 2015; Goetz et al., 2014).

According to the literature in the field, the influence of consumers’ traits in brand extension evaluation remains understudied (Chun et al., 2015; Chatterjee et al., 2023; Dens and Pelsmacker, 2016; Pontes et al., 2017). In line with this gap, we investigate the moderator effects of two consumer traits on the relationships between consumer EPI and extension attitude (EA) and extension perceived value (EPV) of a luxury automotive brand: innovativeness (e.g. Allman et al., 2015; Dall’Olmo Riley et al., 2015) and need-for-status (Qu et al., 2014). These two consumer behaviour variables assume relevance for a successful step-down brand extension strategy in the mass-prestige automotive market. Firstly, innovative consumers tend to misestimate parent brand extensions when compared to new brands (Figueiredo and Eiriz, 2021); secondly, the need-for-status appears to be a good indicator of the capacity of replication of the level of prestige and exclusiveness of a luxury parent brand in its downscale extension.
The study’s research question is as follows: How does a downscale vertical extension of a prestige/luxury automotive brand impact consumer attitude towards the brand line extension (EA) and, ultimately, consumer purchase intention? Through an experimental research design based on consumers’ perceptions of high-fit and low-fit downscale vertical line simulations of a European luxury brand – BMW –, we analyse the effect of the level of similarity between the simulated models and the parent brand (i.e. the consumer EPF) on extension consumer acceptance. Results demonstrate that perceived fit influences positively EA and extension attitude EPI through EPV. Consumers perceive more emotional and social value and show less price sensitivity in a high-fit extension. Results also indicate that consumers who score high in need-for-status value above all the social impact of the car’s downward brand extension. We conclude, therefore, that managers must keep their premium downscale lines sufficiently distant from other small vehicles through product and brand elements that appeal to prestige.

2. Background and hypotheses

According to the literature in the field, consumer acceptance and purchase intention of a brand extension depend on several antecedents and moderators (see Table 1). Inspired by the study of Dall’Olmo Riley et al. (2015), we formulated a set of hypotheses organised into a conceptual model (see Figure 1).

2.1 Antecedents of extension purchase intention

Parent brand equity and associations can be directly transferred to brand extensions (Broniarczyk and Alba, 1994). Thus, we can intuitively postulate that a favourable attitude towards a brand will facilitate market acceptance of its brand line extensions (Dall’Olmo Riley et al., 2015; Salinas and Pérez, 2009). This assumption is also valid for low-fit extensions (Banerjee and Shaikh, 2022; Chun et al., 2015; Heath et al., 2011).

H1. Consumer attitude towards the parent brand (PBA) has a positive effect on consumer attitude towards the downscale line extension (EA).

One key element that influences brand EA is EPF – the level of perception of how close or distant the extension is from the parent brand (Klink and Smith, 2001). However, even though a perceived fit assesses multiple dimensions, consumers tend to evaluate an extension based only on one or two components, discarding the others (Broniarczyk and Alba, 1994). This is especially true in high-fit extensions (Royo-Vela and Voss, 2015). It is consensual that a high fit between the parent brand and the extension will determine positive consumer evaluations (Allman et al., 2015; Park et al., 1991; Spiggle et al., 2012). In the automotive market, particularly in the luxury segment, introducing a downscale brand extension can be challenging due to potential associations with lower quality, comfort or performance, which may appear incompatible with the parent brand (Srivastava and Sharma, 2012). The replication of the level of quality and the net of distinct symbolic associations of a luxury parent brand into the extension is more complex than in the case of midmarket brands (Figueiredo and Eiriz, 2021). Ensuring a seamless alignment between the parent brand and the extension becomes crucial, as any gap may compromise consistency, integrity, credibility and symbolism, ultimately affecting extension authenticity and consumer attitude (Rodrigues et al., 2022). The subjective judgements of authenticity that consumers develop with brands and their product lines are a ‘key attribute’ of luxury products (Rosado-Pinto and Loureiro, 2022). Thus, a high perceived fit may facilitate a better acceptance of the downscale line extension, influencing consumer attitude (Dall’Olmo Riley et al., 2015; Salinas and Pérez, 2009).

H2. EPF has a positive effect on EA towards the downscale line extension.
An extension brand strategy represents an effective way to take advantage of the parent brand image to penetrate new markets and conquer new customer segments (Figueiredo and Eiriz, 2021). A positive parent brand attitude (PBA) triggers positive EAs, thus leading to higher value perceptions and purchase intentions (Broniarczyk and Alba, 1994; Spiggle et al., 2012; Aaker and Keller, 1990, Broniarczyk and Alba (1994), Gierl and Huettl (2011), Keller (2003), Michel and Salha (2005) and Mitchell et al. (2005)).

### Theoretical assumptions

<table>
<thead>
<tr>
<th>Statement</th>
<th>References</th>
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<tr>
<td>Parent brand associations and equity can be transferred to the brand extension</td>
<td>Aaker and Keller (1990), Broniarczyk and Alba (1994), Gierl and Huettl (2011), Keller (2003), Michel and Salha (2005) and Mitchell et al. (2005)</td>
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<td>A positive parent brand attitude triggers positive extension attitudes, thus leading to higher value perceptions and purchase intentions</td>
<td>Aaker and Keller (1990), Banerjee and Shaikh (2022), Bargoni et al. (2023), Bottomley and Holden (2001), Boush and Loken (1991), Broniarczyk and Alba (1994), Chun et al. (2015), Dall'Olmo Riley et al. (2015), Fedorikhin et al. (2008), Figueiredo and Eiriz (2021), Gierl and Huettl (2011), Heath et al. (2011), Keller (2003), Michel and Salha (2005), Salinas and Pérez (2009), Spiggle et al. (2012), Ulrich et al. (2020) and Volckner and Sattler (2006)</td>
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<td>Consumers emotionally engaged with a parent brand are more likely to accept its line extensions</td>
<td>Banerjee and Shaikh (2022) and Figueiredo and Eiriz (2021) Chatterjee et al. (2023), Dall'Olmo Riley et al. (2015), Michel and Salha (2005) and Sweeney and Soutar (2001)</td>
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<td>The level of fit between the parent brand and the brand extension protects brand from image dilution</td>
<td>Aaker and Keller (1990), Figueiredo and Eiriz (2021), Heath et al. (2011), Grewal et al. (2004), Royo-Vela and Voss (2015), Srivastava and Sharma (2012)</td>
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<td>Extension perceived fit is an antecedent of extension attitude and extension purchase intention</td>
<td>Aaker and Keller (1990), Broniarczyk and Alba (1994), Dall'Olmo Riley et al. (2015), Heath et al. (2011), Grewal et al. (2004), Park et al. (1991), Rodrigues et al. (2022) and Spiggle et al. (2012)</td>
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<td>It is expected that a downward brand line extension with a high level of perceived fit with the parent brand be better accepted and evaluated by consumers</td>
<td>Aaker and Keller (1990), Bottomley and Holden (2001), Boush and Loken (1991), Broniarczyk and Alba (1994), Dall'Olmo Riley et al. (2015), Fu et al. (2009), Martinez and Chernatony (2004), Park et al. (1991), Salinas and Pérez (2009) and Smith and Andrews (1995)</td>
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<tr>
<td>High-fit brand extensions usually lead to better scores on perceived value and, consequently, purchase intention</td>
<td>Aaker and Keller (1990), Broniarczyk and Alba (1994), Dall’Olmo Riley et al. (2015), Lei et al. (2008), Musante (2007) and Taylor and Bearden (2002)</td>
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*Table 1. Summary of comprehensive literature review on the relations between variables*
Innovative consumers (i.e. innovators and early adopters) are expected to show a better attitude and more predisposition to purchase brand extensions that are perceived as distant from the parent brand, discontinuous or unusual.

Status-seeking consumers are expected to show lower acceptance of downward brand extension as it may pose a threat of banalisation through wider availability, hindering the brand status and thus its evaluation. The status factor is even more relevant in highly visible and durable items, as automobiles.

**Source(s):** Created by the authors

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**Extensions of a luxury automotive brand**

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**Theoretical assumptions**

Consumers who display stronger bonds with a brand show more openness to purchase their extensions, especially in the case of well-known brands with strong associations in consumers’ minds (Banerjee and Shaikh, 2022). Dall’Olmo Riley et al. (2015) propose that PBA and EA are significant antecedents of EPV. EPF is also an antecedent of EPV, as a good fit encourages consumers to accept the extension into their brand’s schema (Musante, 2007). Consumers can thus assess the value of a product in different dimensions: functional value (e.g. price, quality); emotional value (i.e. enjoyment or pleasure with the purchase or use of the product); and social value (i.e. social benefits derived from product consumption).

**H3.** PBA has a positive effect on EPV, i.e. on extension perceived emotional value (EPEV) (H3a), extension perceived price value (EPPV) (H3b) and extension perceived social value (EPSV) (H3c).

**H4.** EA has a positive effect on EPV, i.e. on EPEV (H4a), EPPV (H4b) and EPSV (H4c).

**H5.** EPF has a positive effect on EPV, i.e. on EPEV (H5a), EPPV (H5b) and EPSV (H5c).
It also seems intuitive that a better response to a brand extension is associated with a higher purchase intention (Dall’Olmo Riley et al., 2015; Spiggle et al., 2012; Ulrich et al., 2020). Consumers who are emotionally engaged with a parent brand are more likely to accept its line extensions (Banerjee and Shaiikh, 2022; Figueiredo and Eiriz, 2021). Thus, we propose that EPEV positively impacts purchase intention. Moreover, in contexts of symbolic conspicuous consumption, such as prestige/luxury automotive brands (Nobre et al., 2023), it is reasonable to expect that EPSV positively influences EPI (Sweeney and Soutar, 2001). Finally, factors like price and functionality also impact consumer purchase intention, even in the case of mass-prestige brands (Chatterjee et al., 2023). Thus, EPV is an antecedent of EPI.

\[ H6. \] EPV has a positive effect on EPI, i.e. EPEV has a positive effect on EPI (H6a; EPPV has a positive effect on EPI (H6b) and EPSV has a positive effect on EPI (H6c).

### 2.2 Moderating effects

Innovative consumers, or early adopters, are typically attracted to new products and brand names (Figueiredo and Eiriz, 2021). They tend to take risks in their purchase decisions (Bartels and Reinders, 2011; Goldsmith and Foxall, 2003). For instance, they constitute a relevant segment for electrical vehicles (EVs) (Pedrosa and Nobre, 2019), which remains an expensive product with a premium positioning (Pedrosa and Nobre, 2018) and is heavily dependent on financial incentives for consumption (Galati et al., 2023). Thus, we can expect that innovative consumers are more open compared to conservative ones to models and lines that present distinct characteristics from their parent brands as low-fit extensions are supposed to (Chun et al., 2015). Salinas and Pérez (2009) propose that consumer innovativeness moderates the relationship between perceived extension fit and EA. Thus, we suggest that the effect of perceived extension fit on EA will decrease as consumer innovativeness increases (Klink and Smith, 2001).

\[ H7a. \] Innovativeness moderates the relationship between EPF and EA: the more innovative a consumer is, the lower the effect of EPF on EA.

\[ H7b. \] Innovativeness moderates the relationship between EPF and EPV: the more innovative a consumer is, the lower the effect of EPF on EPEV (H7b.1), EPPV (H7b.2) and EPSV (H7b.3).

Another profile trait that may impact brand extension evaluation is consumer status-seeking behaviour, especially in luxury brands (Chatterjee et al., 2023) that extend downward (Heath et al., 2011). Consumers will likely purchase products that match their need for status and the image they want to transmit to others (Grewal et al., 2004). Status-seekers may show a lower acceptance of a downscale vertical extension because of the risk of banalisation with the massification of the brand (Baumeister et al., 2015; Dall’Olmo Riley et al., 2013, 2015). This aspect can be more impactful when the extension shows a lower similarity with the parent brand, as it can potentially damage the status of the brand (Figueiredo and Eiriz, 2021).

\[ H8a. \] Consumer status-seeking behaviour (need for status) moderates the relationship between EPF and EA: the higher the consumer need for status, the higher the effect of EPF on EA.

\[ H8b. \] Consumer status-seeking behaviour (need for status) moderates the relationship between EPF and EPV: the higher the consumers’ need for status, the higher the effect of EPF on EPEV (H8b.1), EPPV (H8b.2) and EPSV (H8b.3).
3. Methods
This study aimed to measure consumers’ attitudes towards a new brand extension using an experimental design to test the different treatments across groups and the impact of two or more independent variables. The participants were randomly assigned to two treatment versions (high-fit and low-fit) to increase experiment reliability (Bickman and Rog, 1998).

3.1 Stimulus building
We chose the BMW brand because (1) it was a popular and well-known luxury OEM in the European market and (2) it did not have any currently available products in the supermini size segment. BMW also had a supermini model (the Isetta) available in the 1950s, which reinforces credibility through heritage aura (Rose et al., 2016; Wiedmann et al., 2011) and nostalgia attachments with a popular brand (Barnerjee and Shaikh, 2022). In the last decades, BMW introduced extensions into new segments (the 2004 BMW 1 Series and the 2014 BMW 2 Series Active Tourer), which also helped to boost favourable perceptions towards future extensions. All these aspects contribute to improving the perceived similarity and authenticity of the downscale model (Spiggle et al., 2012) and help to avoid the interference of other luxury OEMs’ step-down extensions in consumer advertisement assessment (Cornwell et al., 2022). Consumers use different cues to assess authenticity (Rosado-Pinto and Loureiro, 2022), which include brand heritage, country of origin, advertising, commitment to quality (Rodrigues et al., 2022), etc. Brand communications, therefore, play a role in promoting the authenticity of their product lines (Bargoni et al., 2023) and are of utmost importance in fostering prestige associations, thus being essential for luxury brands (Vadalkar et al., 2021).

The simulated extension was a two-seat vehicle to avoid cannibalisation and substitute effects with the other BMW models (i.e. the BMW i3, BMW 2 Series Active Tourer and BMW 1 Series) (Sullivan, 1990). The extension was named BMW i2 to keep the umbrella and to distinguish it from the BMW 2 Series. The extension included an electric-drive option, following the electric-drive line of the BMW i3 and BMW i8. We used the information on the current small and supermini family cars as reference from official Portuguese premium OEM websites to set the price. This model comes out as an obvious rival to the Smart Fortwo. A two-seat BMW should be cheaper but sufficiently distant from the direct rival Smart’s average €12,000 price to protect its status image. Four-seat supermini premium rivals (e.g. Audi and MINI) had an average price of about €23,000. Therefore, the price for the high-fit version was set between these two values (i.e. €17,500) and sufficiently distant from the BMW 1 Series and the price of the low-fit version at €12,000 close to the Smart average price.

As visuals/colours are determinants of brand fit perceptions (Dagyte-Kavoliune et al., 2021), two advertising posters were created using the graphic editing software Adobe Photoshop CS2™. The poster for the high-fit extension included a short introductory text about the new BMW i2 and information on the parent brand and its heritage. The high-fit extension displayed similar visual elements of the parent brand, including a front view stance and style cues (kidney grille, headlights, wheels and chromed and blue trims), as recommended in the literature (Geuens and Pelsmacker, 2017; Karjalainen, 2007; Ranscombe et al., 2012). The poster for the low-fit extension offered a short introductory text for an unnamed two-seater with only generic car visual elements without any brand-specific design or technical parameters. The layout for both fit versions consisted of an image displaying the vehicle’s front view, as it is the most central single element to trigger brand recognition.

3.2 Data collection procedures, measures and sample profile
Constructs in the theoretical model were operationalised through measures from the existing literature, an usual procedure to reduce common method bias (CMB), according to Podsakoff...
et al. (2012). The lead-in questions for each variable were adapted from Chun et al. (2015): “Please rate your opinion of BMW brand on the following scale” and “Please rate your overall opinion of BMW’s i2 on the following scale”. We employed a seven-point Likert scale with “Strongly disagree/Strongly agree” anchors. The data were collected through an online questionnaire hosted at QuestionPro with a randomising function. The questionnaire comprised of three main sections. First, an overview of the study’s purposes, filling out instructions and a confidentiality note, followed by questions on car ownership, innovativeness, need for status and BMW brand attitude. In the second section, participants were randomly assigned to groups (one exposed to the high-fit treatment and the other to the low-fit treatment) and asked about their perceptions of EA, EPF, EPV, EPI and PBA. The final section contained questions on demographic characteristics, including gender, country, age, student/job status, educational level and income, similar to previous research on brand extension (e.g. Salinas and Pérez, 2009).

The PBA was measured before stimulus exposure, following the procedure used by Kim et al. (2001). We measured both parent brand and EA on three items (“dislike/like”, “unfavorable/favorable” and “unappealing/appealing”) according to Dall'Olmo Riley et al.’s (2013, 2015) automotive-focused research. Regarding EPF, respondents were asked to evaluate how similar the brand line extension is to the parent brand on a seven-point Likert scale with four items: “bad fit/good fit”, “not at all similar/very similar”, “not at all logical/very logical” and “not at all appropriate/very appropriate”. This study adopted the items of the three dimensions – price value, emotional value and social value – from the multi-dimensional scale proposed by Sweeney and Soutar (2001) to measure EPV. Purchase intention was measured according to Dall'Olmo Riley’s et al. (2013, 2015) through the question “How likely would it be that you would consider buying the (extension) the next time you purchased an automobile?” on a 7-point Likert scale anchored at “very likely/very unlikely”, “definitely would not consider it” and “not very probable/very probable”. We measured innovativeness based on a six-item scale developed by Salinas and Pérez (2009) and the need for status on the six items used by Grewal et al. (2004) in their automotive-focused research.

The questionnaire was translated from English to Portuguese and validated by a professional proof-reader. A pre-test with four people helped to check for inconsistencies and errors and collect suggestions. The questionnaire was self-administered online via e-mail and social media, including automotive-related social media groups, to gather product-involved respondents. The data were collected in Portugal with an average filling time of 10 min 419 valid responses were gathered. The main criterion used for participant selection was to own a car. Respondents identified 29 different car brands. BMW, Opel, Peugeot, Renault and Volkswagen were the most mentioned brands. Only 406 car owners completed demographic data. Of those, 39% were employed, 44% were students, 11% were both employed and studying and 6% were neither employed nor studying. The sample included 46.1% males and 53.9% females. Ages ranged from 18 to 65 years old, with 36.5% between 18 and 25 years old, 32% between 26 and 35 years old, 15% between 36 and 45 years old, 11.8% between 46 and 55 years old and 4.7% aged 56 years old or older. About 70% of the respondents were less than 36 years old and 78.4% had a university degree. After-tax monthly income ranged from up to 1000€ (53.2%), 1000 to 1500€ (23.9%), 1500 to 2500€ (13.5%) and over 2500€ (10.3%).

The differences between the stimulus groups were relatively minor. Gender, age, education, employment status and income were close. The high-fit group presented a little bit fewer people in the highest education level and more people under 22 years old. All other differences were less than 10%.
4. Results
Out of the sample of 419 questionnaires, 202 participants were exposed to the high-fit version and 216 participants to the low-fit version. The data analysis was conducted in four steps for each one of the two groups: (1) estimation of Cronbach alpha coefficients for each independent component (Hair et al., 2006) and the potential of CMB (Podsako et al., 2012), (2) validation of the experiment treatment, (3) confirmatory factor analysis (CFA) to refine the scale and expand the validation tests and (4) structural equation modelling (SEM). Data analysis was conducted using IBM® SPSS® 21 for performing statistical tests and IBM® SPSS® AMOS 21 for running the CFA and the SEM.

4.1 Reliability and treatment analysis
The values for Cronbach’s alpha coefficients for each of the seven variables ranged from 0.904 to 0.991 for the high-fit group and from 0.773 to 0.985 for the low-fit group, indicating good reliability.

The potential of CMB was checked by counterbalancing the order of the measurement of the scales and ensuring the respondent’s anonymity (Podsakoff et al., 2012). In addition, CMB was analysed by performing Harman’s single-factor test (Harman, 1976), which suggests that all items should be loaded into one common factor and the total variance for a single factor should be less than 50%. The result indicated that 38.38% (<50% cut-off point) of total variance is explained by a single constrained factor for the high-fit group and 32.40% for the low-fit group, which confirmed that CMB was out of concern. Additionally, the application of previously validated scales also contributed to ensuring the quality of our data.

The means of the groups were compared as in the literature to validate the treatment (e.g. Allman et al., 2015). An ANOVA was run for each one of the dependent variables, followed by a MANOVA, to prevent errors and assure statistical validity, according to Hair et al. (2006). Variance’s equality was assessed by Levene’s tests for all six variables. All tests were non-significant (p-value >0.05) and no significant difference in the variance matrices existed. In MANOVA, covariances’s equality was checked with the Box’s M test and results showed non-significant differences (Box’s M = 28.628, p = 0.135) in the covariance matrices. The assumption of correlation amongst all dependent variables was tested using Bartlett’s test for sphericity; the test was significant ($\chi^2$ (20) = 1565.70, $p < 0.001$), meaning that intercorrelation does exist. We tested the assumptions of the ANOVA and MANOVA and confirmed that differences amongst the means of the dependent variables do exist. Research procedures guaranteed the assumption of independence of observations since each participant was only exposed to a single treatment version. Finally, as expected, the means of EPF (F = 4.958, $p = 0.027$) were significantly different ($p < 0.05$) and higher for the high-fit group, which validated the treatment. We also found a significant difference between the means of EA (F = 4.339, $p = 0.038$) that, as expected, was higher for the high-fit group and EPPV (F = 6.753, $p = 0.010$) but a little bit higher for the low-fit group in this case. We found no differences in EPEV, EPSV and EPI between groups.

4.2 Measurement model and structural equation modelling
SEM is a statistical technique for analysing complex relationships between variables. Whilst several estimation methods are available for SEM, covariance-based SEM (CB-SEM) is generally preferred due to its better model fit. CB-SEM is more appropriate for testing complex hypotheses, such as mediation and moderation effects, and it can handle complex models with multiple latent variables and indicators (Hair et al., 2017). Both subsamples presented an adequate size for SEM analysis according to the general minimum value N = 200 (Hair et al., 2006). Normality was assessed based on the absolute values of the skewness and kurtosis. The absolute values of the skewness and kurtosis of the items were
around ±2, indicating a reasonably normal distribution (Kline, 2011). We performed a CFA to assess reliability, convergent validity and discriminant validity for each model (Anderson and Gerbing, 1988; Fornell and Larcker, 1981). The reliability of the scales was determined by the coefficient alpha of Cronbach, and the nomological validity of the constructs were determined by the average variances extracted (AVE) and the composite reliability (CR). All composite reliabilities were higher than the minimum criteria of 0.70 (Nunnally and Bernstein, 1994), and the AVE was higher than any of the shared variances and exceeded the recommended value of 0.50 (Fornell and Larcker, 1981). The Cronbach alpha for all constructs in each model is superior to 0.90, showing good reliability. The fitness of the measurement models of the high-fit group is $\chi^2/df = 1.964$, root mean square error approximation (RMSEA) = 0.069, comparative fit index (CFI) = 0.953, Tucker–Lewis index (TLI) = 0.946 and incremental fit index (IFI) = 0.954 and the low-fit group is $\chi^2/df = 2.155$, RMSEA = 0.073, CFI = 0.947, TLI = 0.939 and IFI = 0.948, which evidences a good measurement. Thus, convergent and discriminant validity were proved.

We examined the proposed structure for each group using AMOS 21 and followed Anderson and Gerbing’s (1988) approach to test hypotheses. The following fit values were obtained for the high-fit model $\chi^2/df = 2.049$, RMSEA = 0.072, CFI = 0.948, TLI = 0.941 and IFI = 0.948 and $\chi^2/df = 2.197$, RMSEA = 0.075, CFI = 0.944, TLI = 0.937 and IFI = 0.945 for the low-fit model. Both structural models achieved satisfactory explanatory power for the EPI (high-fit: 64.5%; low-fit: 62.7%), EPSV (high-fit: 32.7%; low-fit: 23.0%), EPEV (high-fit: 76.2%; low-fit: 77.6%), EPPV (high-fit: 45.4%; low-fit: 33.0%) and EA (high-fit: 62.2%; low-fit: 53.3%). Results supported H1, H2, H3b, H4a, H4b, H4c, H6a and H6c for the high-fit model. The other paths were not supported (see Figure 2 and Table 2).

Results supported H2, H3b, H4a, H4b, H4c, H6a and H6b for the low-fit model. The other paths were not supported (see Figure 3 and Table 3).
4.3 Moderation tests

Structural equation modeling allow us to analyse interactions in a broader context and test them accurately. Moreover, SEM should be preferred when multiple indicators are involved (Cohen et al., 2003; Schumacker and Marcoulides, 1998). Therefore, to test the moderation hypotheses (H7 and H8), we performed simple slopes tests (Aiken and West, 1991) by estimating the simple slopes of high (one standard deviation above the mean) and low (one standard deviation below the mean) levels of the moderator variable for each model.

Results did not indicate any significant effect of the interactions between EPF and innovativeness on brand EA and between EPF and innovativeness on EPV in both groups. Thus, H7 was not supported for both models. Results indicated that consumers’ need for status strengthens the positive relationship between EPF and EPSV in both models (high-fit: $\beta = 0.189, p = 0.000$; low-fit: $\beta = 0.312, p = 0.000$), supporting H8b.3 in both groups. The remaining interactions were not significant for both models.

5. Study implications

This study contributes to the literature on luxury brand extension. First, a significant difference in the perceived fit outcomes between the two treatment versions was found, and a higher value was achieved for the high-fit model, which validates the literature recommendations on fit elements such as headlights, grilles, colour schemes, trims and heritage (Karjalainen, 2007; Keaveney et al., 2012; Klink and Smith, 2001; Ranscombe et al.,
Yet, results indicate a significant positive effect of PBA on EA only for the high-fit model. This result suggests that consumers perceived low-fit simulation as more distant from the parent brand. In fact, according to previous literature (e.g. Aaker and Keller, 1990; Broniarczyk and Alba, 1994), parent brand equity is transferable to a brand extension that presents consistency with brand elements. Second, findings confirm the role of EPF on brand EA. Results demonstrate that perceived fit positively influences EA and, as expected, EA is higher for the high-fit model than the low-fit version. Third, the study also shows evidence that EA positively influences EPV in its three dimensions: EPEV, EPPV and EPSV. This conclusion reinforces that perceived value is multi-dimensional. Therefore, it is necessary to look into each dimension to prevent inconsistencies in results, as reported in the literature (Dall’Olmo Riley et al., 2015).

The findings, however, did not corroborate previous research (Dall’Olmo Riley et al., 2015; Heath et al., 2011; Musante, 2007; Salinas and Pérez, 2009) regarding the positive effect of EPF on perceived value. Moreover, the PBA failed to be a significant antecedent of the EPEV and EPSV. This result suggests that a good PBA only seems to influence the value derived from the lower price of the extension, which is in line with extant literature. A possible explanation could be related to the specificities of the premium automobile market, which is the research setting for this study. A downscale vertical extension of a prestige/luxury brand can be associated with lower quality and status. This aspect can restrain market acceptance. That happened with the initial launch of the Mercedes Class A in Brazil, a market flop that hurt the brand image in this country (Borges, 2017). Although PBA could have a role in specific contexts, our results suggest that, in the luxury automotive extensions market, it does not seem to be so relevant.

The sample’s profile might also explain the weak relationship between PBA and perceived emotional and social values. Around 70% of respondents were under 36 years old and 1/3 were under 26 years old. Younger consumers may not attribute the same importance to the

Source(s): Created by the authors

Figure 3. Structural model – low-fit group

*Statistically significant at p-value < 0.05
***Statistically significant at p-value < 0.01
****Statistically significant at p-value < 0.001
luxury image and high-standard performance generally associated with a traditional premium OEM like BMW. Moreover, younger generations seem to have different concerns regarding individual transportation, being driven by different motivations in their car purchases, such as sustainability and environmental impact, technological features, affordability, value for money and services like ride-sharing (see Pedrosa and Nobre, 2019).

The test of the path in the model between EPV and EPI (hypothesis 6) offered different outcomes for the high-fit and the low-fit versions. In the high-fit model, EPV positively influences EPI through emotional and social value but not through price value; in the low-fit model, only perceived emotional and price values influence EPI. This result seems logical since the low-fit model shows a minimal and less attractive design and is positioned as cheaper than the high-fit version. Therefore, the high-fit model simulates better the prestige associated with BMW automobiles. Yet, one can expect that the high-fit model will be perceived as more consistent with the parent brand’s heritage and culture (Banerjee and Shaikh, 2022; Spiggle et al., 2012) and, therefore, be associated with more social value (Bargoni et al., 2023).

The level of perceived authenticity of the extension models can also assist us in interpreting the results. “Brand extension authenticity” is more than the similarity between the parent brand and the extension; it accesses whether the latter is “legitimate and culturally consistent” with the former (Spiggle et al., 2012, p. 968), which seems to affect especially consumers who display strong brand self-connection (Bargoni et al., 2023). Brand authenticity judgements result from an interpretative process based on consumer

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### Table 3. Results of structural equation model test – low-fit group

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Path estimate</th>
<th>t-value</th>
<th>p-value</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 Parent brand attitude → Extension attitude</td>
<td>0.030</td>
<td>0.505</td>
<td>0.613</td>
<td>Not supported</td>
</tr>
<tr>
<td>H2 Extension perceived fit → Extension attitude</td>
<td>1.040</td>
<td>9.686</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H3a Parent brand attitude → Extension perceived emotional value</td>
<td>0.031</td>
<td>0.596</td>
<td>0.551</td>
<td>Not supported</td>
</tr>
<tr>
<td>H3b Parent brand attitude → Extension perceived price value</td>
<td>0.273</td>
<td>3.896</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H3c Parent brand attitude → Extension perceived social value</td>
<td>0.008</td>
<td>0.123</td>
<td>0.902</td>
<td>Not supported</td>
</tr>
<tr>
<td>H4a Extension attitude → Extension perceived emotional value</td>
<td>1.065</td>
<td>13.430</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H4b Extension attitude → Extension perceived price value</td>
<td>0.372</td>
<td>4.001</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H4c Extension attitude → Extension perceived social value</td>
<td>0.369</td>
<td>4.457</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H5a Extension perceived fit → Extension perceived emotional value</td>
<td>-0.098</td>
<td>-0.974</td>
<td>0.330</td>
<td>Not supported</td>
</tr>
<tr>
<td>H5b Extension perceived fit → Extension perceived price value</td>
<td>0.245</td>
<td>1.860</td>
<td>0.063</td>
<td>Not supported</td>
</tr>
<tr>
<td>H5c Extension perceived fit → Extension perceived social value</td>
<td>0.055</td>
<td>0.471</td>
<td>0.638</td>
<td>Not supported</td>
</tr>
<tr>
<td>H6a Extension perceived emotional value → Extension purchase intention</td>
<td>0.580</td>
<td>11.963</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H6b Extension perceived price value → Extension purchase intention</td>
<td>0.216</td>
<td>4.176</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>H6c Extension perceived social value → Extension purchase intention</td>
<td>0.027</td>
<td>0.455</td>
<td>0.649</td>
<td>Not supported</td>
</tr>
</tbody>
</table>

Source(s): Created by the authors
emotional experiences (Rosado-Pinto and Loureiro, 2022). In our case, the sample is not only focussed on BMW owners, but rather the data cover the perceptions of car owners of 29 different brands. Notwithstanding, results confirmed the positive effects of PBA (only for the high-fit model) and EPF on EA. These findings reflect the importance of consumers’ emotional bonds with the brand in evaluating the extension, and the closer the extension is perceived with the parent brand, the more successful it could be.

Regarding the moderation analyses, the results do not support the moderator effect of consumer innovativeness on the relationships between EPF and EA and EPF and EPV. Likewise, previous research has suggested that this effect would be difficult to find for luxury products (Eren-Erdogmus et al., 2018) or more conservative extensions (Klink and Athaide, 2010). An extension branded under the same umbrella could not be seen as a different product line, and therefore, the consumer’s innovativeness trait might not be activated. In luxury OEM extensions, a new size segment may be perceived as close to the parent brand, in contrast with an extension into a more distant product such as motorcycles, bicycles or boats. In a diverse context, it would be possible for a low-fit extension to be seen as more innovative, a symbol of status and a means for social differentiation, thus a source of social value. This was the case, for instance, with the launch of the modern versions of the Fiat 600 and Fiat 500 and the Beetle model by Volkswagen. Another example is the electric lines of midmarket brands such as Toyota and Honda still seen as expensive and rare (see Galati et al., 2023; Pedrosa and Nobre, 2019, 2018).

In contrast, findings suggest that the need-for-status moderates the relationship between EPF and EPSV but not the relationship between EPF and EPPV nor the relationship between EPF and EPEV. This outcome can be justified by the fact that EPSV depends on the value attributed by others, in contrast with emotional and price value (Sweeney and Soutar, 2001). Thus, results show that, in luxury automotive downscale extension’s context, this relationship is likely stronger for consumers looking for status, which seems coherent with previous research (Dall’Olmo Riley et al., 2013; Qu et al., 2014).

6. Practical contributions
Prestige OEM managers should take advantage of self-brand connections and nostalgia attachments (Banerjee and Shaikh, 2022) that represent a good predictor for market acceptance of their downscale vertical extension strategies. It is, therefore, recommended to focus more on brand elements than product category characteristics to make their brand extensions more attractive in the market. Findings suggest that parent brand equity is transferable to an extension that presents closeness and consistency with the brand’s heritage. Consumers perceive more emotional and social value and show less price sensitivity in a high-fit extension. Moreover, the need for status strengthens the relationship between the EPF and the EPSV. Thus, authenticity elements should be added to marketing campaigns, especially in social media, as authenticity promotes consumer engagement and relationships with the brand (Bargoni et al., 2023).

Additionally, consumers scoring high in need-for-status (which may represent a fundamental segment for luxury OEMs) seem more concerned with the car’s EPSV. It is, therefore, recommended the use of status signals in extensions, either product related (such as status cues in the Mercedes Class A) (Dall’Olmo Riley et al., 2013; Tournois and Chanaron, 2018) or, for instance, to keep the price high when compared to the same vehicle size class of midmarket brands (Royo-Vela and Voss, 2015). Although rarity is no longer a must-have for prestige brands (Chatterjee et al., 2023), managers ought to innovate and differentiate from utilitarian models as competition in the segment of small-size class is fierce. Differentiation can be achieved by appealing for prestige through aesthetics, style, quality, personalisation and functional aspects (e.g. Smart, Fiat 500 and Peugeot 107).
Branding can also serve as a push for EV adoption. According to Galati et al. (2023), EV adoption is restrained by over-average prices and being financial incentives proved to be crucial, mainly in the introductory phase. Electric vehicle models and lines are still positioned as expensive and premium in consumers’ minds (Pedrosa and Nobre, 2018) and, therefore, as a status symbol for their owners. Thus, status-seeking consumers are potential EV adopters and luxury car brands can benefit from their traditional elitist image to reach them. On the other hand, other players in the EV segment, such as the midmarket brands of Toyota and Honda, are making use of mass-prestige strategies to gain brand differentiation and margin and in this way to reach middle-class and younger consumers (Chatterjee et al., 2023).

Notwithstanding, status is not a stand-alone selling point but complements other product attributes in marketing prestige brands. Studies on brand extensions have noted that even in a mass-prestige/luxury context, functional and rational attributes have a fundamental role in the purchase decision-making process, especially in the case of step-down strategies (Royo-Vela and Voss, 2015). Likewise, Chatterjee et al. (2023) propose a conceptual model in which product functionality, price and exclusivity are the key masstige product attributes that influence consumer purchase intention. Thus, prestige automotive brands must control the quality/price ratio of their downsacle vertical extensions whilst continuing to create their products for the high-end market (Dall’Olmo Riley et al., 2013), as did Land Rover, Porsche, Jaguar and Mercedes-Benz. Discontinuing such higher-end segments would be seen as inconsistent with the parent brand essence and heritage (Spiggle et al., 2012), putting the brand status at risk, with consequences for brand reputation and traditional segment preference (see Banerjee and Shaikh, 2022).

On the other hand, a low-fit extension offers ground for some newness with the dilution of current parent brand associations without breaking the ties with the initial brand identity matrix (Banerjee and Shaikh, 2022). For instance, in the case of cross-gender extension, it could be necessary to create some distance from the parent brand name when the brand carries strong associations with a particular gender (Ulrich et al., 2020). Thus, a low-fit extension can represent a way to bring some innovation to attract different segments or penetrate new markets.

In summary, a broad product brand portfolio offers better ground for step-down brand extensions than narrow portfolios (Kim and Wingate, 2017). However, the risk of cannibalisation can be present if the new premium extension is too similar to an existing product (Caldieraro et al., 2015; Royo-Vela and Voss, 2015). We suggest that a premium automotive two-seat downward extension would be sufficiently distant from a small family car regarding functional aspects such as the number of passengers, power and space, allowing consumers to distinguish the extension from the other small cars. We believe that a new two-seater BMW would be less risky than the BMW X1, a compact SUV launched in 2015 that has staggeringly similar functional and segment characteristics to the more expensive BMW X3 launched in 2011 [1].

7. Limitations and suggestions for future research
Data analysis was performed on a single country sample with a high percentage of students, which, despite being car owners, limits the generalisability of results. Almost 70% of respondents were under 36 years old and were low- to medium-income or students, which could create some bias in results regarding the perception of the prestige of a downsacle extension of a luxury brand. There is also the possibility that the sample’s profile contributed to an unrealistic innovativeness score. Thus, we recommend the investigation of other countries, different age ranges and more owners and future buyers of prestige/luxury cars. Future research could also compare distinct automotive brands (Kim and Wingate, 2017).

Although we analysed brand extension fit in more detail than previous research (e.g. Allman et al., 2015; Dall’Olmo Riley et al., 2015), we only manipulated some fit aspects. Future
research in brand extensions could include more features, such as colours, interior design, functions, options and distribution channels and assess their relative contribution. The use of the brand’s official website, app or press would also make simulations more credible, mainly in the case of well-known brands (Bargoni et al., 2023), as brand elements are essential for creating an effective advertisement that prevents confusion with competitors (Vadalkar et al., 2021). Likewise, it would be interesting to investigate brand extension communication and compare the impact of different brand narratives, storytelling advertising, “tactical cause-related marketing campaigns” (Dagyte-Kavoliune et al., 2021, p. 457), cobranding and celebrity endorsement strategies, etc. on extension brand perceived authenticity (see Rosado-Pinto and Loureiro, 2022), parent brand portfolio consistency (see Cornwell et al., 2022) and EPI.

As referred to before, the findings did not convincingly support the innovativeness effect. We believe that the innovativeness effect might rise as the distance to the parent brand increases and the extension becomes more original. Thus, further research is recommended to test and assess how different levels of fit impact innovativeness trait activation.

Note

References


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