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## Positioning a brand extension in a retail environment: An exploratory look

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**Keywords:** brand extension, new products, branding, cues, in-store promotion

### **Abstract**

*Increasingly, marketers are opting to extend existing brand names (core brands) to new product introductions instead of introducing new brands into the marketplace. Using a familiar brand name is thought to reduce the risk of failure when introducing new products by facilitating distribution and by lowering needed promotion costs. Most of the research on brand extensions has been from the perspective of promotion, specifically advertising. Today, however, a significant percentage of consumers' choices are made in-store, leading to increased attention being placed on in-store promotion. The objective of this study, therefore, is to begin to examine the effectiveness of brand extensions from a context of an environment representing the environment encountered in a retail setting.*

*This study adds to the knowledge base on brand extensions. The findings suggest that in-aisle promotion material which adds additional cues for consumers to evaluate new brand extensions may have an effect on the attitudes that consumers possess toward brand extensions and their purchase intentions. The findings also suggest that image transfer from the core brand to the brand extension and the effects of image of the core brand on purchasing intentions of the brand extension may be product-specific.*

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### **1. Introduction**

Increasingly, marketers are opting to extend existing brand names (core brands) to new product introductions instead of introducing new brands into the marketplace (Dens and Pelsmacker 2010; Hem and Iversen 2009; Salinas and Perez 2009). Consequently, extending existing brands has become the most common form of brand strategy used for new product introduction (Zhang and Sood 2002). The primary reason for using brand extensions is to reduce the risk of product failure (Grime, Diamantopoulos, and Smith 2002; Reddy, Holak, and Bhat 1994). A rationale for this strategy is that as many as 90 percent of new products fail (Schlossberg 1990) – the use of an established brand familiar to consumers is believed to increase the likelihood that a new product will be accepted by consumers (Milberg, Sinn, and Goodstein 2010). Using a familiar brand name is thought to reduce the risk of failure when introducing new products (Pitta and Pitta 2012) by facilitating distribution and by lowering needed promotion costs (Singh et al. 2012). Given the high costs associated with introducing new products, the use of established core brands on new product introductions seems to be a potentially viable marketing strategy, particularly given the high additional costs of introducing a new brand to the marketplace (Aaker and Keller 1990).

Brands represent significant assets for many businesses. Indeed, brand equity is accounting

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for increasingly larger shares of the value of the intangible assets of many businesses (Gerzema and Lebar 2008; Madden, Fehle, and Fournier 2006; Simon and Sullivan 1993). Consequently, marketers have a motivation to invest in their brands with the objective of building brand equity (Holt 2003; Leibig 2005). From this perspective, many businesses try to leverage their brands to maximize their return (Meyvis, Goldsmith, and Dhar 2012) and extending a core brand to a new product is a commonly used tactic (Spiggle, Nguyen, and Caravella 2012). While an extension may permit a business to maximize the return on perhaps the most important asset it owns, it also risks decreasing the value of that asset if the new product introduction fails or if the extension is not appropriate (Aaker and Keller 1990).

Although extending a core brand to a new product appears to be able to facilitate a new product's introduction and may possibly also grow brand equity, the marketplace results, however, do not appear to be as favorable as hoped. Tait (2001), for instance, suggests that extending brands does not seem to materially affect the success rate of new products, noting that up to 84 percent of extensions of core brands fail in the marketplace. This suggests that additional research into this area is warranted.

Most of the research on brand extensions has been from the perspective of promotion, specifically advertising. Today, however, a significant percentage of consumers' choices are made in-store, leading to increased attention being placed on in-store promotion (Inman, Winer, and Ferraro 2009). The objective of this study, therefore, is to begin to examine the effectiveness of brand extensions from a context of an environment representing the environment encountered in a retail setting. First, past research on extending brands and the role of cues will be reviewed. Second, the relationships between images of core brands and brand extensions and between core brand image and purchase intentions, and between image of brand extensions and purchase intentions are examined. Finally, conclusions are drawn.

## 2. Brand Extensions

Extending the use of a core brand to new product introductions is generally categorized as one of two types (Farquhar 1989). The first is a line extension where a new product is introduced in the same product category as the core brand. This type is the most common form of extending a core brand (Riley, Pina, and Bravo 2013). Recent examples include Pepsi Next, Coke Zero, and Bud Light Platinum. The other type is a brand extension, where a new product is introduced in a product category different from the product category of the core brand. Recent examples include Miracle Whip Dipping Sauces, Jif mixed nuts, and Special K vitamin water. Line extensions have been the focus of a number of research studies (e.g., Heath, DelVecchio, and McCarthy 2011) as has brand extensions (Henseler, Horváth, Sarstedt, and Zimmermann 2010). Although line extensions are more popular, brand extensions seem to specifically warrant research attention due to their inherent increased riskiness. Brand extensions appear to possess the potential to be more risky as can be seen by a number of instances where brand extensions have failed (e.g. Gillette watches, Revlon vitamins).

Aaker and Keller (1990) pioneered research on brand extensions. The focus of Aaker and Keller (1990) was how to position brand extensions to consumers - how to best positively affect consumers' attitudes toward to a brand extension. They examined two different approaches. The first approach involved providing a prompt, or reminder (called a cue by Aaker and Keller (1990)), to consumers regarding the quality, trustworthiness, or leadership position of the original brand.

Most simply, this approach can include a phase such as “from the makers of (core brand).” The objective of providing a reminder is to make the positive aspects of the core brand more salient in the new product introduction in the minds of target consumers. Although the core brand is included as the brand of the new product introduction, the prompt further calls consumers’ attention to the connection between the new product introduction and the core brand. The second approach examined by Aaker and Keller (1990) involves elaborating on the extension’s attributes which includes brief, neutral descriptions of an attribute of the extension focusing on the extension’s similarity and distinctiveness from the core brand. Aaker and Keller (1990) observed that in situations where there is less than perfect “fit” between the brand extension and the core brand, the most successful approach is to focus on elaborating on product attributes.

Aaker and Keller observed that “the success of a brand extension often depends on certain assumptions about consumer behavior, such as (1) consumers hold positive beliefs and favorable attitudes toward the original brand in memory, (2) these positive associations facilitate the formation of positive beliefs and favorable attitudes toward the brand extension, and (3) negative associations are neither transferred or created by the brand extension” (1990: 28). Key to successful brand extensions, therefore, is the use of a positively viewed core brand that relates to the product to which it is being extended with a minimum of “stretch,” or where the use of the brand on the new product appears to “logical” to consumers. Indeed, many of the examples of unsuccessful brand extensions involve situations where the core brand has little logical relationship to the new product in the minds of consumers, such as the unsuccessful brand extensions mentioned above.

Stretch is typically conceptualized as fit, where brand extension fit is defined as “the perceived similarity (e.g., product category, usage situation) and relevance of parent brand associations (i.e. attributes or benefits) for the extension category” (Spiggle, Nguyen, and Caravella 2012: 967). Fit, therefore, is the opposite of stretch – in product relationships exhibiting a high degree of fit, there is less of a stretch for consumers to understand the relationship, whereas in situations marked by a low degree of fit, consumers are forced to look harder to find a way that the products are related. Hence, degree of fit appears to be a primary concern since higher transfer of positive feelings toward the core brand to the new product have been observed in instances which there is a higher degree of fit (Buil, Martínez, and de Chernatony 2009). The importance of fit to successful brand extensions has been observed in numerous studies (e.g., Czellar 2003; Völckner and Sattler 2007, 2006).

Aaker and Keller (1990) also examined how consumers assess fit by examining three different types of fit – fit as (1) a measure of degree to which the core product and the new product are complements, (2) as a measure of degree to which the products are substitutes, and (3) as a measure of degree to which the business producing the original product is viewed to be able to produce the new product using current skills or assets. They observed that consumers are more likely to assess fit by judging the perceived ability of a business producing the original product to be able to produce the new product or by the degree to which the products are substitutes than by the degree to which the products are complements.

Given the importance of fit, the choice of new brand extension examples by Aaker and Keller (1990) in their study is surprising. Although Keller and Aaker (1990) conclude that a poor fit can be harmful, leading to negative attitudes toward the core brand and diminishing its equity, the

brand extension examples they utilized seem to possess relatively low levels of fit. Indeed, Aaker and Keller (1990) indicated that several subjects expressed negative assessments of the brand extension examples used, raising questions concerning their appropriateness. Brand extension examples used by Aker and Keller (1990) included McDonald's photo processing, Crest chewing gum, Heineken popcorn, and Vidal Sassoon perfume. For at least three of the proposed brand extensions, relatively low levels of fit seem to be an issue. There are some ways that the effects of poor fit can be minimized, such as when another form of congruence is developed (e.g., Broniarczyk and Alba 1994; Cornwell et al. 2006), but there was no attempt to develop an alternate form of congruence in the Aaker and Keller (1990) study. It appears that research replicating Aaker and Keller (1990) using brand extensions which are more closely related to the core brand is warranted.

## 2a. Cues

In brand extensions, the core brand acts as a cue to signify to consumers the qualities of the new product. The brand is expected to act as a means of transferring the qualities associated with the core brand to the new product. With new products, consumers often do not know the quality of the product so they look for external cues which may provide insight (Rao and Monroe 1989). A core brand can serve as such a cue and provides the basis for brand and line extensions (Riley, Pina, and Bravo 2013). Consumers are familiar with core brands and possess images of what the brands stands for. Extending the brand attempts to transfer that image to new product introductions (Meyvis, Goldsmith, and Dhar 2012). Prior research suggests that the brand is the most important cue in assessing product quality (Dodds, Monroe, and Grewal 1991; Maheswaran et al. 1992; Rao and Monroe 1989; Taylor 2009). The value of core brands as cues is enhanced by the fact that they are an example of a high-scope cue in that they have developed over time and, hence, their valence cannot easily be changed (Purohit and Srivastava 2001). Consequently, high-scope cues tend to be viewed by consumers as being more effective.

Cue utilization theory suggests that most judgments and choices are not based on single cues, but on multiple cues (Slovic and Lichtenstein 1971). When consumers are assessing new products, for instance, products can be viewed as an array of cues that may serve as signals of product quality (Rao and Monroe 1988). Cues can bring additional information into the decision-making process or they can act to reinforce existing cues. Cues, for instance, can focus additional attention on other cues which are viewed to be important in the choice process, particularly high-scope cues, such as brands. Given that the valence of high-scope cues are established over time, high-scope cues are perceived by consumers to be more credible (Purohit and Srivastava 2001), consequently, focusing consumers' attention onto these cues would seem to be a productive strategy.

As mentioned above, Aaker and Keller (1990) examined two types of cues which can focus customers' attention onto the brand used on a brand extension. The first involved providing a prompt or reminder to consumers to focus attention on the core brand. The second type of cue involves elaborating on the extension's attributes, including a brief, neutral description of an attribute of the extension, focusing attention on the extension's similarity and distinctiveness from the core brand. Both of these cues can also be used within a store setting to focus customers' attention onto a brand extension's core brand through means such as signage.

## 3. The Study

The study represents an extension of Aaker and Keller (1990) using brand extensions that

possess a higher degree of fit and using cues in a fashion those consumers may encounter in a retail store. Based on past research indicating that the image associated with a core brand may transfer to some degree to new brand extensions, the following hypotheses seem appropriate.

- H1:** The perceived quality of core brands is positively related to the perceived quality of new products utilizing the same brand when a high level of fit is perceived between the two products.
- H2:** The use of additional cues facilitates the transfer of the perceived quality of the core brand to new products utilizing the same brand.

As with Aaker and Keller (1990), a 2 X 2 factorial design based on the use of reminder and elaboration was utilized. The four resulting treatment levels consisted of the first group presented with the brand extensions accompanied with reminder cues, the second group presented with the brand extensions with attribute elaboration cues, the third group presented with both, the reminder cues and the elaboration cues, and the fourth group was not presented with either of the additional cues (they were only presented with the brand extensions). The reminder and elaboration cues are displayed in Table 1.

Similar to Aaker and Keller (1990), the study was comprised of 120 participants (30 per cell). The participants consisted of students enrolled in an Introduction to Business course in a university located in Midwestern U.S. After being asked to assess the quality of the core brands used in the study, participants were presented with the cues (where appropriate) in a written format as they would be if they were presented cues in a retail context, such as in-aisle signage. After being exposed to the brand extensions and the additional cues (where appropriate), study participants were asked to rate each brand extension on 1) overall quality, 2) purchase intention as an additional purchase with the core brand, and 3) the probability that the brand extension would be purchased in place of another product in the same category. Participants responded on a seven-point scale with "one" indicating inferior and "seven" indicating superior.

#### 4. Results and Discussion

Appropriate brand extensions with high degrees of fit were developed using both focus groups and survey research using samples similar to the sample used in the study. Four possible brand extensions were identified and utilized. They were A-1 barbeque sauce (from A-1 steak sauce), Planter's peanut butter (from Planter's peanuts), Smucker's fruit juices (from Smucker's jams and jellies), and Miller malt liquor (from Miller beer). Participants possessed positive assessments of the core brands (A-1 steak sauce, mean = 4.21, standard deviation = 2.007; Miller beer, mean = 5.00, standard deviation = 1.909; Smucker's jams and jellies, mean = 4.55, standard deviation = 1.502; Planter's nuts, mean = 4.90, standard deviation = 1.611).

Each of these products was viewed to represent an extension of the brand to a different product category and was viewed to include a high level of fit. Participants perceived each of the extensions to possess significant fit as assessed by perceived ability of a business producing the original product to be able to produce the new product (the measure determined by Aaker and Keller to be optimal to assess fit). When asked to respond to the question "How difficult would it be for the manufacturers of the original product to design and make the new product?" the mean responses on a seven-point scale were 2.63 (A-1 barbecue sauce), 2.92 (Miller malt liquor), 2.97 (Smucker's fruit juices), and 2.85 (Planter's peanut butter). (The high level of fit is evident in that

one of the brand extensions proposed in the study was subsequently introduced into the marketplace after this study was conducted).

The mean values for participants' attitudes toward the brand extension and their purchase intentions are displayed in Table 2. Relationships between attitude toward core brand, attitude toward the brand extension, and purchase intentions are displayed in Table 3. For each of the sample brand extensions, strong positive correlations were observed to exist between the perceived quality of the original core brand and the perceived quality of the brand extension for the overall sample (ranging from .518 to .672). The strong correlations likely suggest that image transfer between the core brand and the sample brand extensions has taken place. This is consistent with Hypothesis 1 and the premise behind the use of brand extensions.

When each of the groups (treatment levels representing different sets of cues) is viewed individually, similar strong correlations were observed in each instance, except for the Planter's peanut butter in the no reminder/no elaboration situation where no significant correlation was noted. The reason for the stark difference in this one situation is difficult to explain without further research. Given that the relationships between the quality image of the core brand and the quality image of the brand extension for the other cue treatment situations for Planter's peanut butter were all strong related (ranging from .635 to .645), the lack of a relationship for the no reminder/no elaboration treatment situation suggests that there may be instances where image transfer may be severely restricted without the use of additional cues to draw attention to the use of a core brand on a brand extension. Additional research into the possible causes of this condition appears to be warranted. For instance, if there are core brands whose quality image does not transfer to brand extension without the use of additional cues (i.e., reminder or elaboration), what is the basis for this difference – what are the factors which may inhibit image transfer?

The relationships between the image of the core brand and purchase intentions and between the image of the brand extension and purchase intentions were then examined (the second and third rows of each grid in Table 3). As would be expected, strong positive relationships were observed between images held of the brand extensions and purchase intentions for each treatment level for each of the products (row 3). When viewing the relationships involving images of the core brands (row 2), although strong, positive relationships were observed in most instances, in five instances, significant (at the .05 level) relationships were not observed. Three of the five instances in which significant (at the .05 level) relationships were not observed occurred where no cues in addition to the brand were used (no reminder and no elaboration). Miller malt liquor was the only sample brand extension for which significance was observed for the treatment involving no additional cues. The other two instances where significance (at the .05 level) was not observed involved when only the reminder cue and only the elaboration cue were used for Smucker's Fruit juices. Interestingly, in each instance that both reminder and elaboration cues were used, strong significant (at the .05 level) relationships were observed between the quality image of the core brand and purchase intentions of the sample brand extension.

The results suggest that reminder and elaboration cues may positively affect the transfer of image from the core brand to the sample brand extension and are consistent with Hypothesis 2. The cues appear to facilitate image transfer from the core brand to the brand extension, suggesting that it may be advantageous to use such additional cues in a retail setting to facilitate product purchase. It is interesting to note that a significant (at the .05 level) relationship between core brand image and purchase intentions of the brand extension in the no additional cue treatment existed

only for the Miller malt liquor extension. Is the Miller brand viewed as a stronger brand by participants than the other brands? Given the nature of the sample used in the study, this is a possibility. This appears to be another important area of study. For instance, are the additional cues not required in instances where strong brands are involved? If so, what is a strong brand and how are they best differentiated from non-strong brands? Also, to what extent is the classification of particular brands as strong brands differ across different target markets?

When examining purchasing intentions of the brand extension as a replacement of purchasing a similar product (the fourth and fifth rows of Table 3), similar results were observed, but they were not identical. For A-1 barbecue sauce, for instance, the purchasing intentions under the no additional cue treatment appear that they may be less when the product is being evaluated as a replacement for another similar product. Substantial differences, however, were seen for Smucker's fruit juices. Interestingly, there are no significant (at the .05 level) relationships between the image of the core brand and purchase intentions as a replacement for a similar product, but significant (at the .05 level) relationships were observed for each of the treatment levels when relationships involving image for the brand extension is examined. These findings suggest two things. First, the findings suggest that whether the brand extension is viewed as an additional purchase or whether it is viewed as a replacement or substitute for another product may have an effect on the degree that the image of the core brand will affect purchase intentions of the brand extension. Second, the findings suggest that the degree to which the image of the core brand affects purchase intentions of the brand extension may depend on the product itself. Hence, additional research to examine the effects for different products/brands is warranted.

## 5. Conclusion

The importance of brand extensions to marketing today can easily be seen. Brand extensions are viewed as a way by which the success rate of new products is thought to be enhanced. By using a core brand on a new product introduction, it is believed that the familiarity which a core brand has in the marketplace and its image can be extended to a new product. It is thought that the brand connection can increase the chances of success for the new product and lower the costs associated with its introduction. Although there is a growing amount of research attention examining brand extensions, the continuing relatively high rate of brand extensions suggests that additional research is still warranted.

This study adds to the knowledge base on brand extensions. First, it examined brand extensions viewed as possessing a high degree of fit. Second, it examined additional cues in a fashion similar to what may be used on in-aisle displays within a retail setting. The findings suggest that in-aisle promotion material which adds additional cues for consumers to evaluate new brand extensions may have an effect on the attitudes that consumers possess toward brand extensions and their purchase intentions. Given that the majority of consumers' purchasing decisions are made in the store, this appears to be an important area for additional research. Third, the study examined brand extensions from different product categories. The findings suggest that image transfer from the core brand to the brand extension and the effects of image of the core brand on purchasing intentions of the brand extension may be product-specific. Are there specific types of brand extensions or core brands which facilitate the transfer of image to brand extensions and will beneficially affect purchasing intentions? Are there ways by which the transfer of image can be further facilitated? Similarly, under what conditions do additional cues (in addition to the brand) help a brand extension in the marketplace?

### 5a. Limitations and Directions for Future Research

Although the higher level of fit between the core brand and brand extensions increased the face validity of the study vis-a-vis the Aaker and Keller (1990) study, the increased realistic nature of the study also increased the variance in participants' responses. In other words, participants were much more likely to respond with more extreme responses – with more realistic brand extensions, participants appeared to be likely to take their choices seriously (as if they were actually making the choices to purchase) than the more abstract responses which would be more likely with brand extensions which possess less fit (such as those examined by Aaker and Keller 1990). Consequently, the higher variance resulting from the increased realism of the brand extensions utilized, limited statistical testing. Future research, therefore, should control for participants' assessment of the product categories in which the brand extensions reside.

Other variables affect the success of brand extensions. Tortelli and Ahluwalia (2012), for instance, discuss the role of cultural ambiguity when evaluating culturally charged brand extensions. Gierl and Huetti (2001) observed that different types of cues exist (e.g., advertising) and that different types of cues can produce different effects. Future research should extend the study to provide additional insight into the effects of different types of cues.

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Brand Extension	Reminder Cue	Elaboration Cue
A-1 Barbecue Sauce	From the makers of the nation's #1 steak sauce	A hint of steak sauce in a Smokey barbecue taste.
Miller Malt Liquor	From the maker of high quality, premium draft and light beers.	Higher alcohol content in a full-flavored malt beverage.
Smucker's Fruit Juice	From the makers of all-natural fruit jams and jellies.	Blended fruit juices, like banana and strawberry that are fortified with vitamins.
Planter's Honey Roasted Peanut Butter	From the leader in peanuts and other nut snacks.	That honey roasted taste in a peanut butter.

**Table 1. Reminder and Elaboration Cues**

Brand Extension	Reminder Only	Elaboration Only	Reminder and Elaboration	No Remainder or Elaboration
A-1 Barbecue Sauce	4.34 2.075	3.97 1.802	4.34 1.471	4.17 1.724
Miller Malt Liquor	4.24 2.064	3.69 2.254	4.03 2.212	3.70 2.184
Smucker's Fruit Juice	4.76 1.958	4.45 1.660	4.72 1.944	4.40 1.694
Planter's Honey Roasted Peanut Butter	4.97 1.842	4.83 2.331	4.55 1.824	4.43 1.995

**Table 2. Mean Values and Standard Deviations for Participants' Attitudes and Purchase Intentions**

#### A-1 Barbecue Sauce

Relationship between:	Overall	Reminder Only	Elaboration Only	Reminder and Elaboration	No Remainder or Elaboration
Attitude toward core brand and brand extension	.655 .000	.754 .000	.692 .000	.626 .000	.561 .001
Attitude toward core brand and intent to	.422 .000	.435 .018	.462 .012	.593 .001	.331 .074

purchase					
Attitude toward brand extension and intent to purchase	.581 .000	.514 .004	.603 .001	.521 .004	.705 .000
Attitude toward core brand and intent to purchase instead of a similar product	.324 .000	.542 .002	.335 .076	.378 .043	.126 .507
Attitude toward brand extension and intent to purchase instead of a similar product	.505 .000	.596 .001	.599 .001	.430 .020	.370 .044

### Miller Malt Liquor

Relationship between:	Overall	Reminder Only	Elaboration Only	Reminder and Elaboration	No Reminder or Elaboration
Attitude toward core brand and brand extension	.672 .000	.716 .000	.705 .000	.633 .000	.646 .000
Attitude toward core brand and intent to purchase	.559 .000	.443 .016	.648 .000	.518 .004	.610 .000
Attitude toward brand extension and intent to purchase	.734 .000	.628 .000	.687 .000	.752 .000	.843 .000
Attitude toward core brand and intent to purchase instead of a similar product	.518 .000	.464 .011	.702 .000	.412 .026	.496 .005
Attitude toward brand extension and intent to purchase instead of a similar product	.653 .000	.584 .001	.757 .000	.649 .000	.642 .000

### Smucker's Fruit Juices

Relationship between:	Overall	Reminder Only	Elaboration Only	Reminder and Elaboration	No Reminder or Elaboration
Attitude toward core brand and attitude toward	.522 .000	.472 .010	.546 .003	.558 .002	.580 .001
Attitude toward core brand and intent to purchase	.324 .000	.174 .366	.370 .053	.579 .001	.152 .421
Attitude toward brand extension and intent to purchase	.719 .000	.651 .000	.804 .000	.893 .000	.537 .002
Attitude toward core brand and intent to purchase instead of a	.190 .041	.155 .422	.320 .097	.204 .289	.106 .577

similar product					
Attitude toward brand extension and intent to purchase instead of a similar product	.551 .000	.566 .001	.458 .013	.718 .000	.448 .013

### Planter's Honey Roasted Peanut Butter

Relationship between:	Overall	Reminder Only	Elaboration Only	Reminder and Elaboration	No Reminder or Elaboration
Attitude toward core brand and brand extension	.518 .000	.637 .000	.635 .000	.645 .000	.145 .445
Attitude toward core brand and intent to purchase	.391 .000	.377 .044	.633 .000	.477 .009	.019 .919
Attitude toward brand extension and intent to purchase	.699 .000	.616 .000	.903 .000	.735 .000	.544 .002
Attitude toward core brand and intent to purchase instead of a similar product	.321 .000	.390 .037	.555 .002	.155 .421	.073 .702
Attitude toward brand extension and intent to purchase instead of a similar product	.615 .000	.582 .001	.878 .000	.495 .006	.453 .012

**Table 3. Relationships between Attitudes and Intentions**