

Product-Category Dynamics and Corporate Identity in Brand Extensions: A Comparison of Hong Kong and U.S. Consumers

Should the focus of a brand-extension strategy be on product-category related factors (e.g., the fit between the extension and the core product) or should consumers' attention be drawn to characteristics of the company providing the extension (e.g., company size)? Examining this issue experimentally in Hong Kong and in the United States with samples of students and working professionals, we find that for U.S. consumers, perceived fit is much more important than company size; for Hong Kong consumers, company size does not matter for high fit extensions, but does matter for low fit extensions. We suggest the value of collectivism may explain the relative higher importance of corporate identity for East Asian consumers. East Asian consumers rely on companies as interdependent, collective societal entities to reduce the risk of a low fit extension, whereas U.S. consumers—as individualists—place higher importance on their own judgment regarding the product fit rather than cues such as company size.

The strategic management of corporate and brand equities has emerged as a key issue in international marketing (Quickel 1995; Roth 1995; Schmitt and Pan 1994). Corporate and brand equities relate to the value added and to functional benefits by such intangible values as corporate and brand names, logos, packaging, service, and similar elements that result in positive associations, an attractive image, and most important, perceptions of quality (Aaker 1990; Aaker and Keller 1990; Farquhar 1989).

In an international context, one way companies leverage their brand and corporate equity is in the form of so-called brand extensions. Brand extensions are new product introductions in which an existing corporate or brand name is applied to a new product category. Brand extensions allow marketers to reduce the tremendous communication and marketing costs involved in building new images for their products (Aaker 1990; Tauber 1988).

In brand extension strategies, the issue arises whether the focus should be on product-category related factors (e.g., the fit between the new product and existing products that are part

ABSTRACT

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of the same brand or corporate family) or whether consumers' attention should be drawn to characteristics of the company providing the new product. On an international scale, when entering new markets, both product and company-driven strategies may lead to success. For example, in China—one of the most attractive new markets—successful product images as well as corporate images prevail. On one hand, there are Marlboro (with its product image of taste and freedom, epitomized by the Marlboro Man) and Coca-Cola (with its Chinese characters meaning “tastes good and makes you happy”). On the other hand, there are images of major corporations such as Toyota and Sony whose product images are secondary to the goodwill provided by the company as a whole.

A closer look, however, reveals that firms of different national origin seem to pursue product-focused and company-focused strategies to different degrees in their respective markets. U.S. firms, in general, seem to rely primarily on the product-related benefits or images of their products when providing brand extensions, whereas East Asian firms seem to focus on corporate equity. That is, when extending established equity into new product categories, Procter and Gamble (P&G) does not market new products under the P&G name but relies on the equity of, for example, its Tide and Crest products. In contrast, Sony (the Japanese entertainment giant), Lucky Goldstar (the Korean conglomerate) and Hutchison Whompoa (the Hong Kong conglomerate), offer a variety of products under their corporate names and introduce new products under the corporate name. These differences are most evident when we compare strategies of U.S. and East Asian companies in the same industry. In the car industry, Japanese companies mostly market their cars with alpha-numeric brand names while this is rare in the United States, where individual brand names such as Ford Fiesta, Ford Taurus, Ford Escort prevail.

Another manifestation of these basic differences in approach between U.S. and East Asian firms can be found in advertising. U.S. companies typically advertise the functional benefits and images provided by their brands. In contrast to U.S. firms, Japanese and other East Asian firms are more likely to use corporate advertising that stresses the benefits the company brings to its consumers and society at large. In Korea, for example, almost all commercials identify the sponsoring companies somewhere in the commercials via corporate logos, company names, etc., whereas only about half of the commercials in the United States identify the sponsoring company (Miracle, Chang, and Taylor 1992). Interestingly enough, however, in East Asia, even brand-driven U.S. companies like Procter and Gamble use a slightly different approach. At the end of each commercial for a P&G brand, the

corporate name and logo of P&G appear in order to persuade consumers of the values and benefits provided by relying on the products of large consumer goods manufacturers.

Why do U.S. and East Asian companies pursue different strategies? Different approaches may be appropriate because product-benefit related brand images and corporate images may have differential appeal for U.S. and East Asian consumers. In this article, we provide a conceptual grounding for this notion and test experimentally whether U.S. and East Asian consumers indeed differ with respect to what they find most appealing: a product-driven or a corporate-image-driven approach. We test our hypotheses in the context of a certain type of new products, namely so-called "brand extensions."

In prior research, perceived fit has been identified as the most important product-related factor for the success of brand extensions (Aaker 1990; Aaker and Keller 1990; Park, Milberg, and Lawson 1991). Perceived fit relates to the perceived closeness (in terms of similarity or congruity of product features) between the brand's core product category and the extension category. In general, extensions that are perceived to be more similar to the core category are judged more positively than those that are less similar. Consumers assess the fit between the core product and the extension either on the basis of functional fit or product concept fit (Broniarczyk and Alba 1994; Park, Milberg, and Lawson 1991). In either case, consumers are posited to judge the extension based on product-related features between two product categories.

However, an alternative way of judging an extension is to focus on salient characteristics of the company. Rather than determining the quality of a brand extension by examining whether the new product category fits in with the original category of the brand, consumers may examine whether the company behind the extension is trustworthy and reliable. In this respect, the mere size of the company that provides the new product may play a critical role. This is because brand extensions are new products and therefore entail some degree of risk. Indeed, in prior research, company size has been shown to moderate the level of perceived risk for purchase situations. In the United States, the lowest levels of perceived risk are associated with large, national companies or brands (Dunn, Murphy, and Skelly 1986). Consumers seem to find a large firm more trustworthy because it can have manufacturing and market synergies to provide the extension (Aaker and Keller 1990). This should be the case especially if extensions are very dissimilar to the products currently offered by the company.

In sum, when consumers are provided with both fit and company size information, we predict an interaction of fit and

CONCEPTUAL BACKGROUND AND HYPOTHESES

company size. In the case of high fit, we expect extensions for companies of different sizes to be judged similarly. However, under conditions of low fit, we predict that large size companies' extensions will be judged more positively than small size companies.

Moreover, as mentioned earlier, we expect differences between U.S. and East Asian consumers in terms of the degree to which they consider product-related (i.e., fit) factors and company-related (i.e., size) factors. In a large body of research, East Asians have been shown to be more significantly collectivist in their value orientations than Americans (Franke, Hofstede, and Bond 1991; Hofstede and Bond 1984, 1988; Lee and Green 1990). While the dimension of individualism/collectivism may not affect the value that consumers place on product-related characteristics, it should affect the importance of company-related factors. Having a collectivist value orientation means paying attention to and being affected by the concerns of groups and societal entities at large. The focus is on interdependence rather than independence (Markus and Kitayama 1991). Since companies are interdependent, collective societal entities, company-related factors should be of greater importance for East Asians than for U.S. consumers. Therefore, we predict to find an interaction of fit and company size for consumers of collectivist societies but only a main effect of fit for consumers of individualist societies.

H1: In a collectivist society, company size affects perceived quality ratings of an extension when the perceived fit between the extension category and the core category is low; however, company size does not affect perceived quality in the case of high fit.

H2: In an individualistic society, the degree of fit between the extension category and the core category—but not company size—affects the perceived quality ratings of an extension.

The rationale behind focusing on perceived quality in studying brand extensions is that high product quality has often been associated with new product successes (Calantone and di Benedetto 1988; Calantone, di Benedetto, and Divine 1993; Cooper 1980; Cooper and Kleinschmidt 1987; Song and Parry 1994). Product quality has been identified as a key component in creating a product advantage relative to competition, which in turn enhances the likelihood of new product success (Cooper 1980; Cooper and Kleinschmidt 1987). In the psychological literature, product quality has shown to affect the level of satisfaction, which in turn impacts behavioral intentions (Gotlieb, Grewal, and Brown 1994). The concept of quality is also being accepted as a variable of paramount

strategic importance in the newly industrialized countries and the newly developing countries of the Asia-Pacific Rim. This phenomenon is evident, for instance, in the Chinese government's policies to improve and encourage quality control in the domestic private and the state manufacturing process (Kaye 1992), because it has been shown to be one of the most important antecedents to product success in China (Song and Parry 1994).

In the following, we report the results of a total of four studies. We group them into two sets of two experiments, based on the type of respondents (students or working professionals), the measures used, and the products used. In Experiment 1, conducted in two separate studies in Hong Kong and in the United States we tested perceptions of quality using student samples and three product categories (a nondurable good, a durable good, and a service). In Experiment 2, we replicated and extended Experiment 1 with three product categories (due to their importance, consumer goods exclusively) and a different sample of respondents, namely, working professionals from Hong Kong and the United States. Moreover, in Experiment 2, we included perceived risk, in addition to quality, as a key dependent variable.

Hong Kong was selected as a site out of convenience. Hong Kong has been under British rule and thus been "Westernized" to a large degree. However, its culture and value system have been directly influenced by its Confucian heritage. Such influences are evident in previous cross-cultural research, classifying Hong Kong as a collectivist society (Franke, Hofstede, and Bond 1988). Given its multicultural environment, however, Hong Kong provides for a conservative test of our hypotheses.

The procedures, stimuli, and dependent measures were identical in the studies conducted in Hong Kong and in the United States. The Hong Kong and U.S. respondents were highly comparable in terms of general background characteristics (age, level of education, gender distribution). The Hong Kong sample consisted of 54 undergraduates and the U.S. sample consisted of 74 undergraduates. The subjects in both studies participated as part of a marketing course requirement. Respondents were told that the researchers were interested in obtaining their opinion on a number of new product introductions. In addition, they would be asked to complete a few survey questions and background information.

In each study, each sample (the Hong Kong and the U.S. respondents) was randomly assigned to one of four experimental conditions according to a 2 x 2 between-subjects design.

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OVERVIEW OF THE CROSS-CULTURAL EXPERIMENTS

EXPERIMENT 1

Method

Overview

Experimental Design and Stimuli

The first factor was the product-related factor of perceived fit of the extension to the core product category (high vs. low). The second factor was related to company characteristics. To avoid confounds due to prior company familiarity, no actual company names were used. Moreover, respondents were not provided with the company's country of origin. Instead, the factor was operationalized as a small local vs. large national company. Thus, respondents were asked to imagine that a small local (vs. a large national) company, which currently is known for a certain product, decided to produce and market a product extension of high (vs. low) perceived fit.

The core and extension categories were selected based on the researchers' intuitions as well as prior research (Han and Schmitt 1994). To provide variation and test the generality of the effects proposed here, three core categories with corresponding high and low fit extensions were selected. The core categories were: ice cream, automobile, and bank services. The respective high vs. low fit extensions were yogurt and ball-point pen (for ice cream), motorcycle and computer (for automobile), and credit card and gas station services (for bank). The low fit extensions were intentionally constructed to be more remote from the core category than those used in most previous research focusing on brands rather than companies (Aaker and Keller 1990; Park, Milberg, and Lawson 1991; Sheinin and Schmitt 1994) because U.S. and East Asian companies are often active in quite diverse businesses and product categories.

Measures

First, respondents in each experimental condition provided manipulation check ratings for the three core product categories on seven-point scales. Two items were used (x indicates the core category and y indicates the extension category): "x and y are closely related" and "The skills needed in making x and y are closely related" (strongly disagree—strongly agree). Relatedness and skill complementarity have been used in prior research to define and operationalize perceived fit. Next, respondents completed the individualism/collectivism scale (Triandis, Bontempo, Villareal, Asai, and Lucca 1988). As expected, Hong Kong respondents exhibited a higher degree of collectivism than the U.S. respondents in their score comparison [seven-point scale (see Appendix): 1 being highly collectivist vs. 7 being highly individualist (3.25 vs. 4.38; $p < .05$)], which is consistent with Hofstede's (1991) Individualism Index Values for Hong Kong (25) and the United States (91). Finally, respondents in each sample responded to the experimental manipulation: they judged the three product category extensions provided in each experimental condition. As in prior research (Aaker and Keller 1990; Zeithaml 1988), respondents were asked to judge each extension, on a seven-point scale, in terms of its overall quality (low—high).

The manipulation check indicated that the fit manipulation was successful. A comparison of the two manipulation-check questions (summed up and divided by 2) for all three product categories (ice cream, automobile, bank services) indicated that high fit extensions were perceived to be closer to the core product than low fit extensions (ice cream: $M = 5.23$ for yogurt vs. $M = 1.63$ for ball-point pen; automobile: $M = 5.93$ for motorcycle vs. $M = 3.25$ for computers; bank services: $M = 6.27$ for credit card vs. 2.17 for gas station). All three comparisons were significant at $p < .0001$.

To test the hypothesis that Hong Kong respondents would take into account the size of the company under low fit but not under high fit conditions, a 2 (fit) \times 2 (size of company) ANOVA was conducted on the perceived quality measure for each product. In each case, the main effect of fit and the predicted interaction of fit and company size were significant. The main effect of company size was not significant for ice cream and automobile (the two consumer goods) but approached significance at $p = .06$ for the bank service.

For each product category, shown in Table 1, the pattern of the results was the same. Under conditions of high fit, extensions were judged to be of similar quality for companies of different sizes: yogurt ($M = 4.33$ vs. $M = 4.20$, $p > .74$), credit card service ($M = 4.00$ vs. $M = 4.00$, $p = 1.00$), and motorcycle ($M = 4.00$ vs. $M = 3.87$, $p > .77$). However, under conditions of low fit, large size companies' extensions were judged to be of higher quality than small size companies: ball-point pen ($M = 2.36$ vs. $M = 3.33$, $p < .05$), gas station ($M = 2.57$ vs. $M = 3.88$, $p < .05$), and computer ($M = 2.71$ vs. $M = 3.77$, $p < .05$).

| Parent Category | Perceived Fit | Size of Company | |
|-----------------------|---------------|-----------------|------------|
| | | Small | Large |
| Ice Cream Extensions | Low | 2.36 | vs. 3.33* |
| | High | 4.33 | vs. 4.20 |
| Automobile Extensions | Low | 2.71 | vs. 3.77* |
| | High | 4.00 | vs. 3.87 |
| Bank Extensions | Low | 2.57 | vs. 3.88* |
| | High | 4.00 | vs. 4.00 |
| Sum Score | Low | 7.64 | vs. 11.00* |
| | High | 12.33 | vs. 12.07 |

* Comparisons were significantly different at $p < 0.05$.

Results

The Hong Kong Study

Table 1.
Experiment 1:
Hong Kong Sample
Mean Perceived Product Quality as a Function of Perceived Fit and Size of Company

In addition, an aggregate ANOVA was performed on a quality sum score of all three product categories. Again, the main effect of fit and the predicted interaction of fit and company size were significant— $F(1,52) = 12.64, p < .01$ and $F(1,52) = 5.00, p < .05$, respectively—and the main effect of company size was marginally significant— $F(1,52)=3.64, p < .10$. The means of the aggregate results are also shown in Table 1. As predicted, under conditions of high fit, extensions by companies of different sizes were judged to be a similar quality and not significantly different ($M = 12.07$ vs. $M = 12.33, p > .80$). However, under conditions of low fit, large size companies' extensions were judged to be of higher quality than small size companies ($M = 11.00$ vs. $M = 7.64, p < .01$).

The U.S. Study

The fit manipulation for the U.S. sample was also successful. High fit extensions were perceived to be closer to the core product than low fit extensions (ice cream: $M = 5.66$ for yogurt vs. $M = 1.74$ for ball-point pen; automobile: $M = 5.57$ for motorcycle vs. $M = 2.94$ for computer; bank services: $M = 6.07$ for credit card vs. 2.55 for gas station). As can be seen, the means are very similar to the means obtained for the Hong Kong sample, and all three comparisons were again significant at $p < .0001$.

In contrast to the Hong Kong respondents, U.S. respondents paid attention primarily to the fit between the extension and the core product category. As shown in Table 2, across the three categories, U.S. respondents gave high fit extensions higher quality ratings than low fit extensions. Also shown in Table 2, 2 (fit) \times 2 (size of company) ANOVAs conducted on the perceived quality measures for each product and on the quality sum scores revealed a strong main effect of perceived fit in all analyses (all p 's $< .001$). In addition, as in the Hong Kong sample, there was a slight trend toward considering size in the case of low fit. However, as expected, the trend was much weaker and did not approach significance: ball-point pen ($M = 2.00$ vs. $M = 2.35, p > .43$), gas station ($M = 2.23$ vs. $M = 2.40, p > .69$), and computer ($M = 3.15$ vs. $M = 3.55, p > .46$). Additionally, in the high fit case, company size did not play a significant role in all three cases: ice cream ($M = 5.05$ vs. $M = 5.16, p > .79$), credit card service ($M = 4.89$ vs. $M = 4.78; p > .79$), and motorcycle ($M = 4.79$ vs. $M = 5.05; p > .59$). As expected, in the ANOVAs, the main effect of company size and the interaction were not significant or borderline significant in any of the analyses.

EXPERIMENT 2

Experiment 2 was carried out for two reasons: (1) to replicate the findings in Experiment 1 with a non-student sample of actual consumers; and (2) to explore the relationship between perceived risk and firm size. Again, two separate studies were

conducted in Hong Kong and the United States We first report the common method used in both studies and then the results, again separately for the Hong Kong and the U.S. sample.

| Parent Category | Perceived Fit | Size of Company | |
|-----------------------|---------------|-----------------|-----------|
| | | Small | Large* |
| Ice Cream Extensions | Low | 2.00 | vs. 2.35 |
| | High | 5.05 | vs. 5.16 |
| Automobile Extensions | Low | 3.15 | vs. 3.55 |
| | High | 4.79 | vs. 5.05 |
| Bank Extensions | Low | 2.23 | vs. 2.40 |
| | High | 4.89 | vs. 4.78 |
| Sum Score | Low | 7.38 | vs. 8.30 |
| | High | 14.74 | vs. 15.00 |

* None of the comparisons were significantly different even at $p < 0.10$.

The Hong Kong and the U.S. samples consisted of 60 subjects each. The subjects in each sample were comparable demographically in terms of age, income, and education; each consisted of a group of working professionals. Respondents were told that the researchers were interested in obtaining their opinions on a number of new product introductions. In addition, they would be asked to complete a few survey questions and background information. The subjects were compensated at the end of the experiment for their participation—US\$5 each for the U.S. sample and HK\$40 each for the Hong Kong sample.

The experimental design was identical to that of Experiment 1: each sample was randomly assigned to one of four experimental conditions according to a 2 (fit) x 2 (company size) between-subject design.

The core and extension categories were selected from consumer product categories. With Asia-Pacific Rim countries continuing to experience the highest economic growth in the world, the average household disposable income has risen sharply (Engardio 1993). Additionally, with consumer goods companies intensifying their advertising campaign in the region, the demand for consumable goods has experienced a sharp rise in recent years (Hill 1988). Hence warranting a closer inspection into consumer product categories, three core categories with corresponding high and low fit extensions were selected as follows. The core categories were: ice cream, beer, and toothpaste. The respective high vs. low fit

Table 2.
Experiment 1: U.S. Sample
Mean Perceived Product Quality as a Function of Perceived Fit and Size of Company

Method Overview

Experimental Design and Stimuli

extensions were yogurt and ball-point pen (for ice cream), light beer and iced tea (for beer), and mouthwash and deodorant (for toothpaste).

Measures

The manipulation check procedures for the fit (high vs. low) with the core category and the extent of individualism/collectivism for the Hong Kong and the U.S. samples from Experiment 1 was applied here as well. Again the Hong Kong sample exhibited a higher degree of collectivism than the U.S. respondents in their score comparison (3.32 vs. 4.74; $p < .01$). As for the main dependent variables, respondents in each sample had to judge each extension in terms of (1) perceived quality (low—high) and (2) perceived risk (low—high). Perceived risk was assessed to investigate whether the two concepts—perceived quality and perceived risk—provide comparable findings, thus suggesting that perceived risk may drive perceived quality judgment.

Results

The Hong Kong Study

The manipulation check indicated that the fit manipulation was successful across all three product categories (ice cream, beer, toothpaste). Specifically, high fit extensions were perceived to be closer to the core product than low fit extensions (ice cream: $M = 5.80$ for yogurt vs. $M = 1.83$ for ball-point pen; beer: $M = 6.23$ for light beer vs. $M = 2.57$ for iced tea; toothpaste: $M = 5.46$ for mouthwash vs. $M = 3.00$ for deodorant). All three comparisons were significant at $p < .0001$.

A 2 (fit) \times 2 (size of company) ANOVA conducted on the perceived quality measures for each product confirmed the findings of Experiment 1. In each case, the effects of fit, company size, and the interaction were significant. Moreover, as shown in Table 3, for each product category, the pattern of the results supported the findings from Experiment 1. Under conditions of high fit, extensions were judged to be of similar quality for companies of different sizes: yogurt ($M = 4.93$ vs. $M = 5.06$, $p > .75$), light beer ($M = 5.46$ vs. $M = 5.20$, $p > .47$), and mouthwash ($M = 5.20$ vs. $M = 5.00$, $p > .58$). However, under low fit conditions, large size companies' extensions were judged to be of higher quality than small size companies: ball-point pen ($M = 4.27$ vs. $M = 2.67$, $p < .001$), iced tea ($M = 4.33$ vs. $M = 2.73$, $p < .0001$), and deodorant ($M = 4.13$ vs. $M = 3.00$, $p < .01$).

In general, the analyses on perceived risk provided parallel effects, thus suggesting that the perceived quality effects may be driven by perceived risk. In the ANOVAs, for ice cream and beer extensions, the effects of fit, company size, and their interaction were significant for two of the three categories and in the aggregate analysis across all three categories. (For toothpaste, only the main effect was significant.) In the high

fit conditions, company size did not significantly affect perceived risk: yogurt ($M = 2.13$ vs. $M = 2.53$, n.s.), light beer ($M = 2.13$ vs. $M = 2.67$, n.s.) and mouthwash ($M = 1.80$ vs. $M = 2.47$, $p > .07$). However, company size strongly and significantly affected perceived risk under low fit: ball-point pen ($M = 2.60$ vs. $M = 4.80$, $p < .0001$), iced tea ($M = 2.53$ vs. $M = 4.33$, $p < .0001$), and deodorant ($M = 2.80$ vs. $M = 4.00$, $p < .01$).

| Parent Category | Perceived Fit | Measure | Size of Company | |
|-----------------------|---------------|---------|-----------------|-----------|
| | | | Small | Large |
| Ice Cream Extensions | Low | Quality | 2.87 | vs. 4.27* |
| | High | Quality | 5.06 | vs. 4.93 |
| | Low | Risk | 4.80 | vs. 2.60* |
| | High | Risk | 2.53 | vs. 2.13 |
| Beer Extensions | Low | Quality | 2.73 | vs. 4.33* |
| | High | Quality | 5.20 | vs. 5.46 |
| | Low | Risk | 4.33 | vs. 2.53* |
| | High | Risk | 2.67 | vs. 2.13 |
| Toothpaste Extensions | Low | Quality | 3.00 | vs. 4.13* |
| | High | Quality | 5.00 | vs. 5.20 |
| | Low | Risk | 4.00 | vs. 2.80* |
| | High | Risk | 2.47 | vs. 1.80 |

* Comparisons were significantly different at $p < 0.01$.

The fit manipulation for the U.S. sample was also successful. High fit extensions were perceived to be closer to the core product than low fit extensions (ice cream: $M = 5.46$ for yogurt vs. $M = 2.60$ for ball-point pen; beer: $M = 6.86$ for light beer vs. $M = 3.80$ for iced tea; toothpaste: $M = 5.33$ for mouthwash vs. $M = 2.77$ for deodorant). All three comparisons were significant at $p < .0001$.

As in Experiment 1, the fit between the extension and the core product category was the factor of primary importance to the U.S. respondents' extension quality assessment. As shown in Table 4, across the three categories, U.S. respondents gave high fit extensions higher quality ratings than low fit extensions. Also shown in Table 4, 2 (fit) \times 2 (size of company) ANOVAs conducted on the perceived quality measures for each product revealed a strong main effect of perceived fit in all analyses (all p 's $< .001$), but the main effect of company size and their interaction were not significant in any of the analyses.

Table 3.
Experiment 2:
Hong Kong Sample
Mean Perceived Product
Quality and Perceived Risk
as a Function of Perceived
Fit and Size of Company

The U.S. Study

Table 4.
Experiment 2: U.S. Sample
Mean Perceived Product
Quality and Perceived Risk
as a Function of Perceived Fit
and Size of Company

| Parent Category | Perceived Fit | Measure | Size of Company | |
|-----------------------|---------------|---------|-----------------|----------|
| | | | Small | Large* |
| Ice Cream Extensions | Low | Quality | 3.73 | vs. 3.60 |
| | High | Quality | 5.56 | vs. 5.71 |
| | Low | Risk | 3.87 | vs. 3.80 |
| | High | Risk | 1.38 | vs. 1.29 |
| Beer Extensions | Low | Quality | 3.27 | vs. 3.40 |
| | High | Quality | 5.87 | vs. 5.72 |
| | Low | Risk | 3.53 | vs. 3.47 |
| | High | Risk | 1.14 | vs. 1.07 |
| Toothpaste Extensions | Low | Quality | 3.47 | vs. 3.40 |
| | High | Quality | 5.62 | vs. 5.50 |
| | Low | Risk | 3.73 | vs. 3.60 |
| | High | Risk | 1.31 | vs. 1.43 |

* None of the comparisons were significantly different even at $p < 0.10$.

The same pattern of results also emerged on the perceived risk measure. In contrast to Hong Kong respondents, only the main effect of fit was significant in all three cases and in the aggregate analysis. A closer look at the results, as shown in Table 4, reveals a pattern similar to that of the perceived quality findings.

DISCUSSION

Companies introducing new products under the same company or brand name face two options. They can either focus on product-related benefits of the new brand by virtue of its fit with existing products, or they can focus on benefits provided by the fact that a company with certain characteristics introduces the new product. The results of our studies suggest that the former approach is most appropriate for U.S. consumers. For East Asian consumers, on the other hand, the company image is also important, especially under conditions of low fit. When East Asian consumers are confronted with an extension that shares little in common with a company's existing products, they are still likely to believe that the product is of high quality if it is marketed by a large firm. Most important, Experiment 2 suggested a likely reason for the importance of company size: extensions of larger firms are less risky than extensions of smaller firms.

An example from the large Japanese cosmetics manufacturer, Shiseido, provides a good illustration of this principle. Shiseido was successful with diapers in Japan but not in the United States. According to the conceptualization provided

here, Japanese consumers perceived the remote extension to be of high quality because it was done by a large cosmetics firm while U.S. consumers only considered the extension's low fit with cosmetics.

Our results suggest that corporate identity is of differential importance in the U.S. and in East Asia. As a result, companies that market their products in East Asia must be concerned with building strong corporate identities in East Asia in addition to providing appropriate product-related associations for their brands (Schmitt and Pan 1994).

This can be done in several ways. First, companies may use public relations efforts to communicate to consumers that their companies are particularly trustworthy and reliable because of their size. Moreover, companies may want to broaden their product portfolios when entering markets in East Asia because a broad product portfolio suggests breadth, diversification, and versatility and thus further reduces perceptions of risk with new products. The latter approach may be pursued via alliances or joint ventures with local firms or via acquisitions. Finally, Western firms, in particular, are encouraged to adapt their advertising styles, as P&G has done, by focusing not only on the utilitarian benefits of their products but also on their corporate identity. This may be achieved by displaying logos and company names prominently at the end of a commercial.

On the other hand, Asian firms, particularly the ones that have relied heavily on the company reputations in broadening product breadth in the Asia-Pacific Region, should take precaution when considering a similar strategy in the United States. As indicated by our findings, U.S. consumers consider the product category fit as of paramount importance in judging brand extensions. Hence, Asian companies should not only consider putting greater emphasis on the product category (vs. company) aspects in their communications but also need to take into account the product category fit constraints in future product portfolio expansions.

Future research of high practical relevance should test the importance of product-related brand equity strategies versus company-related equity strategies for new market entries with entirely new products rather than brand extensions. In other words, how do East Asian consumers respond when a U.S. company unfamiliar to consumers in East Asia introduces its first product in an East Asian market, and conversely, how do U.S. consumers respond in an analogous situation? As for brand extensions, new market entries comprise an unfamiliar situation to consumers, albeit of a different type. In the case

MANAGERIAL IMPLICATIONS

FUTURE RESEARCH

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- of brand extensions, consumers are familiar with the company from another category; in the case of new market entries, consumers may have knowledge of the product category but they do not know the company as such very well. As a consequence, consumers cannot rely on a familiar fit notion for judging the new product. It is an interesting question for future research—whether in this case a cue such as company size also becomes a critical factor for U.S. consumers.
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APPENDIX
Individualism-Collectivism Scale*
(Triandis, Bontempo, Villareal,
Asai, and Lucca 1988)

1. If the group is slowing me down, it is better to leave it and work alone.
2. To be superior, a person must stand alone. (Reversed)
3. Winning is everything.
4. Only those who depend on themselves get ahead in life. (Reversed)
5. If you want something done right, you've got to do it yourself.
6. What happens to me is my own doing. (Reversed)
7. I feel winning is important in both work and games.
8. Success is the most important thing in life. (Reversed)
9. It annoys me when other people perform better than I do.
10. Doing your best isn't enough; it is important to win. (Reversed)
11. In most cases, to cooperate with someone whose ability is lower than oneself is not as desirable as doing the thing on one's own.
12. In the long run the only person you can count on is yourself. (Reversed)
13. It is foolish to try to preserve resources for future generations.
14. People should not be expected to do anything for the community unless they are paid for it. (Reversed)
15. Even if a child won a Nobel Prize, the parents should not feel honored in anyway.
16. I would not let my parents use my car (if I had one), no matter whether they are good drivers or not. (Reversed)
17. I would help within my means if a relative told me that s(he) is in financial difficulty.
18. I like to live close to my friends. (Reversed)
19. The motto "sharing is both blessing and calamity" is still applicable even if one's friend is clumsy, dumb, and causing a lot of trouble.
20. When my colleagues tell me personal things about themselves, we are drawn closer together. (Reversed)
21. I would not share my ideas and newly acquired knowledge with my parents.
22. Children should not feel honored even if the father were highly praised and given an award by a government official for his contributions and service to the community. (Reversed)
23. I am not to blame if one of my family members fails.
24. My happiness is not related to the well-being of my co-workers. (Reversed)
25. My parents' opinions are not important in my choice of a spouse.
26. I am not to blame when one of my close friends fails. (Reversed)
27. My co-workers' opinions are not important in my choice of a spouse.
28. When a close friend of mine is successful, it does not really make me look better. (Reversed)
29. One need not worry about what the neighbors say about whom one should marry.

* Seven-Point Scale: (Strongly Agree—Strongly Disagree)