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Brand extensions

A successful strategy in luxury fashion branding? Assessing consumers' implicit associations

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Abstract

Purpose – Although the investigation of brand extension strategies has gained importance, existing research focusses primarily on consumer attitudes to brand extensions, and to date, little research has been made on the luxury market. Moreover, studies on the impact of brand extensions have been limited to explicit measurement methods. Therefore, the aim of this study is to provide new insights by focussing on the change of consumers' brand perception related to downgrading and upgrading brand extensions strategies in the luxury market based on an implicit association test (IAT).

Design/methodology/approach – In this exploratory study context of examining the spontaneous reaction time with reference to the luxury concept by confronting respondents with adequate verbal brand extension stimuli, a ST-IAT was considered for the empirical tests of these hypotheses.

Findings – The study results give evidence that consumers' perception of an upgrading or downgrading strategy of a brand varies in accordance to these hypotheses. Hence, the reaction time of the H&M subjects decreased after having read the upgrading stimulus whereby, in the case of Karl Lagerfeld, the ST-IAT reaction times showed that the downgrading information resulted in a weaker association of Karl Lagerfeld with luxury.

Originality/value – The use of implicit measurement methods is becoming increasingly important for assessing consumer reaction to the new product line. Particularly, when luxury brands apply a downgrading strategy, the risks of possible damages to the core brand are much higher than in the case of an upgrade of a basic brand to the luxury or premium segment.

Keywords Brand extension, Implicit association test (IAT), Implicit measurement, Luxury fashion branding

Paper type Research paper

Introduction

"Today luxury is everywhere" (Kapferer and Bastien, 2009, p. 311). As basic as this sentence, as complex is the management of luxury brands nowadays. Related to the rising demand for luxury from emerging countries (e.g. India and China) as well as the increased spending capacity of the middle class, since the 1990s, the market for luxury brands has grown considerably (Hudders *et al.*, 2012). These days, luxury does not only serve the desire of the affluent society, but also the demand of people who can occasionally afford the brands of luxury producers (Yeoman, 2011; Wiedmann *et al.*, 2009). Thus, luxury brands are no longer the exclusive domain of the elite (Yeoman and McMahon-Beattie, 2006; Wiedmann *et al.*, 2009). Often described as the democratization of the luxury market (Dubois and Laurent, 1995), luxury became more accessible to a larger audience, which results in the demand for brands to "re-position themselves to attract the new, niche luxury market that was employing a different way of thinking than those of 'old luxury'" (de los Santos, 2009, p. 2). To serve this new market trends, vertical brand extension strategies are of particular interest for brand managers (Stegemann, 2006).

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Especially in the fashion industry, various companies have launched brand (line) extensions addressing the new or casual luxury buyers (Truong *et al.*, 2009). On the one hand, luxury brand managers are interested in downgrading strategies, while, on the other hand, brand managers of premium brands are interested in upgrading strategies (Truong *et al.*, 2009).

Although the investigation of vertical brand extension strategies has gained importance, existing research focusses primarily on consumer attitudes to and evaluation of vertical brand extensions and their impact on the "equity" of the parent brand (Riley *et al.*, 2004) and, to date, little research has been made on the luxury market (Stegemann, 2006). Moreover, studies on the impact of vertical brand extensions have been limited to explicit measurement methods (McCarthy *et al.*, 2001; Riley *et al.*, 2004; Reddy *et al.*, 2009; Ginman *et al.*, 2010). These results are restricted in their significance as recent findings indicate that perception and attitude change unconsciously in the minds of customers and, consequently, cannot explicitly queried (Scheier, 2007). Therefore, the aim of this study is to provide new insights by focussing on the change of consumers' brand perception related to downgrading and upgrading brand extensions strategies in the luxury market based on an implicit association test (IAT). To investigate the attitude change toward the core brand, the well-known fashion brands H&M and Karl Lagerfeld have been selected using a story telling approach.

Theoretical background

The luxury concept

Even if the term "luxury" is routinely used in our everyday life, there is little agreement on the definition of luxury (Hennigs *et al.*, 2013) as the understanding of luxury may differ between individuals, is situational contingent and depends on the experience and individual needs of the consumer (Wiedmann *et al.*, 2007; Hennigs *et al.*, 2013). As early as 1898, Davidson argued: "The definitions of luxury have been so various that the perplexity of the public is almost excusable" (Davidson, 1898, p. 61). Nevertheless, over time the concept of luxury has lost its predominantly negative view. Today, luxury is mainly recognized as the satisfaction of the demand beyond the ordinary or average standard of living (Sombart, 1996, p. 85).

With reference to the core value of luxury brands, Dubois *et al.* (2001) claim that consumer perceive six luxury-specific characteristics: excellent quality, very high price, scarcity and uniqueness, aesthetics and polysensuality, ancestral heritage and personal history, as well as superfluousness. Focussing on the term "new luxury," Silverstein and Fiske (2003, p. 3) define: "products and services that possess higher levels of quality, taste, and aspiration than other goods in the category but are not so expensive as to be out of reach."

From a consumer perspective, according to Wiedmann *et al.* (2007, 2009), luxury brands can satisfy financial, functional, individual and social needs. The financial value dimension includes direct monetary aspects such as the price or opportunity costs. The functional value dimension refers to the core performance of a product as quality or uniqueness. The social value dimension relies mainly on prestige as well as the possibility to distinguish from other individuals, whereas the individual value dimension relates to hedonic consumption.

In sum, "Luxury goods are conducive to pleasure and comfort, are difficult to obtain, and bring the owner esteem, apart from functional utility" (Shukla, 2011, p. 243).

Brand extension

Brand extension is a common strategy of introducing new products to the marketplace (Kim and Lavack, 1996). Such a strategy is often used in the context of considerable costs and risks of a new product launch as companies can take advantage of brand name recognition and image to enter new markets faster and even more successful (Aaker and Keller, 1990; Pitta and Katsanis, 1995; Stegemann, 2006).

According to existing literature, four strategic approaches exist to enter new markets or segments by leveraging on current brand names: line extension, category extension, co-branding and franchising. This study focusses on line extension (vertical brand extension). This strategy aims to introduce a brand in the same product category of the core brand but at a different price and quality level (Kim and Lavack, 1996). Brand managers can choose between two directions of vertical brand extensions: step-up (upgrading) or step-down (downgrading) (Kim *et al.*, 2001). When following a step-up brand extension, the extended brand is introduced at a higher price and quality level than the core brand, while a step-down brand extension will be introduced at a lower price and quality level (Kim and Lavack, 1996).

In general, for the success of an extension strategy existing research highlights the importance of the perceived fit between the core brand and the extended brand (Aaker and Keller, 1990; Reddy *et al.*, 1994) as well as the necessity of a strong image of the core brand with a high value of brand recognition and brand strength (Pitta and Katsanis, 1995). Thus, an excessive and inconsistent extension (i.e. a low fit between the core and extended brand or even a contradictory image) might lead to a negative brand image and create damaging associations which may be very difficult for a company to overcome (Aaker and Keller, 1990; Kim *et al.*, 2001).

Various opportunities and risks are associated with a line extension. Focussing on a downgrading strategy in the luxury sector, in order to gain additional market shares, brand managers might want to attract more price-sensitive customers through lower-end products (Magnoni and Roux, 2008). Thus, referring to the increasing demand for luxury brands, traditional luxury brands and designers such as Tag Heuer and Armani extended their brands with a focus on lifestyle products in order to target different consumers (Truong *et al.*, 2009). Nevertheless, in the luxury market a downgrading strategy might lead to a dilution or damage of the brand's image, especially in view of the brand's exclusivity (Dubois and Paternault, 1995; Kim and Lavack, 1996; Ahluwalia and Gürhan-Canli, 2000). Moreover, through the lower price (and possibly even quality) luxury brands may also face a loss of prestige (Kim and Lavack, 1996). As a consequence, the demand for the core brand might decrease.

Against the backdrop of an upgrading strategy, companies introduce vertical brand extension strategies in order to gain additional market shares. For instance, premium brands are following a vertical brand extension strategy in order to serve the growing niche of accessible luxury. Nevertheless, an upgrading brand extension, incorporating a difference in price and/or quality, might lead to "consumer concerns, questions, or dissonance about the quality level of the core brand" (Kim and Lavack, 1996).

In view of the possible negative effects of a vertical brand extension strategy, distancing techniques gain relevance (Kim *et al.*, 2001). According to this, if the brand extension is introduced at a significant different price/quality level, it might be desirable "[…] to create a larger distance or separation between the core brand and the brand extension using a graphical or linguistic distancing method" (Kim *et al.*, 2001).

Conceptualization

Due to the more and more common assumption that customer behavior is not only driven and regulated by cognitive-rational considerations, the analysis of unconscious and implicit processes moves into focus (Friese *et al.*, 2006; Maison *et al.*, 2001). Such implicit attitudes can be defined "as actions or judgments that are under the control of automatically activated evaluation, without the performer's awareness of that causation" (Greenwald *et al.*, 1998, p. 1464), what suggests a spontaneous, rather intuitive decision behavior. Hence, when it comes to the analysis of product or brand choices, it seems appropriate to rely on implicit measurement methods which overcome the disadvantages of classical explicit methods that are based on self-evaluations (Nosek, 2007; Friese *et al.*, 2006). The main characteristic of implicit measures is that the study participants are not explicitly asked for information regarding certain questions because these methods try to solve the problems of slow and socially desirable responses by avoiding direct questioning (Bing *et al.*, 2007; Hofmann *et al.*, 2005). Consequently, there exists a rather low probability that the results will be falsified because the respondents do not know about the applied measurement method (Greenwald *et al.*, 2002).

One of the most famous implicit measurement methods is the computer-based IAT, developed by Greenwald *et al.* (1998), which is particularly applicable to the investigation of attitudes, stereotypes and prejudices (Hofmann *et al.*, 2005; Greenwald *et al.*, 2003). The basic idea behind the IAT is that it would be easier for participants to respond with the same answer key on associated subjective concepts (compatible) than with an opposite response key (non-compatible) (Greenwald *et al.*, 2009). The resulting so-called IAT-effect describes "the differences in mean latency between these two conditions (non-compatible minus compatible)" (Greenwald *et al.*, 1998, p. 1468) and is often interpreted as the strength of an associative link (Greenwald *et al.*, 2003, 1998).

In contrast to the aforementioned classical IAT, the single target-IAT (ST-IAT), which was applied in the present study, "measures the evaluation of a target object without the need to simultaneously evaluate a counter-category" (Bluemke and Friese, 2008, p. 977). Accordingly, respondents are presented only one target object per phase to receive an absolute and not just relative IAT-effect (Bluemke *et al.*, 2010; Bluemke and Friese, 2008). The structure of a ST-IAT is shown in Table I by using the specific contents of our study.

In order to fulfill our study objective to investigate the change of consumers' brand perception related to down- and upgrading brand extensions strategies in the luxury market, we have carefully chosen two widely known target concepts so that respondents have no problems in the later word assignment. "Karl Lagerfeld" is one of the most successful and recognizable figures in fashion that serves as a source of inspiration for luxury brands. On the other hand, "H&M" is one of the world's largest "fast fashion" clothing retailers that has achieved popularity, especially among mainstream consumers. Also, the words for the attribute concepts "luxury" and "non-luxury" were carefully selected to prevent irritations and misunderstandings. Therefore, the key features of luxury goods, defined by Dubois *et al.* (2001), as well as common terms regarding product values were used. In particular, the attribute "luxury" is determined by expensive, high quality, valuable, unique and status, whereas "non-luxury" is described by contrasting words such as cheap, substandard, normal, mass produced and ordinary.

Based on the presented conceptualization of the ST-IAT, we assume that it should be possible to influence the spontaneous reaction time with reference to the luxury

Table I.
Structure of the ST-IAT by using H&M or Karl Lagerfeld as target concept

Block	Trials	Task description	Left key concepts (E)	Right key concepts (I)
Unipolar target concept: H&M				
Bipolar attribute concept: luxury vs non-luxury				
1	20	Evaluative training trials	Luxury	Non-luxury
2	20 (training) 40 (experiment)	Initial block	Luxury	Non-luxury + H&M
3	20 (training) 40 (experiment)	Reversed block	Luxury + H&M	Non-luxury
Unipolar target concept: Karl Lagerfeld				
Bipolar attribute concept: luxury vs non-luxury				
1	20	Evaluative training trials	Luxury	Non-luxury
2	20 (training) 40 (experiment)	Initial block	Luxury + Karl Lagerfeld	Non-luxury
3	20 (training) 40 (experiment)	Reversed block	Luxury	Non-luxury + Karl Lagerfeld

concept by confronting respondents with adequate verbal up- and downgrading stimuli. Against this background the following hypotheses can be derived:

H1. After providing an upgrade stimulus, H&M is easier associated with the luxury concept.

H2. After providing a downgrade stimulus, Karl Lagerfeld is less associated with the luxury concept.

Methodology

The collection of the data was conducted in Germany over a period of ten days in July 2012. To recruit potential study participants, we targeted native-speaking, right-handed volunteers with high interest in the domain of fashion and luxury as well as sufficient knowledge about the selected brands H&M and Karl Lagerfeld. A total of 30 individuals participated in the study, one-third of them male and two-third of them female, with a mean age of 26 years. The computer-assisted personal interviews were based on a ST-IAT using Inquisit Web Edition 4.0 Beta by Millisecond Software.

The interviews were divided into three parts to allow a before-after measurement and comparison: after a brief instruction focussing on the general purpose of this study, the participants completed the IAT in which the IAT stimulus lists were comprised of the materials as shown in Table II – 50 percent of the sample were exposed to the Karl Lagerfeld stimuli, 50 percent to the H&M stimuli.

In particular, the ST-IAT followed the three different blocks as described in Table I. Specifically, in Block 1, for evaluative training purposes referring to the bipolar attribute concept of luxury vs non-luxury, the luxury concept was categorized on the "E" key (left key concept), whereas "non-luxury" was categorized on the "I" key (right key concept). In Block 2, the initial block with 20 training and 40 experiment trials, the luxury concept as well as the stimuli for the brand (unipolar target concept: H&M or Karl Lagerfeld) were assigned on the "E" key, the concept for "non-luxury" on the "I" key. In the reversed block (Block 3) with 20 training and 40 experiment trials, the luxury concept was still categorized on the "E" key, whereas "non-luxury" and the stimulus material for the selected brand was categorized on the "I" key.

In a second step, to investigate the effect of a possible vertical brand extension, at the end of the IAT measurement, each participant was asked to read a newspaper article that relates to a trading-up in the case of H&M and a trading-down in the case of Karl Lagerfeld (see material as shown in Figure 1).

Subsequently, in a third step, the ST-IAT was performed again to detect possible differences compared to the first measurement.

Label	Stimuli
Word stimuli	
Luxury	Expensive, high quality, valuable, unique, status
Non-luxury	Cheap, substandard, normal, mass produced, ordinary
Picture stimuli	
Brand A: H&M	6 illustrations including brand logos were presented
Brand B: Karl Lagerfeld	6 illustrations including brand logos were presented

Table II.
Word and picture stimuli for the ST-IAT

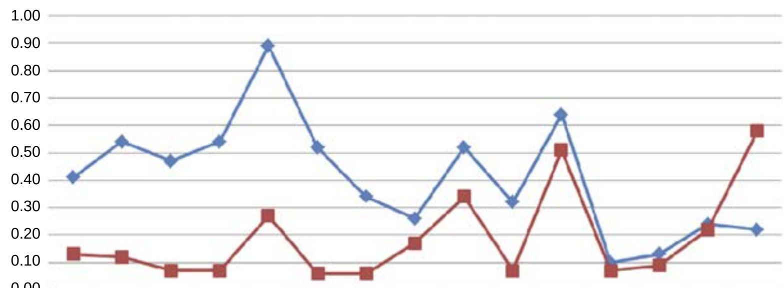
Brand Extension: Upgrading and Downgrading Stimuli		
Stimulus Upgrade **→ H&M**	**Oh, these Swedes! This is going to be a whole new story: A top manager of the Swedish fashion group H&M reveals that the new premium product line will be called '& Other Stories'.** Last week, H&M's CEO *Karl-Johan Persson* announced that a new fashion concept will be launched in early 2013 in Europe. The Swedish newspaper *Dagens Nyheter* found out that the new product line will be branded *'& Other Stories*'. The H&M group had already registered corresponding brand names and logos last year at the *Swedish Patent and Registration Office* and the *World Intellectual Property Organization (WIPO) Geneva*. Yesterday, H&M's spokeswoman *Camilla Emilsson-Falk* confirmed the new concept and added: '*The new product line is a perfect complement to H&M. '& Other Stories*' *will offer products with exceptional quality in a higher price range, but still fit to the H&M group's business concept: Fashion and quality at the best price possible.'* However, it can be assumed that *'& Other Stories*' covers a broad product range. The brand is registered for product categories such as fashion, hair care products, bed and table linen, as well as sports equipment.	*Picture Stimuli of H&M Collection* The new product line of H&M is branded *'& Other Stories*' and offers high quality fashion
Stimulus: Downgrade **→ Karl Lagerfeld**	**After the success of his first fashion collection '*Karl'* by Karl Lagerfeld, which is priced lower than the brand's premium line, the fashion emperor now sets it to the extreme.** Karl Lagerfeld plans a second collection branded '*Otto'*, Mr. Lagerfeld's middle name. The new fashion line will be available from the beginning of 2013 at the mail-order company *OTTO*. A very consistent approach: Otto for OTTO – widely available and affordable for the average consumer. The price range is supposed between 30 and 120 euros and is comparable to fashion chains such as *Vero Moda*, *H&M* and *Zara*. Lagerfeld has already announced, with reference to his first masstige-collection '*Karl'*, that he envisions the idea of '*mass elitism'*: '*I think it was almost my duty to make it possible under my name. This is the road of modernity.*' With the new product line '*Otto'*, he will take a further step forward to this vision.	*Picture Stimuli of Karl Lagerfeld Collection* Look from the new collection '*Otto*' by Karl Lagerfeld

Figure 1.
Newspaper articles

Results and discussion

For the analysis of our data, in a first step, the IAT-effect for each participant based on the *D*-score algorithm of Greenwald *et al.* (2003) was calculated. Therefore, only the data of the reaction time measurements in the experimental blocks were used in the calculation process. The other blocks were not considered, due to the fact that the reaction time here is usually longer (see Greenwald *et al.*, 1998; Greenwald and Farnham, 2000) and more likely to fulfill the purpose of a training effect. In general, high ST-IAT scores above 0 indicate positive implicit brand associations, whereas low ST-IAT scores below 0 indicate negative implicit brand associations with Karl Lagerfeld or H&M against the backdrop of a luxury concept. In addition, there is a general assumption that a short reaction time suggests that a particular brand is more associated with the concept of luxury. The scores for all subjects (absolute values, sorted by size) are shown in Figures 2 and 3 to illustrate the study results against the backdrop of our hypotheses.

Referring to H&M, the reaction time was significantly shorter for 11 out of 15 test subjects after having read the trading-up stimulus. Reasoning that an upgrade stimulus causes the subjects to facilitate the association of the brand with the concept

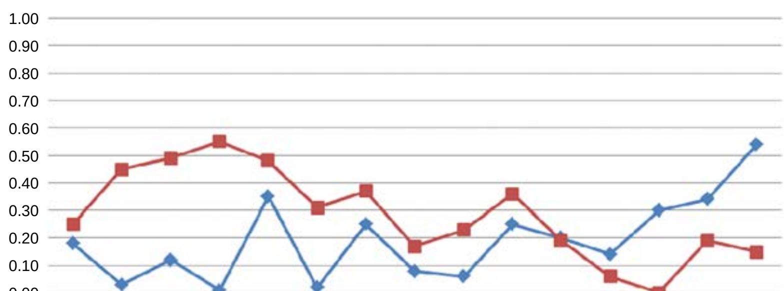


	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Reaction Time "Before"	0.41	0.54	0.47	0.54	0.89	0.52	0.34	0.26	0.52	0.32	0.64	0.10	0.13	0.24	0.22
Reaction Time "After"	0.13	0.12	0.07	0.07	0.27	0.06	0.06	0.17	0.34	0.07	0.51	0.07	0.09	0.22	0.58

Reaction Time "Before" Reaction Time "After"

Note: Absolute values, sorted by size

Figure 2.
IAT scores – H&M



	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Reaction Time "Before"	0.18	0.03	0.12	0.01	0.35	0.02	0.25	0.08	0.06	0.25	0.20	0.14	0.30	0.34	0.54
Reaction Time "After"	0.25	0.45	0.49	0.55	0.48	0.31	0.37	0.17	0.23	0.36	0.19	0.06	0.00	0.19	0.15

Reaction Time "Before" Reaction Time "After"

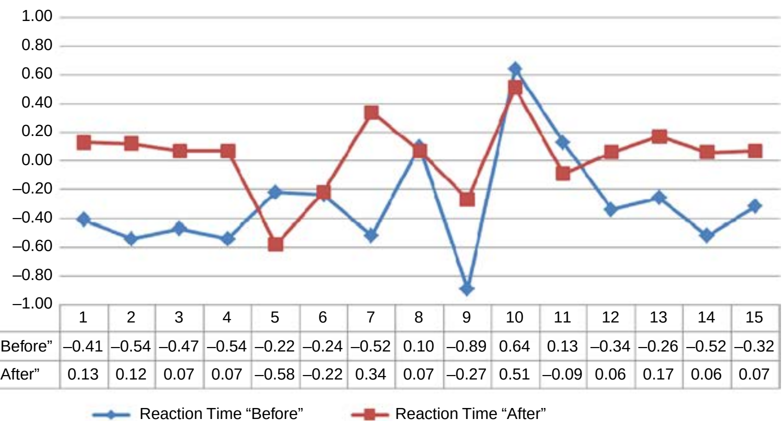
Note: Absolute values, sorted by size

Figure 3.
IAT scores – Karl Lagerfeld

of luxury, the data confirm that H&M was more assigned to the luxury category in the second measurement step. Therefore, *H1* is supported.

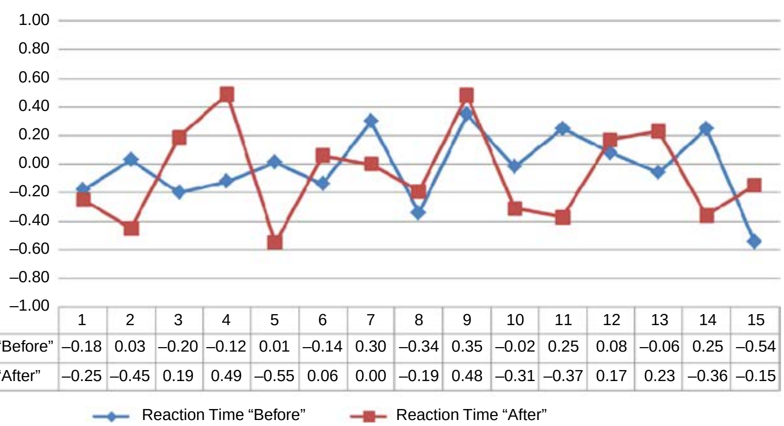
For the case of Karl Lagerfeld and the downgrading stimulus, a reverse effect was revealed. In this context, the results show clearly a higher reaction time in the second stage of the IAT measurement for 11 pre-post values. The result are supportive of *H2*, suggesting that a downgrading stimulus with a price reduction and a greater availability of the offered fashion items leads to a decreased association with the luxury concept.

Comparing the individual reaction times before and after the upgrading stimulus (see Figures 4 and 5), ten out of 15 subjects in the H&M sample recorded a more positive attitude to the brand after having read the newspaper article. Therefore, the information about the luxury collection by H&M led to a stronger implicit association with the luxury category. For the case of Karl Lagerfeld, a more differentiated picture was created: one half of all subjects rated Karl Lagerfeld worse after the downgrading stimulus; however, the other half revealed a more positive attitude to the brand in relation to luxury.



	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Reaction Time “Before”	–0.41	–0.54	–0.47	–0.54	–0.22	–0.24	–0.52	0.10	–0.89	0.64	0.13	–0.34	–0.26	–0.52	–0.32
Reaction Time “After”	0.13	0.12	0.07	0.07	–0.58	–0.22	0.34	0.07	–0.27	0.51	–0.09	0.06	0.17	0.06	0.07

Figure 4.
Individual reaction times – H&M



	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Reaction Time “Before”	–0.18	0.03	–0.20	–0.12	0.01	–0.14	0.30	–0.34	0.35	–0.02	0.25	0.08	–0.06	0.25	–0.54
Reaction Time “After”	–0.25	–0.45	0.19	0.49	–0.55	0.06	0.00	–0.19	0.48	–0.31	–0.37	0.17	0.23	–0.36	–0.15

Figure 5.
Individual reaction times – Karl Lagerfeld

Apparently, the results provide no clear picture about the effect of the downgrading stimulus. However, a possible explanation for the ambiguous results might be the lack of experience with the brand Karl Lagerfeld. Due to the fact that in comparison to H&M, the study participants indeed know Karl Lagerfeld, nevertheless are less likely to personally own one of the brand's products. For that reason, the newspaper stimulus led to enhanced knowledge about this brand that was reflected in a stronger association with luxury for some of the study participants – even if the information in the article focussed on a downgrading situation of the brand. Consequently, in next research steps, the focus on participants with actual product experience with this brand might lead to less ambiguous results.

Conclusion

Main contribution

The main objective of this study was to investigate with reference to an implicit measurement approach, whether vertical brand extensions can be considered a useful and successful strategy in the luxury category. The study results give evidence that consumers' perception of an upgrading or downgrading strategy of a brand varies in accordance to our hypotheses. In detail, the reaction time of the H&M subjects decreased after having read the upgrading stimulus, because the association of H&M and the luxury concept was enhanced by the newspaper articles with information of a new product line with extraordinary quality and a higher price. The effect of the newspaper article could also be intensified by the fact that in the past, H&M has collaborated with luxury brands such as Versace, Roberto Cavalli and Karl Lagerfeld and was therefore more likely to be related with luxury. In the case of Karl Lagerfeld, the ST-IAT reaction times showed that the downgrading information in the newspaper article resulted in a weaker association of Karl Lagerfeld with luxury. In this context, again the effect could have been reinforced by past collaborations with Karl Lagerfeld and H&M and the fact that Karl Lagerfeld has already released a collection in the lower-price segment. Consequently, further investigation is needed with respect to the extension to brands that have still refrained from vertical brand extension strategies.

It has to be noted that an accurate interpretation and generalizability of the results are limited because of the relatively small sample size of 30 subjects. Therefore, it is reasonable to replicate the study with a much larger sample size to gain more differentiated results. Besides, typically for implicit measurement approaches, especially based on IAT reaction times, a decreasing attention of the study participants that is due to the duration of the interview and the learning effect cannot be disregarded. Even if such influences can be generally assumed and have to be considered in the context of the interpretation of results, in our context, possible learning effects cannot be seen as particularly for the Karl Lagerfeld sample slower reaction times could be measured in the second stage of the ST-IAT. Overall, the results of the study presented here provide interesting insights that imply valuable recommendations for both marketing research and management practice.

Implications for future research

The importance of vertical brand extension strategies for luxury brands has been elaborated in this study against the backdrop of the identified research gap that surprisingly only limited knowledge is available that empirically investigates the impact of vertical brand extensions in the luxury industry. In addition, existing studies are commonly based on explicit measurement methods, even if most of the information processing and decision making occurs unconsciously (see e.g. Dijksterhuis *et al.*, 2006). As described in the present study, to reveal comprehensive insights on consumer attitudes and perceptions, future research should also apply implicit measurement methods, perhaps in combination with conventional explicit methods such as self-assessment questionnaires. However, the design of an appropriate implicit measurement method and the selection of suitable stimulus material (pictures and words) and study participants is not trivial, a sound knowledge and a thorough analysis of the relevant literature and study context is a basic precondition.

Implications for management practice

From a managerial perspective, the results indicate specific challenges of a vertical brand extension strategy in the luxury industry. Such a strategic approach and the decision to upgrade or downgrade the product line require a thorough consideration of possible risks and barriers. As our study results show, in the case of H&M, an upgrade of the product range to the domain of luxury goods leads to an overall positive effect on the implicit brand perception and can therefore be regarded as a promising strategy. Reasoning that the brand H&M is generally associated with a reasonable quality without charging excessive prices – even for designer clothes – a possible luxury collection by H&M perfectly responds to the consumers' need for status and prestige and thus fulfills the desire for luxury. Nevertheless, loyal consumers of H&M are less likely to buy luxury at any cost. Therefore, to satisfy the specific needs of the target group, the price of the described luxury collection by H&M has to fit within the brand's product and price range and should not reach the price level of high-luxury fashion such as Chanel or Dior. In case of Karl Lagerfeld, the same precondition is required: the quality and price of a collection using a downgrading strategy has to ensure that the typical high-income group of luxury customers as the existing customer base will not lose their trust in and loyalty to the brand. The extension of a luxury brand to a collection in the low-price segment and the greater availability of the brand's products threaten the characteristic properties of luxury such as exclusivity and uniqueness. In consequence, such a strategy can lead to the loss of existing customers and the decline of the brand strength of Karl Lagerfeld and thus facilitate brand erosion. The results of the implicit measurements confirm these assumptions: related to the majority of study participants, the reaction time was lower after having read the downgrading stimulus, suggesting a lower association of Karl Lagerfeld with the luxury concept.

Overall, following a vertical brand extension strategy, marketing managers have to consider the specific context of their brand and the targeted consumer group in order to develop a holistic management concept with appropriate market positioning strategies. As shown in this study, the effect of brand extension strategies is not easily predictable. The use of implicit measurement methods is becoming increasingly important for assessing consumer reaction to the new product line. Particularly, when luxury brands apply a downgrading strategy, the risks of possible damages to the core brand are much higher than in the case of an upgrade of a basic brand to the luxury or premium segment. A carefully conducted analysis of the effect of brand extensions can reveal potential opportunities and risks as a basis to decide if a brand extension is a suitable and successful strategy.

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