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The Interplay of Brand Associations in Market Transitions: An Examination of Non-FMCG Brands in the FMCG Landscape

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Abstract

This thesis aimed to examine a research gap within brand extensions to uncover the impact of luxury value dimensions, presented as associations, on consumer attitudes towards brand extensions from outside and into the FMCG market. Consumer attitudes were measured by two dependent variables, purchase intent and willingness to pay a price premium. Wherein, a reference product of higher quality is linked to a brand extension of lower quality and intended for mass sales in another market. A survey-based experiment was conducted with a questionnaire that was designed to capture consumer responses in line with the study's chosen luxury value dimensions.

The findings provide evidence supporting significant differences in effect on consumer attitudes across two product categories, edible and non-edible, and across brand quality levels of high, medium, and low. Additionally, the most important associations varied across product categories and brand quality levels. Overall, examination of the results revealed edible brand extensions to elicit stronger consumer attitudes, compared to non-edible brand extensions. On the other hand, the standard deviation values for edible brand extensions also indicated greater variation among the results. Moreover, seen from a managerial perspective, the findings offer valuable insights for strategic decision making for various brands across product categories and brand quality levels. Since leveraging specialized knowledge and emphasizing luxury value dimensions can enhance product development, cost effectiveness, marketing efforts, and the probability of brand extension success.

Nonetheless, the findings showcase the importance of fit between the reference product and the brand extension, as it is crucial to avoid dilution effects that may hamper the benefits gained from linking the brand extension to the reference product. Hence, if there exists a substantial difference in quality, the managers must carefully consider fit and alignment of brand extensions with the reference product. On the other hand, aligning brand extensions with an adequate degree of fit and leveraging the appropriate value dimensions of luxury to their respective brand quality and product category, managers may enhance brand positioning, develop brand equity, and achieve further managerial success.

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1.0 Introduction

There are some interesting trends considering outside market actors transition into the Fast-Moving Consumer Goods-market (FMCG). In Norway, we see such examples as Peppes Pizza, which is a well-established actor within the restaurant industry, with a focus on relatively high-quality pizza. Since 2019, said actor has penetrated the FMCG-market with a frozen pizza version of their original design, along with other products in the home-pizza kit category. By using their brand name and image, they were able to extend to a new market by leveraging their already established brand equity, with an altered version that was more suitable in the FMCG-market. Other brands in different FMCG-product categories have also made this move, but several other actors have potential for brand extensions into the FMCG market as well. Moreover, there is an extensive amount of literature on how brand equity may influence the purchase decision of a customer, and what elements that drive this decision.

Prior research on the relationship between quality and sales has presented findings of quality to increase consumers purchase intent (De Giovanni & Zaccour, 2022) and for increasing total demand (El Ouardighi & Kogan, 2013; Tang et al, 2015), which will in turn enhance market potential (Liu et al, 2016). Moreover, the prominence of brand extensions is an interesting study as it is a superior mechanism for capturing markets and for better fulfilment of advertising efficiency, when compared to individual branding (Smith & Park, 1992). Seeing as it may lead to revenue expansion, which has a significant positive impact on financial performance and customer relationship performance (Rust et al, 2002). The central goal of our study is to gain deeper insight into favourable internal dynamics of brand extensions, as in addition to the mentioned benefits, leveraging brand equity may also result in generating a positive impact on brand equity through brand awareness, perceived quality, brand loyalty and the brand associations (Aaker, 2012).

More specifically, this study aims to better comprehend the internal dynamics and potential effects associations of the reference product may hold on to brand attitudes towards a brand extension. Additionally, as the ability to leverage brand equity in brand extensions is reliant on brand awareness and since core brand associations can be conveyed to extended products (Pitta & Katsanis, 1995), an interesting dynamic is whether the value dimensions of a reference product in another market may be favourable to the competitive advantages of the extended product.

Considering brand recall and brand recognition are both parts of brand awareness and are seen as a chief method for measuring brand awareness (Percy & Rossiter, 1992; Rossiter, 2014). Wherein, whether people can identify a brand is referred to as brand recognition and brand recall is the ability of customers to immediately think of a certain brand when making a choice (Aaker, 2012; Khurram & Sheeraz, 2018).

This knowledge that consumers retain in memory about a certain brand and use when making purchases is one of the most significant market-based assets (Romaniuk & Gaillard, 2007), and according to the Associative Network Theories of Memory, such knowledge is portrayed as associations related to a brand name (Anderson 1979; Keller 1993). In other words, brand associations may refer to mental connections and potential perceptions regarding brands, and may present themselves as feelings, opinions and images which arise when recalling or recognizing a brand (Aaker & Keller, 2012).

Traditionally, the associations of a brand serve two main purposes by serving as cues to help recall a brand name to use in a consideration and to support the brand evaluation and selection process (Nedungadi, 1990). Hence, brand associations may prove to be of value for consumers' brand preference in consumption contexts. It is reasonable that a reference product of higher quality may facilitate attaching luxury associations to the brand extension in the FMCG market. As the superior quality of the reference product may elevate the perceived quality of the brand extensions, making it seem more compatible with the luxury value dimension, when compared to the FMCG substitutes.

Wherein, our research will study the interplay between associations derived from value dimensions of luxury. With the aim to better understand and explain such a dynamic and compare differences in strength on two dependent variables derived from the extended product and connected to brand equity. Additionally, with further implications for managerial relevance and added value for research of the implications and relations between brand associations and the competitive advantages to be gained in the market of FMCG. Seeing as brand extensions tend to be utilized as a chief method for gaining market share by leveraging brand equity into categories novel to the brand (Aaker, 2012).

Nonetheless, there are risks associated with brand extensions, and the most significant being the potential dilution of the core brand. Previous research on brand dilution has examined the impact of brand extension with perceived inconsistencies between the extension's attributes and those of the parent brand on brand dilution or enhancement (Gürhan-Canli & Maheswaran 1998; Loken and John 1993). When a brand extends into too many unrelated categories, it can compromise the brand's identity, values, and distinctiveness in consumers' minds (Kapferer, 1998), ultimately resulting in reduced consumer reliance on the brand.

Thus, the aim of this thesis is to gain an increased comprehension of the relationship between brand's products, with underlying dynamics of other moderating effects, as it may prove vital in enhancing competitive advantage. In addition, as several brands may have latent potential for utilizing their brand equity in other markets, a deeper insight into consumer behaviour can indeed result in several actors entering the FMCG market. On the other hand, gaining a more profound knowledge of which associations to leverage to have an impact on future brand preference, may reduce running the risk of diluting the brand equity if the extended product is not consistent with the consumers' beliefs of the brand (Loken & John, 1993; Keller & Ailawadi, 2004; Aaker, 2012).

Concurrently, to examine brand preference through consumer responses to brand extensions, the dependent variables of purchase intent and willingness to pay a price premium, were incorporated. Purchase Intent is included to measure the potential negative comparison effect caused by dilution effect, as brand extension may cause dilution effects if the attributes of the extended product are not consistent with the consumer beliefs of the brand. Willingness to pay a price premium is a favourable dependent variable to measure brand extension responses, as if the brand extensions are able to be priced similarly to the core product, it implies brand extension success (Keller & Swaminathan, 2021; Keller, 2008; Kapferer, 2009). Thus, the following research question is devised to frame the research on this topic.

To what extent can the associations for specialized products of higher quality in another market explain effects for consumer attitudes towards a mass sales product of lower quality in the FMCG market?

2.0 Literature Review and Hypotheses

2.1 Fast Moving Consumer Goods

Fast-Moving Consumer Goods (FMCG) are classified under nondurable goods, and more specifically, FMCG are characterized as moderately low-priced products of high demand that are consumed at a recurrently high pace, with a short duration on shelves (Kondej, 2019). Common examples of FMCG include both fresh and processed edible products, beverages, personal care items, household cleaning products, over-the-counter medicines, and office products, commonly found in grocery stores, supermarkets, etc. (McDonald et al., 2001).

According to the Norwegian Bureau of Statistics, the Norwegian grocery trade had a turnover of 216.8 billion NOK in 2021 (SSB.no, 2022). In terms of market composition, Norway's grocery sector is highly concentrated, dominated by three key operators: NorgesGruppen, Coop, and Rema 1000, with Bunnpris being a smaller player. Of these, NorgesGruppen was the market leader in 2021, commanding a 44.0 percent market share. On a comparative note, Norway outnumbers most European nations in the ratio of grocery stores to population size. Specifically, Norway has 7.5 stores for every 10,000 people, while Sweden has 5.7 stores per 10,000 inhabitants (Rekdal, 2022). This underscores the considerable prominence of the grocery retail sector in the Norwegian market. Thus, there is an evident advantage gained from consumer insights, derived from studying consumer behaviour.

Prior research has demonstrated several determinants of consumer behaviour, such as personality traits, social surroundings, personal economics, and brand attitudes (Wells, 2014). Additionally, consumer decisions in FMCG are generally habitual and difficult to change (Verplanken & Wood, 2006). Nonetheless, previous research has also illustrated, beyond this, a consensus on specific motives for purchasing FMCG. Such as variety, affordability, and accessibility (Tandon & Sethi, 2017). Moreover, quality perception is also an essential part of the purchasing decision among consumers in the FMCG market (Mahalingham & Kumar, 2012). Implying brands that consistently meet or exceed customers quality expectations will build up an image of quality, resulting in higher customer satisfaction (Dimyati & Subagio, 2016; Waluya et al., 2019). Thus, these findings may conclude that the perceived value of a FMCG product may be heightened by linking it to a product of higher quality produced by the same brand, which can be done through brand extensions.

2.2 Brand Extension

Brand extension is a concept that has been defined in numerous ways. A prominent definition provided by Barich and Kotler (1991) articulates it as: *"A brand extension strategy is any effort to extend a successful brand name to launch new or modified products or lines".* Hence, brand extension can be seen as a widespread strategy employed by businesses seeking to diversify their product portfolio and expand their

revenue sources, and it has received attention in previous research. This is exhibited statistically in prior findings that specify the promise of brand extensions to be successful. As it provides a superior ability for capturing market shares and fulfilling superior advertising efficiency when compared to keeping the brand extension separate from the brand (Smith & Park, 1992). Thus, by venturing into new categories, companies can tap into their existing customer base, utilize brand equity to strengthen brand loyalty, and reap the benefits of their established brand's association (Völckner & Sattler, 2006).

2.2.1 Brand Equity

According to Aaker (1990), brand equity consists of brand awareness, perceived quality, brand associations, and brand loyalty. High brand awareness results in stronger brand associations, which may lead to an increase in customer decisions to buy products from the specific brand (Tih & Lee, 2013; Malik et al., 2013). Consequently, brand equity plays a significant role in determining the success of a brand extension, and previous research has uncovered that there exists a significant positive relationship between brand equity and consumers' purchase intentions (Arslan & Altuna, 2010; Chi et al., 2008; Tariq et al., 2013).

Moreover, high brand equity can provide a competitive advantage for a company during a brand extension, as it helps create a favourable perception of the extension and increases the likelihood of its success (Keller, 1993). Thus, companies with strong brand equity can better leverage their existing brand recognition and trust when extending their brand into new categories, thus minimizing the risks associated with brand extension. These prior findings highlight the importance of brand equity throughout the extension decision-making process. Nonetheless, the research is restricted in the sense of how a company, if it decides to venture into the FMCG market through a brand extension, can utilize the existing brand products to contribute to the new product.

Additionally, brand extensions across markets are supported by other research which demonstrates similarity to the reference product in a different market to act as one determinant for successful brand extensions across industries (Aaker, 1996). Moreover, this can be said to be of value also for competitive advantages. Thus, speaks for the importance of fit between the brand and the extended product, to ensure utilizing the brand equity at utmost level. However, there seems to be a research gap for what aspects of fit are most favourable across the brands for utilizing a specialized product to link associations to brand extensions of lower quality intended for mass sales.

2.2.2 Fit

It is crucial to exercise caution when pursuing a potential brand extension for the sake of ensuring the utilization of brand equity and minimizing the risk of dilution (Keller & Ailawadi, 2004). This encourages brands to develop consumer insights to ensure a high perceived brand fit, as the perception of brand extension fit is vital for a successful brand extension strategy (Sunde & Brodie, 1993). Perceived brand fit refers to the extent to which a new brand extension aligns with the core brand's image and values, as assessed through consumer evaluations of the extension (Aaker & Keller, 1990). Hence, the brand extensions are needed to fit with the brand image, and to the associations linked to the core product, to safeguard the strengthening of consumer attitudes (Salinaz & Perez, 2009). Nonetheless, this may prove to be challenging when venturing into the FMCG market. Seeing as there may be an extensive difference in quality between the core product and the brand extension, keeping in mind perceptions of quality is a key dimension of brand image (Keller & Swaminathan, 2021).

Previous research has also discovered that consumers' willingness to pay a price premium is influenced by the perceived fit between the parent brand and the extension category (DelVecchio & Smith, 2005). More recent research in the extension field has identified parameters such as parent brand conviction, and parent brand experience as crucial for brand extension success (Völckner and Sattler, 2006). Consequently, understanding and appropriately utilizing these factors are essential when planning a brand extension into the FMCG market. Nonetheless, as these prior

findings argue for the importance of fit to positively influence brand extensions success by enhancing brand responses, the research is limited for not explaining which value dimensions are most favourable or how the linkage between core product and brand extension is best executed.

Moreover, previous research shows perceived fit and risk to directly influence brand extensions success, and the success to be moderated by parent brand trust, through weakening the relationships (Tripathi et al, 2018). Ultimately, demonstrating how consumers who trust the brand will also purchase other product categories, and the perceived risk of trying new categories of products by the same brand will be reduced when parent brand trust is evident. However, the study has limitations, and the researchers encourage others to include other variables in future research.

Drawing inspiration from this study and their findings we aim to control for brand attitudes and thus also their brand trust, to focus on the potential relationship between a reference product and brand extension of lower quality into another market. Seeing as brand extension has the potential to increase brand awareness and loyalty. A study by Keller and Aaker (1992) revealed that brand extensions can improve the parent brand's image and reputation, fostering consumer trust and familiarity. This can lead to enhanced loyalty among current customers, attract new customers, and significantly reduce marketing costs associated with product introductions.

Launching a new brand involves high expenses due to brand development, awareness, distribution access, and other factors (Keller and Aaker, 1992; Chowdhury, 2002; Kapferer, 1997). Therefore, introducing a new product in the FMCG market, under an existing brand can be more cost-effective as it leverages the equity of a well-established brand. However, their research also showed that successful brand extension into a new product category only improved the evaluation of an average quality core brand, while an unsuccessful extension only negatively affected the evaluation of a high-quality core brand. Thus, speaks for further investigation of which associations have the most value, across quality levels. Additionally, this dynamic may be different for vertical brand extensions.

2.2.3 Vertical brand extension

To ensure not diluting the brand in a vertical brand extension, a brand extension should only be considered when its potential profit outweighs a potential loss incurred due to damage inflicted on the core brand (Kim & Lavack, 1996). This applies to both step-up and step-down brand extensions, with this thesis focusing on step-down extensions, because of the brand extension being of inferior quality when compared to the reference product. A key concern when launching a step-down brand extension is the potential tarnishing of the brand's image. This is because the lower quality of a new step-down brand extension may diminish the equity built up within the core brand name, simply through associating the brand extension to a reference product (Kim & Lavack, 1996).

Even though such a brand extension may tarnish the brand's image, the greatest potential for highly successful step-down brand extensions lies within prestige-oriented products (Kim & Lavack, 1996). Thus, despite the potential negative impacts on the core brand, there may be considerable market potential in introducing a step-down brand extension. Consumer segments with lower income, who may be unable to afford the expensive prestige-oriented core brand, could enthusiastically embrace its lower-priced step-down extension. Hence, illustrating both possible negative and positive outcomes of linking the core product to the brand extensions. Nonetheless, these findings are limited in describing what brand associations are most favourable for consumer responses, and how a step-down brand extension may impact this favourability across product categories and brand quality levels.

2.3 Brand Associations - Value dimensions of luxury

Having a reference product of higher quality may enable associations of luxury to be attached to the FMCG product. Wherein, luxuries are defined as *´´goods that are widely desired because they offer a refinement or qualitative improvement of a basic good and a means of distinction because they are not yet widely attained´´* (Berry, 1994). Hence, taking brands from specific industries that are specialized in their product development and have strong brand equity, can bring associations of luxury when entered in a market with an associated product version of its former self.

Seeing as the higher quality of the reference product can make the brand extension seem more luxurious than other potential substitutes of the extended product in the FMCG market. Therefore, luxury becomes an association tied up to the extended product, due to the dynamic that customers associate this brand with luxury in the FMCG context. This occurs because the brand has products with quality that exceeds the FMCG standard. Thus, the brand extensions may offer a higher value proposition when compared to other FMCG products when the consumers are involved in a purchase decision (DelVecchio, 2000). Namely, luxury in the sense that the extended product becomes a first choice in its market and a preferred choice for discerning customers by being, to a higher degree, synonymous with luxury.

Other interesting findings are those of the interaction between unique brand associations, customer preference, and brand performance. Whereas the findings of prior research on brand extensions illustrated that consumers have a scarce amount of unique associations attached to their preferred brands. As well, attaching unique associations to a specific brand did not have superior importance compared to shared associations for consumers to inherit a stronger brand preference (Romaniuk & Gaillard, 2007). Our research may build upon these findings. However, taking inspiration from the researchers' proposals for further research, we seek to conduct research that is not limited solely to unique associations. Thus, expanding from the assumption that a brand is the sole owner of an association and instead studying more closely the shared associations of several brands.

Moreover, prior studies on the brand value of luxury brands have illustrated various value dimensions. Nonetheless, as of today, there seems to be no apparent universally shared agreement for which dimensions should be used. However, a consensus is apparent on dividing the dimensions into symbolic, experiential, and functional values (Alan et al., 2016; Kapferer et al., 2017).

Wherein, this thesis utilizes associations of prestige to demonstrate the symbolic value dimension, associations of expertise to represent functional values, and lastly, the experiential value dimension will represent itself.

2.3.1 Luxury value dimensions

Within the science of luxury brand management, there are various defined internal dimensions of luxury brand personality and dimensions of brand value for consumers. Wherein this thesis will further examine consumer value, seen as individual consumer value in their experiential value dimension of the product, by hedonic motivation issued by the pleasure of self-gifting, as in purchasing a luxury FMCG product with the intent of treating the individual self (Alan et al., 2017; Wiedman et al., 2009). Which is also closely linked to sensuality, a dimension of luxury brand personality described in our thesis as a need for achieving a higher pleasure of the senses (Heine et al., 2018). Hence, we seek to incorporate associations to capture the experiential value of luxury and the potential effect it may have on purchase intent and willingness to pay a price premium for brand extensions across markets and into the FMCG landscape. Considering also that hedonic potential, as a promise of pleasure, is a key driver in successful brand extensions (Hagtvedt & Patrick, 2009).

2.3.2 Associations of luxury (Experiential)

The experiential value dimension provides value beyond the functional attributes of the brand extensions, as it includes the subjective, emotional, and sensory experiences connected to purchasing luxury items, and is the emphasis of the experiential value dimension of luxury (Howell et al., 2012; Loureiro et al., 2003; Parguel et al., 2016). Additionally, the experiential value dimension may include providing an ability for life enhancement through experiencing higher senses of pleasure and stimulation of their senses, which is now available across a majority of product categories (Kauppinen-Räisänen et al., 2019; Bahri-Ammari et al., 2020).

As consumers interact with a brand's product, they experience not only the physical product but also the 'lifestyle' and 'identity' the brand represents, thereby contributing to experiential luxury (Cătălin & Andreea, 2014). Thus, experiences of luxury on an independent endogenous level may prove to be transformative for the consumers, and luxury consumption is not only driven by external factors such as symbolic sense of meaning. These are findings we aim to contribute to, as when consumers identify a superior level of experiential value when using or purchasing a brand extension in the FMCG market, it may cause an added benefit to the consumption of a sensory

stimulation and will contribute to the likeliness of positive brand responses. Supported by emotional satisfaction as a key driver for enhanced pleasure of a product and key driver for justification of a premium price (Dean & Yu, 2001).

2.3.3 Associations of Expertise

Following the same reasoning, expertise is associated with the extended product, in that the brand has enough expertise to create products of higher quality, which has been proven by the reference product (Czellar, 2003). Expertise refers to the brand's perceived competence, proficiency, or skills in a particular domain. It reflects the consumer's belief that the brand is knowledgeable and capable within its industry or product category, thus can be trusted to deliver high-quality products or services. This tends to be a result of years of experience, often without measures of reproducible skill (Ericsson & Towne, 2010).

This suggests that a high level of quality signals expertise, as expertise is necessary to achieve high quality (Subotnik & Jarvin, 2005; Swaminathan et al., 2001). Something that may be transferable to the FMCG product (Keller & Aaker, 1992). By possessing the expertise to make products of higher quality and higher utility value for the consumers, when compared to brands who do not have a reference product of higher quality. Thus, associations of expertise will be researched in this thesis to further showcase the effect functional value, as usability and quality value, has on consumer responses towards brand extensions. Beyond product quality, expertise also speaks to the brand's capacity to innovate. Brands demonstrating expertise often do so not only through the high quality of their products but also through their ability to introduce new and improved offerings to the market (Wang & Chen, 2015). This innovative aspect of expertise can add to the perceived value of a brand extension, as it signals the brand's commitment to remain at the forefront of their field. Moreover, according to other previous research, a product's or service's points of difference play a significant role in the choice set of consumers' and their willingness to prefer a certain product, in comparison to substitutes (Keller, 2013). Among various differential points, the dynamic of innovation and company-based product differentiation had the strongest effect on driving price premium (Davcik & Sharma, 2015).

There has been a common idea that price premium often occurs with products that differentiate themselves with a higher quality or a perception of it (Persson, 2010). Which is a possibility for a brand entering into the FMCG market if they provide a brand extension with a promise of higher quality than substitutes. And can be done by linking the brand extension to a reference product of higher quality that is in a similar product category. As the core products have superior attributes, require better craftsmanship and higher quality materials, which all contribute to the perceived quality of the brands´ products and may subsequently also affect potential brand extensions (Hussain et al., 2018; Shaharudin et al., 2012; Karlsson et al, 2013). Thus, speaks for a deeper understanding of the effect associations of expertise have on the ability for brands to differentiate themselves in the FMCG market.

2.3.4 Associations of Prestige

The last value dimension is that of symbolic value, wherein prestige is a concept related to social standing (Cheng & Tracy, 2014) and self-perception, associated with the desire to attain, and maintain a favourable social identity (Tyler, 1999). It has become a crucial concept in the fields of marketing and consumer behaviour, and functions as the symbolic value dimensions of luxury in this thesis. As it encompasses external factors such as the desire to showcase status or the need for attaining a higher level of it. Seeing as the brand's reputation influences the success of the extended category product (Hem et al., 2003).

Prestige has proven to have a positive impact on consumer purchase intentions by boosting their confidence during the selection process and enhancing their social status and self-image after purchasing (Baek et al., 2010). Additionally, brand's prestige can be particularly important to consumers due to its connection to their self-concepts (Keller, 1998), wealth, power, and social image (Alden et al., 1999). This demonstrates how prestige functions as a social concept influenced by consumer behaviour and trends. As studies have found that consumers who identify with prestigious brands are willing to pay a premium for their products (Mansoor & Paul, 2022).

This is because such brands are seen as symbols of status, wealth, and exclusivity, which can contribute to an elevated sense of self-esteem, leading to happiness and satisfaction (Khalil, 2000). For instance, individuals who buy luxury fashion brands do so to align themselves with the high status and exclusivity these brands represent. Moreover, consumers who associate with prestigious brands tend to exhibit greater brand loyalty and are more likely to make repeat purchases (Choin et al., 2011). This is because they regard the product as a status symbol and wish to maintain that status by continuing to use the product. Additionally, these consumers are more inclined to recommend the brand to others, which can help boost brand awareness and loyalty (Liao et al, 2010).

Prestigious brands typically enjoy a loyal customer base that trusts the brand and is more open to accepting extensions into unrelated product categories compared to brands only offering functional value (Monga & John, 2010). Nonetheless, brand managers must carefully evaluate the compatibility between the brand and the new product category to ensure the extension strengthens the brand's image rather than diluting it. Seeing as, brand extensions should align with the brand's overall image of exclusivity, sophistication, quality, and performance (Pitta & Katsanis, 1995). Therefore, a brand extension should be introduced only if its profit potential surpasses the potential losses resulting from damage to the core brand (Kim & Lavack, 1996). Thus, when expanding into the FMCG market, it is crucial for a brand to assess the degree of fit between its existing products and the newly extended offerings (Aaker, 1990).

In this thesis, we examine the process of entering the Fast-Moving Consumer Goods (FMCG) market and the role of specific associations in influencing this expansion. There is a scarcity of literature specifically addressing prestigious products in the FMCG market. Therefore, it begs the question of which value dimension and which associations that are transferable between the reference product and the extended product, and which to be the most favourable in the FMCG market, measured by what effect it may have for consumers' purchase intent and willingness to pay a price premium.

2.4 Brand Extension Risks

Moreover, damaging effects may arise, which speaks for an examination of whether transferring and emphasizing associations in marketing activities may cause comparisons between the two products to be unfavourable. Because the extended product runs the risk of appearing inferior, the difference in quality may be too large between the products for favourable comparisons to happen (Martinez & Pina, 2003).

Hence, the dependent variable Purchase Intent is included to measure some of this potential negative comparison effect. Purchase intent refers to a potential customer's predisposition to buy a specific product or service in the future (Dodds et al., 1991). It is a key concept in marketing and sales that aids in tracking the process of a consumer moving from discovering a product to making an actual purchase. The higher the purchase intent, the more likely it is that the customer will complete the transaction (Morrison, 1979). The purchase intention of a customer is motivated by their decision process leading up to the purchase moment and their purchase behaviour. Earlier research has proposed six stages prior to the decision to buy the product, which are: awareness, knowledge, interest, preference, awareness, persuasion, and purchase (Kotler & Armstrong, 2010; Kawa et al., 2013).

Building upon this potential damaging effect, we seek to gain a deeper understanding of whether transferring associations between these products may hamper brand loyalty, considering that hedonic motivational factors for consumers of the reference product may be hampered by linking the same hedonic incentives to another product of lesser quality. Seeing as brand extension may cause dilution effects if the attributes of the extended product are not consistent with the consumer beliefs of the brand (Loken & John, 1993; Keller & Ailawadi, 2004).

Additionally, previous research has established that hedonic premiums are preferred over utilitarian premiums when products are not strictly hedonic or utilitarian (Palazon, & Delgado, 2013). Thus, the hypothesized brand extensions are not limited to being strictly hedonic or utilitarian. However, as the researchers also indicate, this

speaks for further study of these findings into brand extensions, and we find it increasingly interesting with brand extensions across markets. More specifically, whether the preference for hedonic premiums over utilitarian ones will affect the link between the referent product and the new product, with potential differences in the association's transferable value.

Nonetheless, by the same logical reasoning, the consumers' Willingness to Pay a Price Premium will likely also be affected by a potential damaging effect. Willingness to pay a price premium is a favourable dependent variable to measure brand extension responses, considering that the brand extensions can be priced similarly to the core product, it implies brand extension success (Aaker & Keller, 2021; Keller, 2008; Kapferer, 2009). The consumer's willingness to pay a higher price for a specific product in a product category, compared to competing products, is known as price premium. Which includes the comparison of a brand's price with the average price for other brands in the product category, and measures how much it exceeds its competitors (Anselmsson et al., 2014).

Aaker (1991) suggests in his work that consumers often associate a higher price with higher quality. This often motivates consumers to pay premiums for products or services that they perceive to be of superior quality or value. Illustrating the benefit lost if the brand extension cannot be linked to the higher quality of the core product, seeing also that the promise of added value has been shown to have a positive effect on willingness to pay a price premium (Del Rio et al, 2001).

Solomon (2014), contributes to this topic by investigating the emotional aspect of purchasing decisions, stating that consumers are not always rational. They often pay premium prices to gain psychological rewards such as prestige, self-esteem, or social acceptance. In which prestige is one of the luxury value dimensions utilized in this thesis to exhibit the psychological rewards gained from social aspects. Thus, brand dilution may not only hamper the use of functionality benefits, but also limit the brands´ ability to emphasize an added social value gained from purchasing the brand extension.

Hence, brands may be unable to leverage premium pricing strategies to project their brand as high-end or luxury, thereby not being able cultivate a sense of exclusivity within the consumer's perception. By increasing the perception of a luxury brand's exclusivity, consequently strengthening its luxury image (Kapferer & Bastien, 2009).

There has been a common idea that a price premium often occurs with products that differentiate themselves with a higher quality or a perception of it (Persson, 2010). Thus, having a core product of higher quality in another market can prove advantageous to the brand extension's success if the core product is linked correctly to the FMCG product. However, research suggests different drivers for the willingness to pay an added price (Anselmsson et al., 2014). This thesis seeks to establish a deeper understanding for the role of the different luxury value dimensions in shaping consumers price perceptions and their effectiveness in influencing their willingness to pay a price premium for brand extensions.

2.4 Hypotheses

For the sake of gaining a deeper understanding of the proposed research questions in this section of scientific studies on brand extensions, we deem it vital to formulate and test accompanying hypotheses. Which will be refined by a discussion and evaluation of their managerial relevance. Hence, through investigating the hypotheses, we aim to contribute to the body of knowledge by either validating or refuting these hypotheses. Doing so to uncover valuable insights and advance the understanding of brand extensions by drawing conclusions on the findings.

It is important to mention that these hypotheses are products of the literature review. Despite the widespread adoption of brand extensions by practitioners, there exists a contentious debate among researchers regarding their appropriateness and effectiveness. Proponents emphasize the importance of brand extensions with respect to enhancing brand recall, recognition, and brand awareness (Keller, 2020; Keller & Swaminathan, 2021). Conversely, critics argue that brand extensions may result in weaker and diluted associations with the core product and specifically argue that a vertical brand extension could potentially elicit negative evaluations of the brand

(Kapferer, 2011). Suggesting consumers may struggle to perceive any connection between the extension and the parent brand in terms of their attributes and benefits (Smith et al., 2002; Kapferer, 2009).

Our research aims to discover a thought-provoking dynamic of whether the associations of an external product may perform constructively to the competitive advantages of the extended product. Which speaks for further research on whether the associations connected to a product of higher quality in another market may further explain a relationship to consumer responses of an extended product of lower quality in the FMCG market. With the effect measured by dependent variables connected to the extended product, as consumers purchase intent and willingness to pay a price premium.

Thus, motivating us to test the relationship between the independent variables and the dependent variables. Hence, illustrating the effect on the dependent variable to be reliant on manipulating the independent variables, and will exhibit the importance each association has through varying the independent variables of brand quality and product category. Thus, revealing answers to the research question imposed in the introduction of this thesis in said manner.

2.4.1 Product category and brand quality levels

As shown in the literature review, research has been conducted on different markets when it comes to both edible and non-edible products and the drivers that make up premium price, purchase intention, and brand preference. Nonetheless, there exists a modest amount of research that compares and links these two product categories in the FMCG-market, and we seek to investigate this area further when the brand's image is composed of products from outside markets of higher quality than FMCG.

Seeing as previous findings have been limited in their research for understanding the influence of contextual factors such as product category influencing consumers perceived value of vertical brand extensions (Bravo et al., 2015). Additionally, considering perceived value is an important aspect, with significant impact, for predicting trust and purchase intention among consumers (Watanabe et al., 2020). By

using product category as an independent variable, showcasing either edible or non-edible products, we will be able to examine the potential effects of different brand associations on the dependent variables in two different product categories.

Also, these findings will exhibit a relationship between having a product of higher quality in another market and the consumer behaviour towards the extended product of lower quality. This seems appropriate, considering they are the two main product categories in the FMCG, with clear differences (Katyiar & Katyiar, 2014; Anselmsson, 2014; Palazon, & Delgado, 2013). Ultimately leading to results as to which brand associations related to brand quality when conducting brand extensions with products into the FMCG market, is most important for the two categories. Which will in turn contribute to the body of knowledge and add scientific value.

On the other hand, edible products' perceived quality is a significant determinant of price premium (Anselmsson, 2014), which can suggest that food brands with a reference product of higher quality from an outside market will have products with a high level of consumer purchase intention. Additionally, prior research shows that when products are neither absolutely hedonic nor utilitarian, hedonic premiums are superior to utilitarian premiums for promotional aspects (Palazon, & Delgado, 2013). However, the researchers explicitly point out that this speaks to the need for greater research into brand extensions. More precisely, if the relationship between the referent product and the brand extension will be impacted by the priority for hedonic premiums versus utilitarian premiums. Thus, there may be accompanying differences in the effect of the associations on willingness to pay a price premium and purchase intent for extended products into the FMCG market.

Nonetheless, product category is not alone in having an impact on brand attitudes, as perceived brand quality is one of the assets that comprise brand equity and has, in turn, the potential to provide a brand with a higher perceived value (Aaker, 2001). Moreover, prior findings have shown a significant positive effect between perceived value and price premium (Ribeiro et al., 2016). Another phenomenon that is important to consider during this analysis is the customer's initial expectations, mentality, and preferences when faced with purchase decisions in the two product

categories (Memon et al., 2019). Linking a core product of higher quality to a brand extension of lower quality can ultimately also have damaging effects on the brand as a whole. Specifically, the potential risk of the customer's initial expectations being too great for the extended product to fulfil.

Other prior research illustrates brand experience's influence on consumers' willingness to pay a price premium (Cleff et al., 2014; Dwivedi et al., 2018), higher quality being correlated with price premium (Liu et al., 2022), and quality having a significant impact on including brands into consumers choice sets (Grunert, 2005; Lizin et al., 2022). Supported by findings in the field of brand extensions, whereas previous research has illustrated a significant positive relationship between the quality associated with a brand and success in brand extensions, in the sense of willingness to pay a price premium and consumer attitudes (Sattler, 2010).

Additionally reinforced by perceived quality of a brand to positively influence the brand image after a brand extension (Martinez & Chernatony, 2004) and brand experience to influence brand repurchase intention (Ebrahim et al., 2016). Nonetheless, as correlation does not imply causality (Malhotra, 2020) and to ensure said relationships are evident across quality levels and for further study in our analysis, we propose to scientifically study further the interplay of brand associations to examine if our findings are utilizable. Hence, the following hypotheses seek to examine whether the relationship is affected by product category and brand quality levels. The examination of these hypotheses will also exhibit which associations have the highest transferable value from the reference product to the extended product and be discussed in the later section of this thesis.

H1a: The importance for the associations will differ across product categories, with respect to Purchase Intent.

H1b: The importance for the associations will differ across product categories, with respect to Willingness to pay a price premium.

H2a: The importance for the associations will differ across brand quality levels, with respect to Purchase Intent.

H2b: The importance for the associations will differ across brand quality levels, with respect to Willingness to pay a price premium.

Additionally, more specific hypotheses can be formulated. Seeing as experiential luxury is connected to hedonic values and has been proposed to be a major driver of extendibility of luxury brands (Hagtvedt & Patrick, 2009), also considering their ability to extend into more distant categories than their core products (Young & Weyer, 2005). Consequently, it speaks for research into whether associations highlighting the experiential value attached to the reference product will have different importance for effect in the product category.

Conversely, Bhat and Reddy (2001) demonstrated that for prestige brands, the sentiments associated with the parent brand can have a positive impact on the evaluation of its extensions. Moreover, seeing as brands associated with higher levels of quality might be deemed more prestigious (Miremadi et al., 2011), it speaks for investigating whether the brand responses for brand extensions in this study launched by high quality brands to be more highly reliant on associations of prestige, when compared to associations of expertise. Hence, the following hypotheses are proposed, with the aim to investigate the differences across product categories in importance of this luxury value dimension when a brand extends across markets. Here we utilize the high-quality brands as a means to exhibit which associations may be most important for higher brand quality levels, and to utilize medium and low brand quality to control for a potential effect.

H3a: For edible brand extensions by high quality brands, emphasizing luxury (experiential) will be most important for PI and WPP, when compared to the other associations.

H3b: For non-edible brand extensions by high quality brands, emphasizing Prestige will be most important for PI and WPP, when compared to the other associations.

3.0 Methodology

3.1 Research model

In this section we present the theoretical framework, which has been thoughtfully constructed drawing upon insights from the literature review. The theoretical framework we have developed encapsulates a model, that is constructed to delve into the interplay between the variables (Figure: Research Model). The starting point of this model are non-FMCG brands branching out into the FMCG market with different quality levels and product categories.

These independent variables are to be manipulated, to evaluate whether they induce a shift in the dependent variables (Malhotra et al, 2020). Hence the dependent variables represent the anticipated outcomes of the study—purchase intent and willingness to pay a price premium and are contingent on the independent variables; the values of the dependent variables will alter in response to changes in the independent variables.
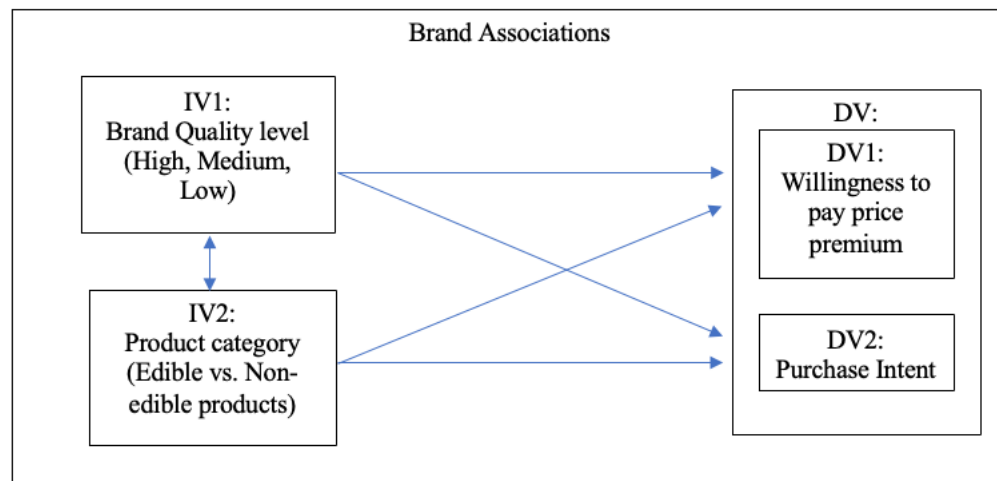

Figure: Research Model

This tailored model is fundamental to our research, providing the framework for our exploration of the relationship between non-FMCG brands extending into the FMCG market, and consumer purchase intent and willingness to pay a price premium. The framework carefully outlines the roles and anticipated interactions of our independent

and dependent variables—the quality of brands and product type as independent variables to affect purchase intent and price premium willingness as the dependent variables. Wherein the research question will be answered by examining a cause-effect relationship between the luxury value dimensions and the consumer responses of the brand extension.

The luxury value dimensions are presented as associations derived from the core product and linked to the brand extension. Essentially, they articulate how or why a brand's transition from non-FMCG to FMCG impacts consumers' purchase intent and their readiness to pay a price premium. As the effect on the consumer responses will be exhibited through varying the independent variables and analysing a cause-effect relationship. Moreover, the hypotheses presented earlier were used in developing this model, to capture our conjectures regarding these interrelationships. These hypotheses are instrumental to our research, guiding the methodology for data collection and analysis, and subsequently shaping our conclusions and contributions to the field.

3.1 Research Design

After evaluating the research question and objectives, a quantitative method is deemed favourable for this research (Watson, 2015). This will enable the collection of data from a broad number of respondents that can be both measurable and conclusive in its results, and statistical techniques can be used to analyse a cause-effect relationship between multiple variables (Gorman & Johnson, 2013).

In this study, a survey-based experiment seems most appropriate to obtain the desired responses due to the nature of our research (Mutz, 2011), which aims to identify certain aspects of the relationships between brand associations and consumers' purchase intent and willingness to pay a premium price. Wherein a survey will contain a questionnaire formulated around actual brands with hypothesized extended products into the FMCG market, where the responders can answer their level of agreement on a scale from 1-7 (Likert scale). Moreover, the questions are designed to extract vital information we require to collect the proper data for our study.

Concurrently, an experiment will involve two independent variables: one indicating the level of brand quality (high, medium, low), and another indicating the product category (edible vs. non-edible).

The dependent variables are consumers' purchase intent and willingness to pay a premium price. This study will examine whether different brand associations to the reference product may explain an effect on the dependent variables, and how this linkage differs between edible and non-edible product categories, and brand quality level.

Moreover, associations arguably best suitable for this study are shared associations between brands with a strong connection to the quality attributes of a brand. Previous research in brand extensions demonstrated shared associations between brands to be equally important as unique associations for brand preference (Romaniuk & Gaillard, 2007). Given that the status of being a non-FMCG brand applies to all the brands under investigation, our aim is to discern if the brand associations pertaining to the reference product could potentially act to explain an effect on the favourability of the extended products, in this scenario.

During the design of our experiment, we were careful to address potential issues that could threaten the validity of our results, particularly internal validity. Internal validity is essential when we are interested in cause-and-effect relationships because not controlling for certain variables could lead to alternative explanations for the results we find. Mitchell & Jolley (2004) pointed out that experimental designs offer good control over these issues, which is why we chose this approach. This way, we can be more confident in the validity of our results. Therefore, we considered and implemented the respondents' initial expectations, mentality, and preferences when they were faced with the collective number of brands in the two product categories.

Consequently, minimizing the error of predetermined brand perceptions to damage the judgment of our hypothesized brand extensions. Thus, this experiment's internal validity is largely due to its ability in keeping the remaining aspects constant, thus opening the ability for attributing changes in the dependent variable solely to changes

in the independent variables. Hence, contributing to internal validity with the aim to establish a cause-and-effect relationship.

Moreover, the conditions between the two groups were kept as identical as possible, to safeguard keeping other variables constant to minimize error and biased results which are derived from not controlling for confounding variables' impact on the dependent variable. Thus, facilitating the ability to derive statistically comparable scores (Wilson et al., 2010; Gravetter, 2016). Nonetheless, the utilization of an online survey tool is not as favourable as a lab-based experiment for keeping the physical environment around the respondents as identical as possible.

3.1.1 Factorial Design

Our research follows a factorial design, seeing as our experiment includes multiple factors, each with its own distinct levels, and we're looking at different combinations of these levels across all factors. This design contributes insight into the effect each independent variable has on the dependent variable, as well as a potential interaction effect. The interaction effect between the independent variables is present if an independent variable influences the dependent variable and is altered by the level of the other independent variable (Wilson et al., 2010; Gravetter, 2016). Moreover, we are investigating the effects of product type, brand quality level, and their interaction on the dependent variables. Thus, the study employs a 2x3 factorial design: 2 (Product type: Edible, Non-Edible) x 3 (Brand Quality Level: High, Medium, Low).

	High-Quality Brand	Medium-Quality Brand	Low-Quality Brand
Edible	Condition 1	Condition 2	Condition 3
Non-edible	Condition 4	Condition 5	Condition 6

Table: Research outline

There are six experimental conditions, with one hypothetical brand extension representing each condition. Moreover, there are three levels of brand quality that will be manipulated in the two different product categories. Wherein, the six hypothesized brand extensions will vary by level of brand quality, and type of product category. Each condition will measure how the different brand associations influence the dependent variables.

3.2 Brand Selection

We selected six brands based on the luxury value dimensions and the expertise from outside the FMCG market, with a mix of three edible and three non-edible brands. We also chose brands with three different quality levels (High, medium, and low), to act as control groups by identifying differences between these levels and to identify the respondents' perceptions of them (Malhotra et al, 2020).

Manipulation of the independent variables
In our study, the independent variables were represented by the selected brands that existed outside the FMCG market, each belonging to different levels of perceived quality - high, medium, and low. Additionally, the product category – edible and non-edible. These brands were systematically varied across the survey.

To manipulate these independent variables, we exposed the respondents to different scenarios related to each brand and its hypothetical FMCG market extension. The respondents were randomly assigned to edible or non-edible products, allowing us to control the exposure of product type. Additionally, the questions were carefully designed to encompass each level of perceived brand quality - high, medium, and low. Thus, regardless of whether the respondents were assigned to edible or non-edible products, we received results for all three levels of quality through different brands. In presenting the brands to the respondents, by varying the quality levels and simultaneously assessing the effect of the product type, we effectively manipulated the independent variables in our study.

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3.2.1 Manipulation Test

A vital component of our research design was the implementation of a manipulation check for the sake of confirming that our manipulations of the independent variables were successful (Mitchell & Jolley, 2004). The pre-survey incorporated questions to discern the relationship between the brand associations and each brand, verify the alignment of the suggested FMCG product extension with the brand's core product, assess the perceived fit of the proposed FMCG market extension, and solicit a quality ranking of the brands under consideration. This allowed us to map out the brand awareness, the perceived level of fit between the core product and the extended product, and the level of quality each brand had.

If respondents' perceptions aligned with our designations, we would conclude that our manipulation was successful. However, any significant deviations would indicate that our manipulation may not have been effective and that we should interpret the results with caution. This manipulation check is crucial as it ensures the validity of our findings. By confirming that our independent variables were indeed manipulated as intended, we can be more confident in attributing any observed differences in the dependent variables (purchase intent and willingness to pay a price premium) to these manipulations, rather than to other, uncontrolled factors (Hoewe, 2017). Which is examined in the full factorial ANOVA under the data analysis of effect on the dependent variables.

3.2.2 The selected Brands

After analysing the responses, we concluded that our brands were indeed suitable for our research. Thus, leading us to move forward with the following edible brands: Olivia Restauranter, Peppes Pizza and Bislet Kebab House. Correspondingly, we opted for the following non-edible brands: Colosseum Tannlege, Brilleland and Cutters. The statistical analyses with corresponding results are discussed in the section of *Data Analysis and Results.* The pre-survey was distributed online amongst a population of 20 respondents from various backgrounds. This number of respondents was an adequate number, as it transcends 20% of the minimum population size for our main survey (Rea & Parker, 2014).

Olivia – High-Quality

Olivia Restauranter is an Italian inspired restaurant chain in Norway, that opened its first restaurant in Oslo, 2007. Since then, they have spread to various parts of the country and have also established a presence in Sweden. They are known for their authentic Italian food and tasteful premises (Oliviarestaurants.no, 2023). Out of the edible brands, Olivia ranked highest in terms of quality perception. Olivia's core products are Italian-inspired dishes, such as pasta, pizza, etc., which guided our selection of a brand extension into the FMCG market with a *frozen pasta dish*. This proposition capitalizes on the existing market for such products. Analysis of our pre-survey supported that this proposed extension aligns seamlessly with Olivia's core product, and the brand was ranked the highest quality, further endorsing our recommendation (Appendix: Table *Quality Ranking* & Table *Extension Product Fit)*.

Peppes Pizza – Medium-Quality

In 1970, an American married couple moved to Norway and started their own American inspired pizza restaurant in Oslo called Peppes Pizza. Today, Peppes Pizza is one of the largest pizza restaurant chains in Norway, with multiple locations all over the country, and both restaurant and delivery services (Peppespizza.no, 2023). Given that their core product is pizza, a seamless transition into the FMCG market would naturally be through a pizza-based product. Considering the size and competitive nature of Norway's frozen pizza market, we chose to go for a *frozen pizza* variant from Peppes Pizza. According to our pre-survey, this brand was positioned at a medium quality level within the edible category, and it demonstrated a significant perceived fit for this product extension (Appendix: Table *Quality Ranking* & Table *Extension Product Fit)*.

Bislett Kebab House – Low-Quality

Kebab has become an increasingly big part of the Norwegian food scene, with kebab restaurants setting up shop all over the country. The first Bislett Kebab House (KBH) opened in 1995 and is now the biggest kebab chain in Oslo (Bisletkebabhouse.no, 2023). They serve different kinds of fast-food dishes, but primarily kebab. Out of the three, BKH positions with the lowest quality level of the edible brands. The FMCG market has seen some growth in kebab-related products, with items such as sauces

and kebab meat gaining increased shelf presence in stores. Consequently, we went for *frozen kebab meat* as the product extension under the BKH brand. The proposed extension showed a respectable level of fit with BKH's core products, and the brand was ranked as the lowest quality, supporting the endorsement of this choice (Appendix: Table *Quality Ranking* & Table *Extension Product Fit)*.

Colosseum Tannlege – High-Quality

Colosseum Tannlege is Norway's leading supplier of dental health services, with approximately 70 clinics. With their expertise within the dental health field and a large constituent of professional employees in their organization, they can offer highly modern methods within dental health, treatment, repairs, and aesthetics (Colosseumtannlege.no, 2023). Thus, we moved forward with a brand extension into the FMCG market with dental care in mind. Specifically, a *toothbrush* developed by the organization. The pre-survey concluded that Colosseum is indeed the high-quality brand within the non-edible category and that the perceived level of fit between their core services and the extended product was satisfactory (Appendix: Table *Quality Ranking* & Table *Extension Product Fit)*.

Brilleland – Medium-Quality

Brilleland is an optician chain in Norway that sells a wide array of eyewear products and eye health services. For over thirty years, they have grown to be one of the biggest optician chains in the country, with the goal of providing affordable products of good quality (Brilleland.no, 2023). Their expertise and experience in eye health services and products make it evident that this is their core offering. Thus, we selected simple *reading glasses* as the product extension. Similar products can be found in supermarkets in Norway, so there is a market for this product category. Our pre-survey identified Brilleland as a medium-quality brand in the non-edible category and affirmed that there was a suitable level of perceived fit between their core products and the proposed product extension (Appendix: Table *Quality Ranking* & Table *Extension Product Fit)*.

Cutters – Low-Quality

Cutters is a fast-service, budget-friendly hair salon, with a no-fuss approach to hair care, offering basic haircuts and styling services. In 2015, they established the company with the aim of making haircuts simpler (Cutters.no, 2023). As the presurvey established, it was evident that hair care was cutters core product, and with respect to hair care products in the FMCG market, we selected *shampoo* as the extension product for Cutters. The pre-survey confirmed that a shampoo line extension would be a good fit for Cutters. Moreover, it also proved our notion that Cutters is ranked as the low-quality non-edible brand (Appendix: Table *Quality Ranking* & Table *Extension Product Fit)*.

3.3 Survey development - questionnaire

The development of our questionnaire involved a comprehensive and detailed process with the objective of accurately measuring the impact of brand associations on consumers' purchase intent and their willingness to pay a price premium. We embarked on the process by conducting a thorough review of the existing literature. This allowed us to comprehend the landscape of the topic and determine commonly used measures in similar studies. This knowledge guided us in constructing relevant statements associated with each brand, specifically addressing our dependent variables - purchase intent and willingness to pay a price premium (Kapferer & Bastien, 2009; Kapferer, 2012).

We built the questionnaire in Qualtrics, a widely used tool that provides an array of functionalities, including the ability to randomize the order of the brands. This helped mitigate any order bias, ensuring that the responses we received were not influenced by the sequence in which the brands were presented. Moreover, Qualtrics automatically transfers data to SPSS, which made the process even more seamless.

The questionnaire was specifically designed to feature statements capturing the three brand associations under consideration - luxury, prestige, and competence. Respondents were asked to express their level of agreement with these statements on

a Likert scale ranging from 1 to 7 (Appendix: Questionnaire Main Survey). This quantitative method allowed us to effectively measure and analyse the data obtained.

Unfortunately, the nature of using an online survey tool to collect our data meant that we lacked control over the environment that surrounded our respondents as they completed the questionnaire. Lab-based experiment, on the other hand, provide a controlled environment and direct researcher interaction, improving data quality. However, given the scope and nature of our research, we opted for an online survey for several reasons. Primarily, the online platform allowed us to reach a geographically diverse sample, vital for examining the influence of brand associations on a wide range of consumers. Additionally, the cost-effectiveness and efficiency of online surveys aligned with our resources and timeline. The convenience provided to respondents, who could complete the survey at their own pace and in their own environment, was another compelling factor. Lastly, the ability to utilize features such as question randomization and automatic data collection offered by online survey platforms, like Qualtrics, significantly facilitated our research process.

3.4 Population

This study will be conducted in the Norwegian population, and we aspired to reach out to a sample of a minimum of 25 respondents to each condition (hypothesized brand extension) within this population to safeguard an appropriate monitoring of effects on the dependent variables and to ensure an adequate quantitative level (Shaffer, 1981; Traill et al., 2007; Brook et al, 2011). A total of 174 people entered the survey, and 118 (67.81%) of them finished it with adequate responses. This means that there were 59 respondents for each experimental condition. Additionally, we aimed to achieve a high level of external validity, and the results of this study can, in theory, be generalized to other countries. One might view the selected brands as specific to Norway, however, seeing as this study emphasizes the differences in quality levels, this may contribute to external validity. Nonetheless, cultural differences between countries are a potential limitation, which we comment upon in the section on study limitations.

To ensure the best possible internal validity, we incorporated several control variables that may skew the results of our research if not included. Namely, to account for individual differences, we have the participants answer questions regarding gender, age, income, education, geographical location, brand experience, brand awareness, and context for consumption. Additionally, prior research has illustrated how sensory stimuli impact consumers (Adam & Ali, 2014; Wang et al., 2013; Togawa et al., 2019), and thus speaks for excluding visual cues while still maintaining an appropriate study. Explaining the reasoning behind not incorporating pictures of hypothesized products in our survey.

3.5 Survey - Procedure

The survey was distributed on social media platforms via an anonymous link, facilitating voluntary participation in our study. The survey consists of a questionnaire for six brands, each with its own hypothesized brand extension. Three brands had brand extensions of an edible nature, as their core products were determined by the respondents in the pre-survey to be edible. The other three brands were of a non-edible nature, following the same decision process derived from the results of the pre-survey. Each respondent is randomly assigned to brand extensions, and thus a between-groups design is created. Furthermore, this approach will result in fewer missing values as the survey becomes briefer and more concise for each respondent, counteracting fatigue bias (Sinickas, 2007).

Initially, respondents are greeted with a consent statement, to which they are required to express their agreement before proceeding. Then they can proceed with the survey. The heading of each following page presents a specific brand along with the suggested FMCG product extension, after which respondents are asked to indicate their level of agreement on a Likert scale (1-7), with a series of subsequent statements.

The statements are focused on the three associations measuring the value dimensions of luxury: luxury (experiential), expertise, and prestige, and examine how this

influence the dependent variables, purchase intent, and willingness to pay a premium price. They also aim to measure how well these brand associations align with the proposed new product extension in the FMCG market. Once the respondents were done assessing the brand extensions, they encountered a section soliciting information about their demographic characteristics (age, gender, education, etc.). Finally, the respondent is presented with a message of appreciation, in which they are reassured that their responses will be kept anonymous and deleted after use.

4.0 Data analysis and Results

In this chapter, we present the findings from our quantitative analysis of the data gathered through the online survey. The data collected from the respondents was carefully analysed using appropriate statistical methods to draw meaningful inferences and address our research questions.

However, firstly, there was a process of data cleaning and preparation, which was a crucial step in ensuring the reliability of our findings. In our preliminary review of the collected data, we prioritized identifying and addressing incomplete responses. We observed that some respondents had initiated the survey but had not completed it. To maintain the integrity and accuracy of our data analysis, these incomplete responses were systematically removed from our data set. Additionally, during this meticulous review process, we discovered certain responses where the same answer was repeatedly selected across all questions. Given that this pattern suggested a lack of genuine engagement with the survey, these responses were deemed to hold invalid values and were consequently eliminated from our data set.

4.1 Dimension reduction & Analysis of reliability

The dependent variables were measured by several questions in the questionnaire, with more than one question asking for the effect each of the associations has on each of the dependent variables. For the dependent variable *Purchase Intent*, three questions were asked (number 1, 5 and 6 in the questionnaire), and two questions were asked for *Willingness to Pay a Price Premium* (number 7 and 8 in the questionnaire).

To safeguard a high level of reliability when selecting the question to measure a true effect in the dependent variables, an examination of dimension reduction was deemed necessary. As it allows for testing of a relationship between the questions and investigating if they measure the same effect. Thus, argues for reducing the number of questions. However, this is reliant upon whether the right requirements of a factor analysis, accompanied by an assessment of whether Cronbach Alpha coefficients are met, to ensure an adequate level of internal consistency reliability. A minimum number of factors that best represent the maximum variation in the initial data are found using principal component analysis (PCA). This approach can be used in the present circumstance since it includes determining the essential number of components that will shed light on the greatest amount of variation (Malhotra et al., 2020).

Both PCA's and common factor analysis produce results that are indisputably comparable, although PCA is more commonly used since common factor analysis is more complex and has marginal advantages (Malhotra et al., 2020). Therefore, PCA is appropriate in the present circumstance since it involves condensing the components into a smaller number of prominent variables by combining similar variables together. The results of the factor analysis, accompanied by a Cronbach alpha coefficient, provided a clear indication for utilizing a single component to measure the effect each association has on the dependent variables *Purchase Intent* and *Willingness to Pay a Price Premium* (Goriely, 2007). As the Cronbach's Alpha coefficient equaled 0.71 and a single-factor option would represent a cumulative proportion of 81.3% explanation of the explained variance for *Purchase Intent,* and a Cronbach's Alpha coefficient equal to 0.70 and a single-factor option to represent a cumulative proportion of 80.9% explanation of the explained variance for *Willingness to Pay a Price Premium.*

Thus, the questions used for measuring the effect associations of *Expertise* have on *Purchase Intent* were constructed into one variable, as was also done for the other associations, *Luxury* (experiential) and *Prestige.* The same manner of analysis was conducted for the other dependent variable, *Willingness to Pay a Price Premium.*

Additionally, a purpose in the pre-survey was to establish a fit between core product and extended product. Wherein three components were to measure the level of fit. Likewise, a factor analysis, more specifically a principal component analysis, was also conducted to examine whether these components were appropriate to be merged into one collective variable. The results indicate utilizing a single component to measure fit between the core product and extended product, considering that the Cronbach's Alpha coefficient equalled 0.730 and a single-factor option would represent a cumulative proportion of 97.56% explanation of the variance.

Moreover, we examined if the validity was compromised by deviations derived from not fulfilling the assumptions of a normal distribution of the dependent variable scores, which is necessary for this statistical technique. The examination illustrated the dependent variable as being normally distributed, considering the Kolmogorov-Smirnov tests illustrated p-values equal to < 0.001 and skewness values inside the interval ranging from -1 to 1, for all variables.

4.2 Preliminary survey

As stated in the section on *brand selections*, an essential step in our data analysis was to conduct a manipulation check. The purpose of this check was to validate whether our intended manipulations of the independent variables effectively influenced respondents as planned. To ensure that the proposed extended products were indeed linked to the brands core products, we conducted a series of one sample t-tests, all with statistical significance ($p < .001$). This is deemed as an appropriate statistical analysis, as the respondents were all faced with the entire pre-survey, and the population was not divided into groups. Hence, arguing for the one sample decision of the one-sample t-test (Malhotra et al., 2020). Additionally, the brands were ordered randomly to minimize order bias. Moreover, conducting such an analysis gives valuable insights into the mean values for each of the preliminary tests, ensuring a foundation upon which to build the main survey analysis.

The results clearly indicated a majority of agreeability towards the established core product, which was calculated from a mean value with significant differences from

zero (Appendix: *Table Establishing Core Product*). Additionally, we examined the level of fit between the core product and the extended product for each brand. The resulting values illustrated a statistical significance of the variable fit between core product and extended product, with mean levels demonstrating over 80% compliance from the respondents (Appendix: Table *Extension Product Fit)*.

Moreover, to determine the different brands' quality ranking levels in each product category (*high, medium, low*) was done to ensure that the independent variable would be manipulated in the way we desired. By analysing the descriptive statistics of the respondents' answers, more specifically the frequencies of the variables in SPSS containing the ranking of the brands, the values present the rankings as BKH (Low), Peppes Pizza (Mid) and Olivia (High) for edible brand extensions, and Cutters (Low), Brilleland (Mid) and Colosseum (High) for non-edible brand extensions (Appendix: Table *Quality Ranking*).

Furthermore, to ensure the participants did not inherit overbearing positive or negative emotions towards the selected brands and to optimally ensure a neutral response to maximize internal validity, a question measuring their attitudes was incorporated with results indicating moderately neutral attitudes for the brands selected, which therefore suggest a limited probability of skewed results caused by personal preferences in the respondents (Appendix: Table *Brand Attitudes*).

In conclusion, a final control test was implemented with the purpose of examining brand compatibility with selected associations to be measured as an effect on the dependent variables in the main survey. The resulting values support the brands to inhabit selected associations and constitutes a compatibility between the brands and the selected associations (Appendix: Table *Brand Associations Compatibility*).

4.3 Main Survey

Two full factorial ANOVA analyses were conducted for each dependent variable (*Purchase intent & Willingness to Pay a Price Premium*) to examine whether there

are significant differences between the effects of brand associations across brand quality levels and across product types of edible and non-edible brand extensions. This is deemed as the appropriate statistical analysis, considering the number of independent variables and their levels.

Moreover, such an analysis provides insights to the specific effects for each factor level, as well as main effects (Malhotra et al., 2020). However, due to the extensive number of values in the SPSS transcripts for these analyses, the following values of importance are comprised into the tables below, with the standard deviation illustrated inside the parentheses. Nonetheless, transcripts from SPSS are included in the appendix to showcase significant differences between brand extensions in both independent variables, across product category and across brand quality levels, for all dependent variables (Appendix: SPSS *PI & WPP*).

4.3.1 Dependent Variable Purchase Intent:
The results of a full factorial ANOVA illustrate significant differences between high, medium, and low-quality brands, for the brand associations effect on *Purchase Intent*, with p-values of < .001 across all brand quality levels. Additionally, the results highlight a significant difference across product categories, also for the brand associations effect (p-value < .001).

Brand associations	Colosseum	Brilleland	Cutters
Prestige	3.77 (2.166)	2.33 (1.712)	3.25 (1.454)
Expertise	2.94 (1.552)	3.54 (1.863)	4.65 (2.496)
Luxury (experiential)	2.77 (1.231)	3.58 (1.637)	1.77 (1.323)

Brand associations	Olivia	Peppes	BKH
Prestige	3.86 (1.742)	2.570 (1.966)	4.500 (2.430)
Expertise	4.020 (1.840)	4.910 (1.922)	3.210 (2.323)
Luxury (experiential)	4.411 (1.522)	3.530 (1.856)	2.970 (1.737)

Studying the test results reveals differences in the means for brand associations importance for *purchase intent* of the brand extensions, across brand quality and across product categories. As for the high quality non-edible brand (*Colosseum*), *prestige* is most important (Mean = 3.77). Contrary to brand extensions for the edible high-quality brand (*Olivia*), wherein *the experiential dimension of luxury* ranks highest (Mean = 4.41). Similarly, for brand extensions launched by medium quality brands, the *experiential dimension of luxury* is of highest importance for the non-edible brand *Brilleland* (Mean = 3.58), which is contrasted by the chief importance of *expertise* for the edible brand extensions by *Peppes* (Mean = 4.91). However, for the brands of lowest quality in this study, *prestige* ranks highest for edible brand extensions from BKH (Mean = 4.50). On the other hand, for the non-edible brand extension, *expertise* is dominant for *purchase intent* for products of *Cutters* (Mean = 4.65).

Additionally, regression analysis was conducted on the demographics, to ensure these were not factors with significant impact on the dependent variables. No demographic factors had a significant impact on *Purchase Intent*, as well as no interaction effect between these factors and either one of the independent variables. Which helped safeguard the level of internal validity to uphold the ability to interpret the results from the independent variables. The non-significant impact is also supported by rule of the sampling method, as the respondents were randomly assigned to questions for either edible or non-edible brands.

4.3.2 Dependent Variable Willingness to Pay a Price Premium

The examination of test results from a conducted full factorial ANOVA reveals significant variations in mean values concerning the significance of brand associations in relation to the *Willingness to Pay a Price Premium* for these brand extensions. These differences are observed across different brand quality levels and product categories. Low p-values indicated significant differences in effect on *Willingness to Pay a Price Premium*, between the product categories (p-value < .0011) and across the brand quality levels, with p-values of 0.005 (*High Quality*) and $p < .001$ for *Medium* and *Low Brand Quality*. Thus, the following table allows for measuring the means of the six brand extensions, across two independent variables.

	Colosseum	Brilleland	Cutters
Prestige	4.56 (2.477)	2.25 (1.082)	1.98 (0.828)
Expertise	2.94 (1.552)	3.65 (1.632)	3.85 (1.903)
Luxury (experiential)	2.77 (1.231)	4.06 (1.722)	2.00 (1.343)

	Olivia	Peppes	BKH
Prestige	3.50 (1.857)	2.98 (1.527)	4.52 (2.431)
Expertise	3.14 (2.275)	4.89 (1.740)	3.24 (2.323)
Luxury (experiential)	4.29 (1.787)	3.59 (2.041)	3.28 (1.554)

In the case of the high-quality non-edible brand (*Colosseum*), *Prestige* emerges as the most important factor (Mean = 4.56). Contrary to brand extensions of the high-quality edible brand *Olivia*, wherein *luxury* (experiential) is the preferred association (Mean = 4.29). Which illustrates differences across product categories. Regarding brand extensions launched by medium quality brands, the *experiential dimension of luxury* holds the highest importance for the non-edible brand *Brilleland* (Mean = 4.06),

whereas *expertise* is of utmost importance for the edible brand extensions from *Peppes Pizza* (Mean = 4.89). Conversely, for the lowest-quality brands in this study, *prestige* ranks highest for edible brand extensions from *BKH* (mean = 4.52), while *expertise* dominates for non-edible brand extensions from *Cutters* (mean = 3.85) in terms of *Willingness to Pay a Price Premium.* Moreover, regression analysis was also conducted on the demographic factors, to examine potential effects with significant impact on the dependent variables. However, no demographic factors had a significant impact on *Willingness to pay a price premium*, similar to *Purchase Intent*, which facilitated internal validity and provided interpretation of the results from the independent variables effect on both dependent variables.

5.0 Discussion of findings

The following chapter will cover an interpretation and evaluation of the findings from analyses of the survey results, placing them in the context of our research question: *To what extent can the associations for specialized products of higher quality in another market explain effects for consumer attitudes towards a mass sales product of lower quality in the FMCG market?* We will discuss each of our hypotheses in turn, interpret the findings, and compare them to the predictions drawn from the literature review.

The findings present evidence for supporting hypotheses H1a. Considering there are differences across product categories in the importance these brand associations have for purchase intent. Additionally, the results exhibit significant differences between the means across both brand quality levels and product categories, as seen by significant p-values as reported earlier in this thesis. Moreover, the hypothesis of H1b is also fully supported. Thus, the most important of the associations will differ across all product categories, with respect to consumers' willingness to pay a price premium and with respect to consumers purchase intent. Which are findings in line with prior findings stating other clear differences between the product categories (Katyiar & Katyiar, 2014; Anselmsson, 2014; Palazon, & Delgado, 2013).

Additionally, these findings do not provide evidence that supports hypothesis H2a of evident differences between the most favourable associations on Purchase Intent

across the brand quality levels. Seeing as both high quality and low quality non-edible brands are most benefited by associations with the *experiential value dimension of luxury*. Hence, we cannot say that all quality levels differ on the most favourable associations for consumers purchase intent of brand extensions. On the other hand, all other brand qualities have clear differences in the most favourable associations. Moreover, H2b is supported as there are differences across all brand quality levels for which associations are the most favourable for willingness to pay a price premium. Thus, it acts to support prior findings of brand quality to enhance perceived value, which can ultimately result in providing a brand with the ability to demand a price premium (Aaker, 2001; Ribiero et al., 2016).

Additonally, as the results indicated, *luxury* (experiential) was the vital association for *Purchase Intent* of edible brand extensions launched by the high-quality brand Olivia and was the most important association for willingness to pay a price premium for the same brand extension. Hence, hypothesis H3a is supported, also due to the lack of differences in mean values between *Purchase Intent* and *Willingness to Pay a Price Premium* for the same brand extension. These findings illustrate that for edible brand extensions by high quality brands, into FMCG, emphasizing the *experiential value dimension of luxury* will have the highest effect on consumers when they are in a purchase-decision process. Additionally, emphasizing associations of the same value dimension will also be more favourable than the other luxury value dimensions for *Willingness to Pay a Price Premium* for the same brand extension.

Maintaining the same high brand quality level, the findings for *purchase intent* for edible brands are contrary to the results for non-edible brand extensions. As the results illustrate, *prestige* is most favorable for *purchase intent* and also for *willingness to pay a price premium* for high quality non-edible brand extensions. Hence, supporting hypothesis H3b of non-edible brand extensions by high quality brands should have an emphasis on *prestige* associations for both enhancing *purchase intent* and *willingness to pay a price premium*. This can be explained by *prestige* to enhance confidence by enhancing social status (Baek et al., 2010), which is identified as a key driver for willingness to pay a price premium (Manssor & Paul, 2022).

In another quality level, for brand extensions launched by medium quality brands, it was observed that associations of expertise are of highest importance for both *purchase intent* and *willingness to pay a price premium* for edible brand extensions launched by *Peppes Pizza* and is in line with findings of prior research stating parent-brand expertise for the brand extension category is a key driver for brand extension success (Völckner & Sattler, 2006). Hence, these observations highlight that for medium quality brands venturing into the FMCG market with edible brand extensions, emphasizing associations based on their expertise in their high-quality core-product will have the greatest impact on consumers during their purchase decision-making.

Which is also the most advantageous option of associations to emphasize when it comes to consumers' *willingness to pay a price premium* for this brand extension. Supported by findings from studies on brand extensions and the importance for authenticity in category (Spiggle & Caravella, 2013). Wherein, to better ensure brand extension success, there is a need for the extension to be consistent with the brands´ essence and expertise. Which may also lead consumers to, if they perceive the brand extension as authentic, more likely trust it and facilitate the transfer of positive associations from the core product to the brand extension. Hence, ultimately reducing the risk of brand dilution and enhancing the likelihood of providing the brand with the ability to have consumers accept a price premium (Aaker, 2001).

The findings above are contrasted by the chief importance of the experiential value dimension of luxury for both *purchase intent* and *willingness to pay a price premium* for non-edible brand extensions by the brand *Brilleland*, which is also of medium brand quality. When comparing these findings across product categories within the same brand quality level, noticeable differences emerge. As the *experiential value dimension of luxury* is of utmost importance for nonedible brand extensions, while *expertise* holds the greatest significance for edible brand extensions', when consumers are making a purchase decision.

Another noteworthy observation for our study lies within the results, since there are no differences of importance for association between *purchase intent* and *willingness to pay a price premium* for brand extension for each respective brand. Exemplified as associations of *expertise* were equally important for *purchase intent* and *willingness to pay a price premium* for *Peppes*, and the *experiential value dimension of luxury* was most important for both *purchase intent* and *willingness to pay a price premium* for *Brilleland*. Which showcases the association's importance to be consistent across both dependent variables and varying only with the independent variables in this experimental study.

Moving on to low brand quality, *prestige* ranks highest for edible brand extensions. Which states that edible brand extensions experience the most positive outcomes for *purchase intent* and *willingness to pay a price premium* when the brand extension is featured with enunciations of *prestige* and social value, when consumed. Which is dissimilar to the other product category, whereas for non-edible brand extension, associations of *expertise* are dominant for *purchase intent* and *willingness to pay a price premium* for brand extension.

The results above illustrated significant differences across the quality levels for brand responses, and the moderately low mean levels for *purchase intent* of non-edible brand extensions launched by brands of high and medium quality may indicate a potential damaging effect of the brand. Which can be explained by comparisons with the core product may act in some scenarios unfavourably and is particularly risky for vertical brand extensions (Kim & Lavack, 1996). Considering that the extended product runs the risk of appearing inferior, the difference in quality can be too extensive between the products for favourable comparisons to happen (Martinez & Pina, 2003). Thus, these findings indicate for such brands that transferring associations between a core product may hamper brand loyalty, since this brand extension may cause dilution effects if the attributes of the extended product are not consistent with the consumer beliefs of the brand (Loken & John, 1993; Keller & Ailawadi, 2004). However, this needs further research, to gain a deeper understanding of the dynamics.

In line with the preceding section, edible brand extensions elicit in general stronger brand extension attitudes. Based on the mean values in the results from the survey, compared to non-edible brand extensions. Which was consistent for both *purchase intent* and *willingness to pay a price premium*, which may lead to differences in engagements towards the respective brand extensions. This can indicate that linking edible brand extensions to a core product, when there also exists an adequate degree of fit, may elicit stronger brand responses (Appendix: Bar Plot Mean Values 1 & Mean values 2). Nonetheless, we also identified a pattern in the findings for edible brand extensions to inhabit higher standard deviation values (Appendix: Bar Plot Standard Deviation Values 1 & Standard Deviation Values 2). Which indicates the data from respondents collected from potential consumers is more varied when compared to consumers of non-edible brand extensions.

Name	Hypothesis	Hypotheses verification
H1a	*The importance for the associations will differ across product categories, with respect to Purchase Intent*	Yes
H1b	*The importance for the associations will differ across product categories, with respect to Willingness to pay a price premium*	Yes
H2a	*The importance for the associations will differ across brand quality levels, with respect to Purchase Intent*	No
H2b	*The importance for the associations will differ across brand quality levels, with respect to Willingness to pay a price premium*	Yes

H3a	*For edible brand extensions by high quality brands, emphasizing luxury (experiential) will be most important for PI and WPP, when compared to the other associations.*	Yes
H3b	*For non-edible brand extensions by high quality brands, emphasizing Prestige will be most important for PI and WPP, when compared to the other associations*	Yes

6.0 Managerial relevance and implications

The results, which are discussed above, have clear managerial value, particularly as a supplement to the decision making basis for strategic approaches for future brand extensions into mass sales channels. This study highlights the value of leveraging specialized knowledge gained from having a high quality core product in another market. It provides an in-depth understanding of the interplay between luxury value dimensions, offering a contribution to the scientific foundation to build upon in product development and marketing efforts when launching brand extensions.

Moreover, it emphasizes the relevance of fit, which may further have value for a decision process in analyzing the profitability of a brand extension. Seeing as a too extensive difference in attributes or quality may prove to cause dilution effects for the brand extension and act unfavorably for the brand responses (Kapferer, 1998; Keller & Ailawadi, 2004; Martinez & Pina, 2003). Supported by the importance of similarity and fit between the brand's portfolio of products and the extended product to ensure brand authenticity in the extended product category (Napoli et al., 2014; Södergren, 2021). Thus, the findings in this thesis illustrate how brands may capitalize on the value dimensions of luxury if they were to launch brand extensions into the FMCG market by linking their core product of higher quality to the extended

product, which is in line with prior findings of the importance of fit for brand extensions (De Giovanni & Zaccour, 2022; Liu et al., 2016).

Hence, utilizing brand equity, as the elevated quality perception of the core product may enhance the luxury appeal for the extended product, may lead to generating a positive impact on brand equity through brand awareness, which will in turn enhance market potential (Aaker, 2012; Tang et al, 2015). In which findings in this thesis reinforces the prior research on significance of fit for bettering the probability of brand extension success. Considering our findings emphasizes the possible negative outcomes deriving from inadequate level of fit.

However, our findings provide a filling for the research gap, by examining a sophisticated interplay of luxury value dimensions. In which these value dimensions explain the dynamic behind brand extensions into the fmcg market, of linking a brand extension intended for mass sale up to a specialized reference product of higher quality. Thus, the findings contribute to the existing body of knowledge by providing additional evidence and insights to underlying dynamics in brand extensions and by continuing to emphasize not only the importance of fit but also in which manner fit is additionally vital for successful brand extensions.

Moreover, prior research has illustrated findings of great scientific value, and has recognised the importance of luxury value dimensions in brand management. Hower, findings in this thesis builds upon this research and contributes by further examining the interplay between luxury value dimensions and brand extensions. As it highlights the value of leveraging specialized knowledge gained from high-quality reference products, tied up to the core brand associations, and emphasizes the significance of linking this to brand extensions through luxury value dimensions. Additionally incorporating a universal aspect, as the findings in this thesis are based on shared associations between brands and not associations specific to individual brands. Hence, adding depth to the existing body of knowledge by exploring such importance and provides insights for future research to build upon.

More specifically, the findings suggest that by capitalizing on the specialized knowledge for their product type, managers of high quality non-edible brands may greatly benefit, when compared to other alternatives of linkages to a core product through associations, from emphasizing associations of *prestige*. Considering prestige holds considerable importance for brand management, as it represents the consumer's perception of social image through signaling social status by associating themselves with a brand (Mansoor & Paul, 2022; Choi et al., 2011). Thus, by cultivating associations of *prestige*, managers of such brands can be able to position brand extension as desirable and, to some extent, aspirational, to help enhance the perceived value of a product by harmonizing with higher social status and appealing to social recognition.

This may be exemplified here by Colosseum´s expertise in dental care products. Managers of high quality brands looking to launch brand extensions ought to announce associations of *prestige*, which can be done by cultivating an image of exclusivity, elegance, and high status for the brand extension (Gatti et al., 2012). Considering that the dental care products by Colosseum may capitalize on their brand positioning in other markets and utilize a higher perceived brand quality as an incentive for consumers' *purchase intent* and *willingness to pay a price premium* for their brand extensions. Hence, it may contribute to differentiating the brand extensions from other FMCG substitutes and capturing attention in a purchase decision for consumers.

On the other hand, the results suggest an emphasis on the *experiential value dimension of luxury*, in particular for nonedible brand extension by medium quality brands such as *Brilleland* and for brand extension by high quality edible brands such as *Olivia*. Which signifies the managerial relevance of creating memorable and immersive brand experiences by emphasizing the experience, which transcends utilitarian value and focuses on evoking pleasure and sensory delight. Which may involve creating attention towards the self-gifting value of consuming the brand extension on an emotional level and not focusing on external value such as signaling high status.

Thus, incorporating associations with the intent to highlight the individual's hedonic experience may be a possibility for managers to enhance brand equity through creating a distinctive and memorable brand identity that harmonizes with consumers desire to experience immersive and pleasurable experiences. If the emotional responses prove to increase significantly enough, it may ultimately lead to brand resonance (Keller, 2020). Bringing with it various benefits, such as the cost of marketing for consumers now connecting themselves to the brand by having either behavioral loyalty, active engagement, a sense of community, or an attitudinal attachment to the brand (Keller, 2020). Moreover, for these customers, their price elasticity has proven to decrease, as has the cost of marketing (Park et al., 2010), which may result in improved cost-effectiveness.

The last value dimension of luxury is presented as associations of *expertise*, and the findings illustrate the dominance of expertise as a crucial association for edible brand extensions launched by medium quality brands such as *Peppes Pizza*, and for brand extensions launched by non-edible low quality brands similar to *Cutters*, which supports the managerial relevance of emphasizing associations of expertise. Which may be feasible by promoting skill and reliability, and drawing attention to the quality and functionality of their core product. Hence, associations of *expertise* may function as an effective way of communicating with consumers, as it may educate them about the premier benefits and advantages offered by the brand extension (Aaker, 2009). Thus, by focusing on "know-how", managers may instill trust and confidence in consumers, especially in a context where consumers may prioritize functional attributes for the sake of justifying value for resources spent on FMCG products (Calvo & Mangin, 2017). Therefore, focusing on associations of expertise may contribute to the established brand equity when managers are in the decision process of launching brand extensions, and if the brand extension has a high degree of fit, it may help to continue delivering consistent and reliable high performance.

A noteworthy observation is that moderately low mean levels of *purchase intent* for non edible brand extensions launched by high and medium quality brands suggest a potential negative impact on the favorability of these brand extensions. This can be attributed to a substantial difference in quality between the core product and the brand extension, which may lead to the extended product appearing inferior and thus making favorable comparisons to the brand challenging (Kapferer, 1998; Keller & Ailawadi, 2004; Martinez & Pina, 2003). Consequently, the managers of such brands need to more carefully develop the brand extension to ensure an adequate degree of fit when compared to brands of lower quality and to brands in the edible product category. Moreover, these findings expand the understanding of such brand extensions by comparing edible and non-edible brand extensions. As well as also examines their implications across different brand quality levels. Bearing in mind these findings dives into the underlying dynamic for brand extensions in various product contexts. Hence, by considering and examining a broader range of product categories and quality levels, these findings contribute to the body of knowledge by providing a more comprehensive understanding of brand extensions strategies.

These findings also account for and integrate brand equity to provide brand positioning insights. By heeding to established concepts of brand equity and by factoring these valuable insights into the examination of an underlying dynamic of brand extensions. Hence, demonstrating how leveraging brand equity through associations of prestige, expertise, and experiential value dimension of luxury can lead to increased market potential and brand extension success. Consequently, the findings in this thesis indicate the importance for managers, across all quality levels and product categories, to strategically align brand extensions with an adequate degree of fit, but also to take into account the differences in importance for which value dimension of luxury to emphasize if they have a core product of higher value.

An understanding of such an interplay may open up the ability to leverage brand equity in such a manner to enhance brand positioning and create additional memorable experiences for consumers. Hence, establishing a stronger brand identity in the FMCG market by enhancing their credibility may ultimately lead to increased customer preference and loyalty. By understanding the significance of this study's

findings, managers may actively leverage prestige, individual luxury experiences, and expertise to effectively cater to consumers´ desires and expectations, leading to increased customer loyalty, market share, and brand extension success.

7.0 Limitations and Future Research

This research, while insightful and constructive in its findings, is not without its limitations. Thus, we present some limitations that may be considered for future research.

Firstly, the study relied on an online survey method to collect data, an approach that presented some issues. The uncontrollable surroundings of the respondents while answering the questionnaire could potentially have influenced their responses, a factor that could have been mitigated in a controlled lab environment. Moreover, the lack of any incentives, such as financial rewards, for completing the survey may have limited the number of respondents and their level of commitment.

Secondly, our sample was derived from a narrow demographic, mostly Norwegian students with similar demographics as the authors. The homogeneity in demographics among our respondents limits the broad applicability of our findings. This homogeneity might foster similar attitudes and perspectives on our research topics, among our participants. To accommodate these considerations, we implemented in our preliminary survey, with a representative sample that accurately mirrors the main survey's participant demographics, questions that effectively managed these factors. However, future research could broaden the scope of the study by diversifying the demographic, thus allowing for a more holistic understanding of brand perception across different segments of the population.

Additionally, our focus was exclusively on Norwegian brands and their extension into the FMCG market. While this provides a valuable understanding of the local scenario, the dynamics could change significantly in different cultural and geographical contexts. Future research could explore similar brand extension

strategies in various global markets, comparing the outcomes. Moreover, this study divided the extension products into two primary product categories, edible and nonedible. It could be beneficial to include other subcategories within these two categories, to conduct more comprehensive research.

Lastly, while our research model has provided intriguing results, it does not account for other possible variables that might affect purchase intent and willingness to pay price premium. For instance, factors such as preferences for sustainable or ethically sourced products could also play a substantial role. Future research could incorporate these aspects to create a more comprehensive model.

Despite these limitations, we believe that our study has opened several avenues for future exploration. It has shed light on brand perception and its influence on consumer behaviour, especially in the context of brand extensions into the FMCG market. Further research in this area will undoubtedly continue to reveal fascinating insights and offer valuable guidance to brands considering similar extension strategies.

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Appendix:

Table: *Establishing core product*

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Er pastaretter et kjerneprodukt for Olivia?	13	1.23	.439	.122
Er pizza et kjerneprodukt for Peppes?	14	1.00	.000[a]	.000
Er kebab et kjerneprodukt for Bislet Kebab House?	14	1.00	.000[a]	.000
Er hårpleie et kjerneprodukt for Cutters?	13	1.15	.376	.104
Er tannpleie et kjerneprodukt for Colosseum Tannlegekontor?	13	1.08	.277	.077
Er lesebriller et kjerneprodukt for Brilleland?	13	1.15	.376	.104

a. t cannot be computed because the standard deviation is 0.

One-Sample Test

Test Value = 0

	t	df	Significance One-Sided p	Significance Two-Sided p	Mean Difference	95% Confidence Interval of the Difference Lower	95% Confidence Interval of the Difference Upper
Er pastaretter et kjerneprodukt for Olivia?	10.119	12	<.001	<.001	1.231	.97	1.50
Er hårpleie et kjerneprodukt for Cutters?	11.078	12	<.001	<.001	1.154	.93	1.38
Er tannpleie et kjerneprodukt for Colosseum Tannlegekontor?	14.000	12	<.001	<.001	1.077	.91	1.24
Er lesebriller et kjerneprodukt for Brilleland?	11.078	12	<.001	<.001	1.154	.93	1.38

	Mean values	Significance p-level	Percentage for yes	Percentage for no
Olivia	1.23	<.001	76.92%	23.08%
Peppes	1.00	<.001	100.00%	0.00%
BKH	1.00	<.001	100.00%	0.00%
Colosseum	1.08	<.001	92.31%	7.69%
Brilleland	1.15	<.001	85.01%	14.99%
Cutters	1.15	<.001	84.62%	15.38%

Table: *Fit between core product and extended product*

One-Sample Test

Test Value = 0

	t	df	Significance One-Sided p	Significance Two-Sided p	Mean Difference	95% Confidence Interval of the Difference Lower	95% Confidence Interval of the Difference Upper
Olivia har utvidet sitt tilbud og har nå startet å selge en frossen pasta rett i norske dagligvare butikker. Ta stilling til spørsmålene nedenfor ved å gi de en score fra 1 – 7 (Usannsynlig – Veldig sannsynlig). – Hvor sannsynlig er det at det nye produktet passer med kjerne produktet?	18.433	12	<.001	<.001	5.846	5.16	6.54
Peppes Pizza har utvidet sitt tilbud og selger frossen pizzaer i norske dagligvare butikker. Ta stilling til spørsmålene nedenfor ved å gi en score fra 1 – 7 (Usannsynlig – Veldig sannsynlig). – Hvor sannsynlig er det at det nye produktet passer med kjerne produktet?	18.912	13	<.001	<.001	6.500	5.76	7.24
Bislet Kebab House har utvidet sitt tilbud og har nå startet å selge frossen kebab kjøtt i norske dagligvare butikker. Ta stilling til spørsmålene nedenfor ved å gi en score fra 1 – 7 (Usannsynlig – Veldig sannsynlig). – Hvor sannsynlig er det at det nye produktet passer med kjerne produktet?	20.774	13	<.001	<.001	6.429	5.76	7.10
Cutters har utvidet sitt tilbud og har nå startet å selge en ny sjampo i norske dagligvare butikker. Ta stilling til spørsmålene nedenfor ved å gi de en score fra 1 – 7 (Usannsynlig – Veldig sannsynlig). – Hvor sannsynlig er det at det nye produktet passer med kjerne produktet?	10.012	12	<.001	<.001	5.615	4.39	6.84
Colosseum tannlegekontor har utvidet sitt tilbud og har nå startet å selge tannbørster i norske dagligvare butikker. Ta stilling til spørsmålene nedenfor ved å gi en score fra 1 – 7 (Usannsynlig – Veldig sannsynlig). – Hvor sannsynlig er det at det nye produktet passer med kjerne produktet?	11.893	12	<.001	<.001	5.846	4.78	6.92
Brilleland har utvidet sitt tilbud og har nå startet å selge standard lesebriller i norske dagligvare butikker. Ta stilling til spørsmålene nedenfor ved å gi de en score fra 1 – 7 (Usannsynlig – Veldig sannsynlig). – Hvor sannsynlig er det at det nye produktet passer med kjerne produktet?	14.406	12	<.001	<.001	5.846	4.96	6.73

	Mean (Score 1-7)	Significance p-level	Percentage for yes	Percentage for no
Olivia	5.846	<.001	83.51%	16.49%
Peppes	6.500	<.001	91.12%	8.88%
BKH	6.429	<.001	92.31%	7.69%
Colosseum	5.846	<.001	83.57%	16.43%
Brilleland	5.846	<.001	83.57%	16.43%
Cutters	5.615	<.001	80.28%	19.72%

Table: *Ranking brands according to quality levels*

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Ranger følgende merkevarer utifra kvalitet, ved å gi de en score (3 tilsvarer høyest kvalitet) – Cutters	13	1	3	1.46	.776
Ranger følgende merkevarer utifra kvalitet, ved å gi de en score (3 tilsvarer høyest kvalitet) – Colosseum Tannlege	13	1	3	2.46	.776
Ranger følgende merkevarer utifra kvalitet, ved å gi de en score (3 tilsvarer høyest kvalitet) – Brilleland	13	1	3	2.08	.641
Ranger følgende merkevarer utifra kvalitet, ved å gi de en score (3 er høyest kvalitet) – Bislet Kebab House	13	1	3	1.38	.650
Ranger følgende merkevarer utifra kvalitet, ved å gi de en score (3 er høyest kvalitet) – Olivia	13	1	3	2.46	.776
Ranger følgende merkevarer utifra kvalitet, ved å gi de en score (3 er høyest kvalitet) – Peppes Pizza	13	1	3	2.15	.689
Valid N (listwise)	13				

	High	Medium	Low	Ranking
Olivia	61.54 %	23.08 %	15.38 %	High
Peppes	30.77 %	53.85 %	15.38 %	Medium
BKH	7.69 %	23.08 %	69.23 %	Low
Colosseum	61.54 %	23.08 %	15.38 %	High
Brilleland	23.08 %	61.54 %	15.38 %	Medium
Cutters	15.38 %	15.38 %	69.23 %	Low

Table: *Brand attitudes*

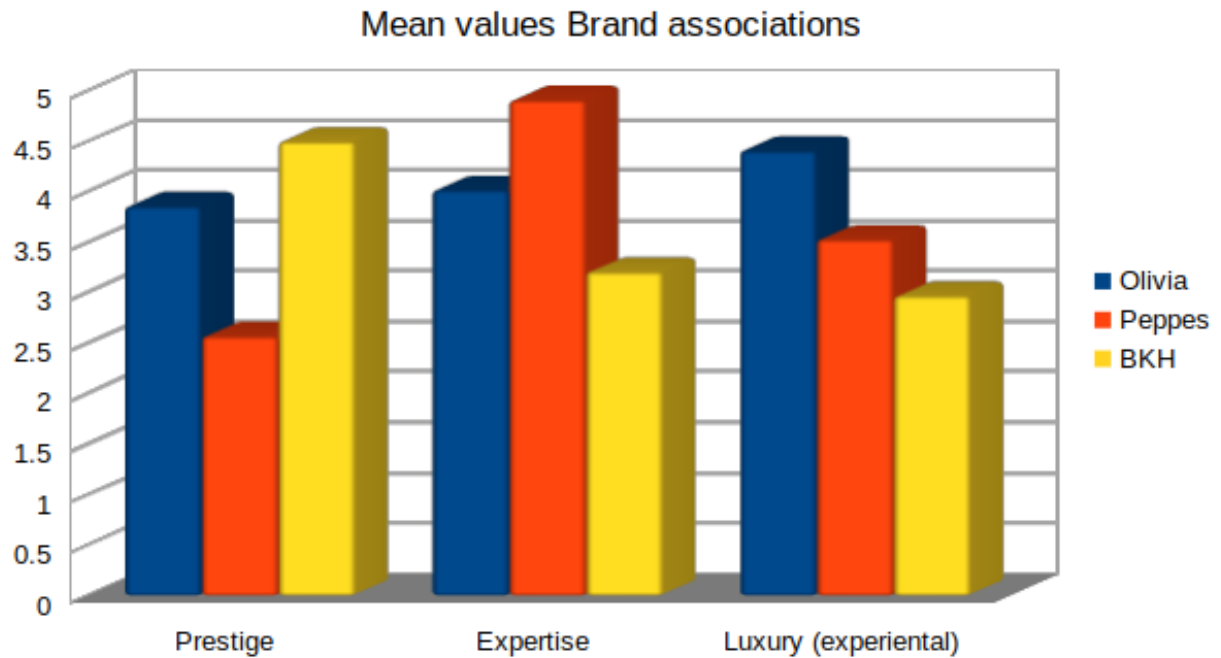|	t	df	Significance One–Sided p	Significance Two–Sided p	Mean Difference	95% Confidence Interval of the Difference Lower	95% Confidence Interval of the Difference Upper
				Test Value = 0			
Ta stilling til spørsmålet nedenfor om dine holdninger til den Italia inspirerte restauranten Olivia, ved å gi de en score fra 1 – 7 (Veldig misfornøyd – veldig fornøyd). – Hvor fornøyd er du?	15.601	12	<.001	<.001	5.692	4.90	6.49
Ta stilling til spørsmålet nedenfor om dine holdninger til merkevaren Peppes Pizza, ved å gi de en score fra 1 – 7 (Veldig misfornøyd – veldig fornøyd). – Hvor fornøyd er du?	13.210	13	<.001	<.001	5.214	4.36	6.07
Ta stilling til spørsmålet nedenfor om dine holdninger til merkevaren Bislet Kebab House, ved gi de en score fra 1 – 7 (Veldig misfornøyd – veldig fornøyd). – Hvor fornøyd er du?	13.220	13	<.001	<.001	5.500	4.60	6.40
Ta stilling til spørsmålet nedenfor om dine holdninger til merkevaren Colosseum Tannlegekontor, ved å gi de en score fra 1 – 7 (Veldig misfornøyd – veldig fornøyd). – Hvor fornøyd er du?	4.266	12	<.001	.001	2.538	1.24	3.83
Ta stilling til spørsmålet nedenfor om dine holdninger til merkevaren Brilleland, ved å gi de en score fra 1 – 7 (Veldig misfornøyd – veldig fornøyd). – Hvor fornøyd er du?	12.282	12	<.001	<.001	4.692	3.86	5.52
Ta stilling til spørsmålet nedenfor om dine holdninger til merkevaren Cutters, ved å gi de en score fra 1 – 7 (Veldig misfornøyd – veldig fornøyd). – Hvor fornøyd er du?	9.856	12	<.001	<.001	4.923	3.83	6.01

Brand	Mean	Significance
Olivia	5.69	<.001
Peppes	5.21	<.001
BKH	5.50	<.001
Colosseum	3.50	<.001
Brilleland	4.69	<.001
Cutters	4.92	<.001

Table: *Brand compatibility with selected associations*
- Note: Due to the extensive amount of values in the SPSS transcripts for this analysis, the following values of importance are comprised into the following table.

Brand	Luxury (experiential)	Competence	Prestige
Olivia	4.308	4.692	4.231
Peppes	3.077	5.308	3.538
BKH	3.00	4.308	3.308
Colosseum	4.08	5.31	4.23
Brilleland	4.15	5.46	4.15
Cutters	2.15	4.23	2.31

Mean values 1

Mean values Brand associations

Mean values 2

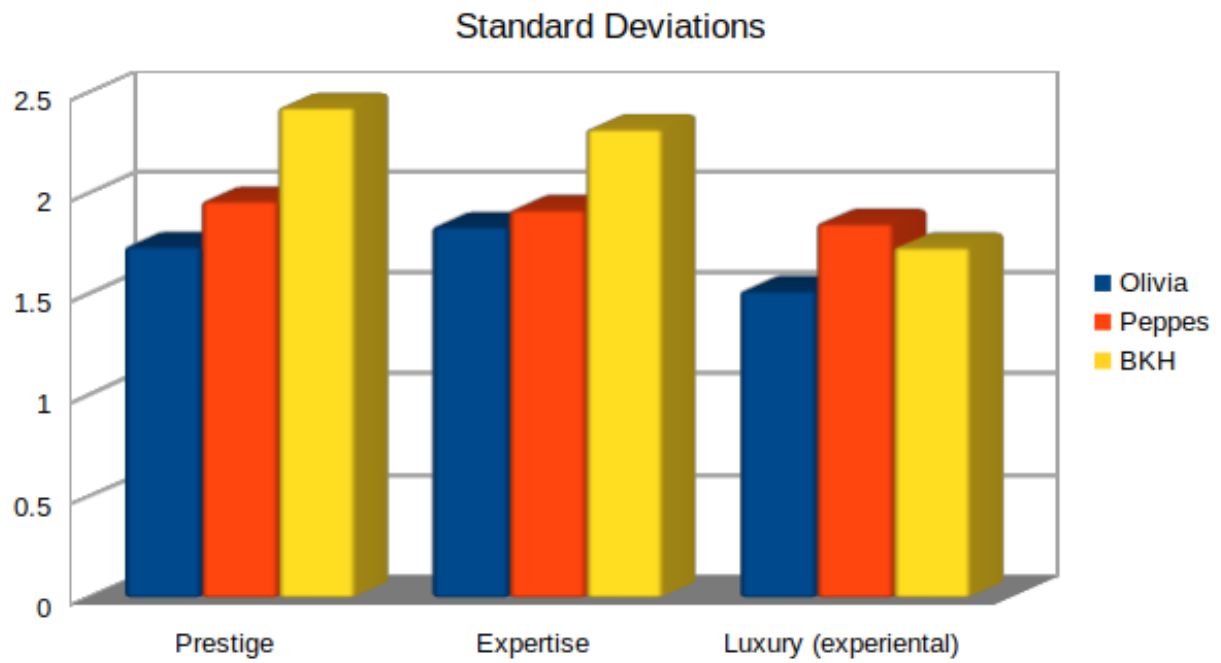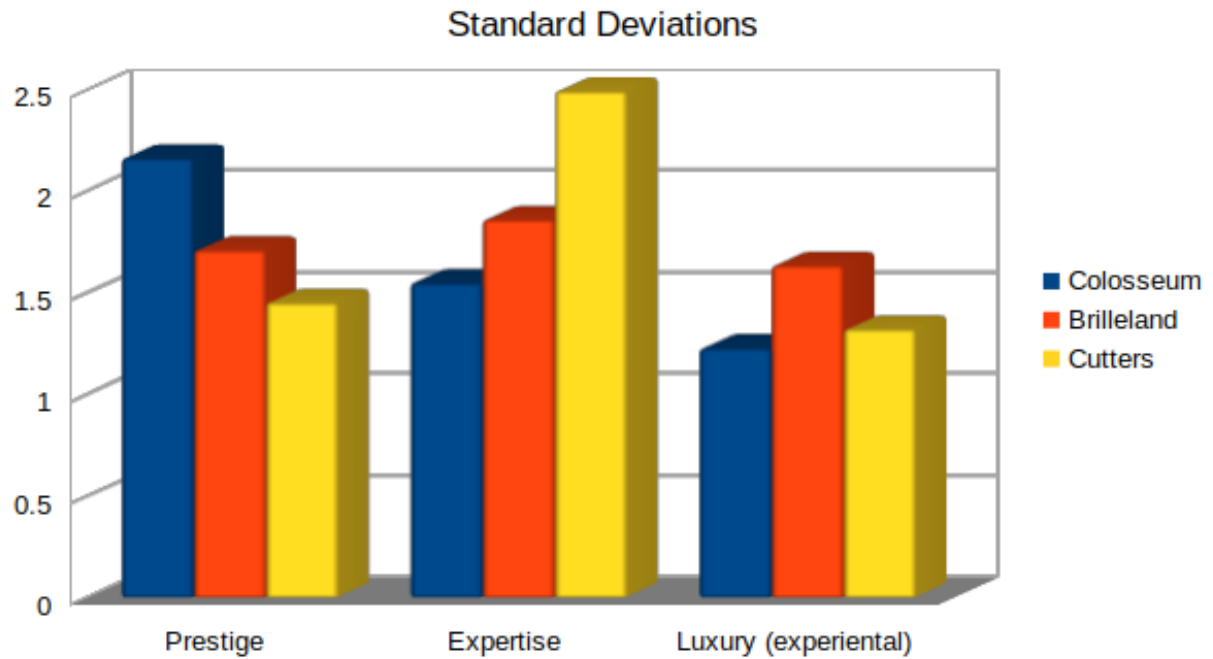Mean values Brand associations

Standard deviation values 1
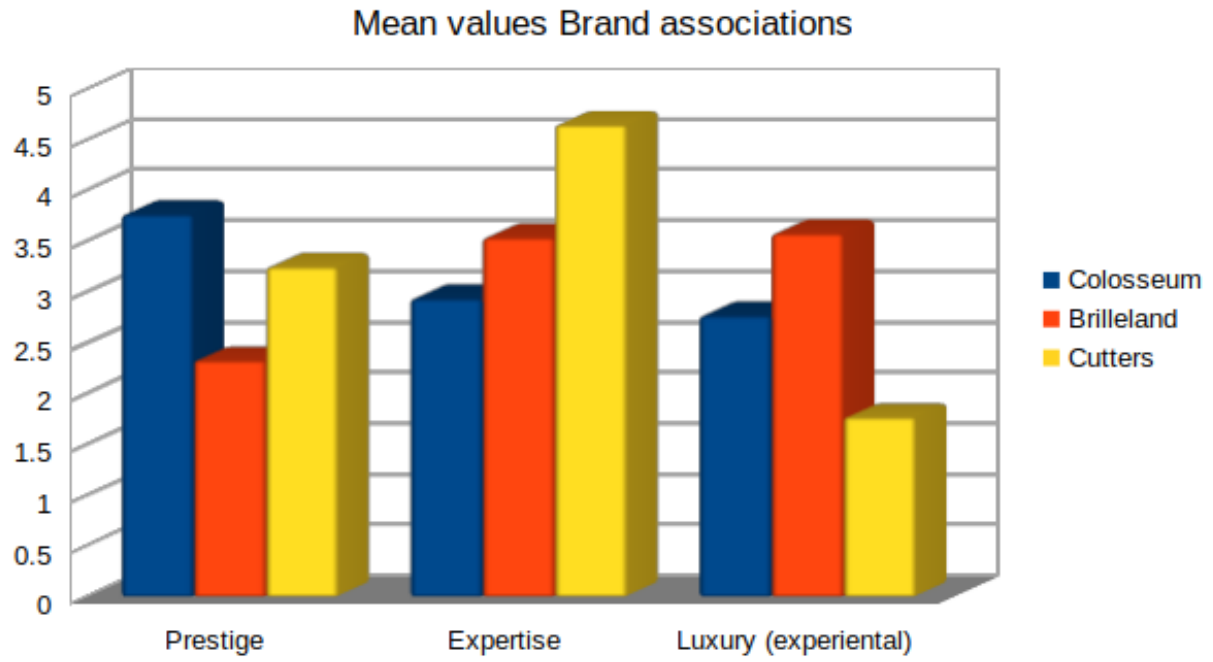
Standard Deviations

Standard deviation values 2

Standard Deviations

Appendix: SPSS for PI and WPP

Tests of Between-Subjects Effects

Dependent Variable: PI

Source	Mean Square	F	Sig.
Corrected Model	23.958	45.365	<.001
BrandQuality	6.493	12.295	<.001
ProductCategory	11.522	21.816	<.001
BrandQuality * ProductCategory	1.722	3.260	<.001

Tests of Between-Subjects Effects

Dependent Variable: WPPP

Source	Mean Square	F	Sig.
Corrected Model	22.783	17.090	<.001
BrandQuality	4.843	3.633	<.001
ProductCategory	13.546	10.161	<.001
BrandQuality * ProductCategory	2.971	2.228	.008

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Appendix: Questionnaire Preliminary

Questions/Statements	Description	Measurement
How satisfied are you with Brand X?	Screening Question	1-7
Is X a core product for Brand X	Fit Question	Yes/No
How likely is it that the new product fits with the core product?	Fit Question	1-7
How likely is it that the quality of the core product is relevant to the new product?	Fit Question	1-7
How likely is it that the quality of the core product can be reflected in the new product?	Fit Question	1-7
I find Brand X's products to have a touch of luxury	Bran Association Compatibility	1-7
I find that Brand X has expertise in Product X category	Bran Association Compatibility	1-7
I find that Brand X's products are prestigious	Bran Association Compatibility	1-7
Rank the following brands in terms of quality, by giving them a score (3 corresponds to the highest quality)	Quality Level Ranking	1-3 x 2 (Edible/Non-edible)
Demographics	Demographics Questions	Age, Income, Education, County, Gender, Occupational status

Appendix: Main Survey

N.	Statements 1-12	Association	Likert Scale
1.	Brand X's special competence is relevant for the new product	Expertise	1-7 Disagree/Strongly Agree
2.	Buying this product makes it easier for people to know that I buy the best products, even when I shop in grocery stores	Prestige	1-7 Disagree/Strongly Agree
3.	If I buy this product, I feel that people get a better impression of me.	Prestige	1-7 Disagree/Strongly Agree
4.	I'm happy to pay a little extra for this product, because it can give people a better impression of me	Prestige	1-7 Disagree/Strongly Agree
5.	Brands X's expertise is something I think about if I buy the product.	Expertise	1-7 Disagree/Strongly Agree
6.	The expertise of Brand X is something that allows me to prefer this product over other similar products.	Expertise	1-7 Disagree/Strongly Agree
7.	The expertise of Brand X makes me willing to pay a little extra for this product	Expertise	1-7 Disagree/Strongly Agree
8.	This product, which is associated with special expertise, will improve my experience and use of this product.	Expertise	1-7 Disagree/Strongly Agree
9.	When I must choose between products, this product will treat me to an extra luxury experience	Luxury (Experiential)	1-7 Disagree/Strongly Agree
10.	I am willing to pay a little extra for this product, because it gives me a higher luxury feeling	Luxury (Experiential)	1-7 Disagree/Strongly Agree
11.	The luxury feeling associated with Brand X's core product can be experienced in this product	Luxury (Experiential)	1-7 Disagree/Strongly Agree
12.	When I must choose between similar products in the grocery store, I prefer the product associated with the highest luxury feeling	Luxury (Experiential)	1-7 Disagree/Strongly Agree