

St. Petersburg State University  
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# The Influence of Perceived Fit on Successful Brand Extensions: the Case of Chinese Brand Xiaomi tech

Master's Thesis by the 2<sup>nd</sup> year student

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## АННОТАЦИЯ

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Название магистерской диссертации	Движущие факторы успешного расширения бренда: кейс китайской марки Xiaomi.
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Описание цели, задач и основных результатов	<p>Настоящая работа направлена на выявление влияния решающего фактора в стратегии расширения бренда Xiaomi - воспринимаемого соответствия между родительским брендом и его новыми продуктами. Выбранная компания - растущая молодая китайская технологическая компания, чьи усилия активно направлены на расширение производимых категорий продуктов. Цель данной магистерской диссертации заключается в том, чтобы определить природу и элементы воспринимаемого соответствия между родительским брендом и его расширениями.</p> <p>Объединив методы количественных и качественных исследований, автор данной работы выявил, как потребители оценивают расширения бренда на основе восприятия соответствия, и изучил возможность дальнейшего расширения бренда Xiaomi. Таким образом, данная работа заполняет исследовательский пробел в знаниях, связанных с восприятием расширения бренда, и описывает реальную деловую практику, как компании должны использовать бренд в качестве эффективного инструмента при планировании и реализации стратегий расширения</p>

	бренда.
Ключевые слова	Расширение Бренда, Воспринимаемое Соответствие, Китайский Бренд Xiaomi

## ABSTRACT

Master Student's Name	Yuan Shujie
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Description of the goal, tasks and main results	<p>This paper is aimed at discovering the influence of decisive factor in Chinese brand Xiaomi's brand extension strategy – the impact of perceived fit between parent brand and its extension products. The company selected is a rising young Chinese technology company whose efforts and achievements of actively extending itself into a wild range of product categories have caught a lot of attention and discussion. The purpose of this thesis is to identify the nature and elements of perceived fit between parent brand and extensions. Combining the quantitative and qualitative research method, we got a deep understanding of how consumers evaluate extensions based on perceived fit and we examined the further extension opportunity for Brand Xiaomi. The research finding will fill up the research gap of limited knowledge of perceived fit and shed light upon how to leverage the brand fit as a effective tool when planning and implementing brand extension strategies.</p>
Keywords	Brand Extension, Perceived Fit, Chinese Brand Xiaomi

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## Introduction

With the acceleration of globalization and rapid development of science and technology, the competition in global markets becomes more intensive and the upgrading of products becomes more frequent. If life cycle of a product comes to a closure, then it's very likely for the brand falls into decay as well. Meanwhile, the performance and quality difference of products are diminishing due to technology improvement, the market share is harder to get than ever. Price war or advertising war in the red ocean becomes a unavoidable way to survive, however, the huge expense sometimes are affordable and lead to the total failure, the brand must to adopt a efficient way to grow itself.

Marketers have been actively using brand extension strategy as a technique of brand growth since its emergence. Brand extension was identified as the "use of an existing brand name to enter new product categories or classes." (Keller 1998). This strategy is favoured and adopted by more and more companies because using an established brand name allows the new products benefit from the most valuable assets of the company - brand name, thus, the new products moves from a position of strength: the instant consumer awareness, benefits conveyed by the brand, and existing brand loyalty, a considerable introducing expense can be saved and market share can be more easily captured if the brand extension is done in the right way.

According to statistics MTGG published, during 1970-1980, one third of new product launched failed soon after their launch due to consumers' resistance caused by risk-averse towards a new brand and unaffordable introducing expense, some researches were conducted about the common characteristics of the successful products, one finding is that they adopted the shared method of using the old trademarks on the new products and services. Aaker's (1997) study also qualified this finding, in his study it was found that companies with good market performance of that time frequently used their intangibles – brand name when launching new products. MTGG reported that two third of successful products came to the fore in the 90<sup>th</sup> were sub-brands or extension products affiliated to the successful brands.

Despite the benefits brand extension strategy can reap, this strategy is not risk free. Bad choice of extensions may not only lead to the failure of the product launched but also would jeopardize the parent brand image. Brand extension failure rate was reported as high as 84% in some category (Ernst & Young 1999). Talyor (2004) demonstrated that only 50% the brand extensions could survive more than three years – and worst of all, the damage caused by extension failure to parent brand are irreversible most of the time. Therefore, a thorough understanding the driving factor of brand extension strategy is always critical to its successful.



By reviewing previous studies it was found that, the perceived fit between parent brand and extension products plays a primary role of consumer brand extension evaluations. However, little attention was paid on examining the nature of perceived fit, its components and their influences. This thesis is aimed at exploring the elements and their influences. The finding will therefore fill up the research gap of limited knowledge of the perceived fit in brand extension, and the findings will shed light to real business practice how should they leverage the brand fit as a effective tool when planning and implementing brand extension strategies.

Since the participation of WTO, the reform has gone more deeply and China is becoming more and more open in the business environment. The improvement of technology and the transfer of consumers' preference provide a huge challenge and opportunity at the same time. The product life circle shorted and some Chinese companies realized the benefits of brand extension, however, the failure example emerged as well. Relative studies and theory researches in the field of brand extension is just in the initial stage, companies often faltered owing to the incomplete theory in Chinese thus, insufficient study constraints Chinese companies to make move and sometimes deviates companies from right direction.

Against the background and given the importance and badly need of in-depth analysis on the role of perceived fit in the successful brand extension strategies. The purpose of this research is to firstly fill the research gap by examining the explicit components of perceived fit and their roles in consumers' evaluation of brand extensions. In this thesis, we decide to use example of a dark horse Chinese Internet company Xiaomi tech, which originally a smartphone vender and build their business empire through the use of brand extension strategy.

The rationale of choosing this specific company is that this company represents a typical example under the flying "Internet economy" in China and took the bold step of brand extension ahead of other Internet companies in China. We decided not to use example from FMCG since numerous researches using FMCG were done already and invariably conducting the research in the category where consumers don't involve themselves too much in nature can't provide valuable insights for thriving Chinese companies in emerging industries. We would like our finding from this research contributes to the theory void and sheds light on how to appropriately use perceived fit while implementing brand extension strategy for fast-growing Chinese companies.

In order to reach the research purpose the following research questions will be studied and investigated:

1. To identify the key principal of successful category brand extension strategy – namely, perceived fit and to reveal the most crucial components of perceived fit and their influence on brand extension success.

2. To provide recommendations of potential brand extension categories for brand Xiaomi to further grow itself.

This thesis can be divided into following parts: in the first part, we will firstly clarify relevant concepts and knowledge, the different types of brand extension, the researches on the driving factors for successful brand extension. Afterwards, the main determinant of brand extension success – perceived fit will be introduced and engaged in our framework. Then the analysis of most noteworthy components and their influence will be exhaustively studied.

Afterwards, Xiaomi's brand extension strategy and its market context will be thoroughly analysed. It's core brand identity and brand value will be demonstrated. Then, we will use the defined key principal of perceived fit to construct in-depth analysis in order to provide potential extension category for Xiaomi to further extend itself, qualitative research method such as Delphi-method and Semantic differential will be used. Finally, the findings and conclusions as well as the limitation of this research will be summarized and the managerial implications will be provided.

# **Chapter 1. Brand Extension Strategy as a Brand Growth Strategy**

## **1.1.Relevant concepts**

### **1.1.1. Brand Growth Strategy**

Companies acquire different brand strategies to manage their product portfolio and market themselves in order to capture more market share and attain market leadership, The brand strategy is a approach of planning tasks, the allocation of sources within the brand portfolio and the development of branding events so as to achieve a competitive advantage and increase the brand's equity (Tauber 1988). The brand strategy should accurately determine:

- The task of branding
- Markets and product categories on which brands will be promoted
- The principle of resource allocation within the brand portfolio and a set of branding activities depending on the brand architecture

Brand strategy is a long-term approach to brand development, which allows brand to acquire market leadership and drive out competitors from the leading positions in the category (Kotler 2002). The brand strategy should be based on a clearly defined core identity of the brand, which allows companies to consolidate and develop in the minds of consumers those unique associations that the developer invests in the brand content. Thus, the major goal of the brand strategy is to effectively distribute and coordinate market resources and branding activities to fulfill the company's tasks in managing brands in a certain product market.

### **1.1.2. Classification and Definition of Different Types of Brand Growth Strategies**

To research brand extension strategy, firstly we need to grasp the relative brand development concepts. Edward Tauber firstly put forward the model of brand growth strategies from the company's viewpoint under the background of economy stagnation in America. In this brand growth strategies matrix four opportunities of brand growth were put forward: New brand strategy; Line extension Strategy; Flanker extension Strategy; Brand Extension Strategy.

1. New brand is introduced when company's existing brand is not appropriate for the new product category intended.
2. Line extension refers to adding products within existing product category and under existing brand name.
3. Flanker extension refers to creating a new brand into same product category to capture more market share by targeting different consumer group.

4. Brand extension means using established brand name to enter new product category.

*Figure 1. Brand Growth Strategies Matrix*

		Product Category	
		New	Existing
Brand Name	New	New Brand	Flanker
	Existing	Brand Extension	Line Extension

*Source: Tauber 1981, Business Horizons*

The terms of “brand extension” and “line extension” are often used inversely in the newspaper and the definitions of them sometimes were quite vague to consumers, some coexisting definitions referred to same phenomenon - Aaker and Keller (1990) defined brand extension “a current brand name is used to enter a completely different product class”. Farquhar (1989) defined category extension “Applies an existing brand name to a product category that is new to a firm”. Tauber (1981) also defined brand (franchise) extension “taking a brand name familiar to the consumer and applying it to a product in a new category”. Reddy (1994) defined “line extension” as applying the existing brand name to new products in the same product category, which is consistent with Tauber’s matrix. Kotler (1991) defined brand extension encompassing the nature of category extension and line extension: “A brand extension strategy is any effort to extend a successful brand name to launch new or modified products or line”.

In line with Tauber’ matrix, the “brand franchise extension”, “brand extension” Aaker defined and “category extension” Farquhar defined can be classified as “category extension” in nature, which has essential distinction with line extension: whether the product category it enters is new or old. In this thesis, we will refer “brand extension” to the encompassing meaning defined by Kotler, and refer category extension and line extension as two subclasses of brand extensions mention above.

Why the brand extension is necessary when it can lead to the tough competition in mature market? The biggest benefits of using an established brand name is that it enables the company utilize the most valuable assets - brand name, thus, the company moves from a position of strength - the instant consumer awareness, impressions and promises conveyed by the brand, and

existing brand loyalty (E. Tauber 1981, Keller 1998). Additionally, compared to creating new brand, brand extension requires much less expenses, such as introducing costs, advertising or price promotions. Besides, the successful extensions can also promote parent brand through the synergistic effect of advertising efficiency. (Kotler, Armstrong, 2009)

### **1.1.3 Line Extensions and Category Extensions**

In this thesis, we refer “brand extension” as an all-covering term, Category extension is “a current brand name is used to enter a completely different product class” (Aaker & Keller 1990) and line extension “applies an existing brand name to a product in one of the firm’s existing categories” (Farquhar 2004) constitutes two subgroups of brand extension.

However, it’s worth notice that the difference can be quite distinct in theory but not so in real practice, sometimes it depends on how we interpret the modification companies did on their product: Can the modified product been seen as a thoroughly new type of product, or these modifications are just some additions on the old products. Diet cola of Coca Cola can be served as an example. It’s a broadly accepted example of line extension, because it’s a sugar-free product (different formula or different flavor as a new feature) within the current product category-cola. However, some voice argued that it can be perceived as a category extension because the “diet drink is something that Coca cola formerly doesn’t operate in.

Some classifications define types of brand extension from the perspective of consumer segmentation instead of product characteristics - the customer segment is existing customer group or new. Some researches proved the positive correlation of category extension and the possibility of gaining new consumer segment (Pitta & Katsanis 2013). However, in this study we will focus on the product characteristic based classification and view the new consumer segment expansion as a consequence of brand extension strategy but not the dimension for classification, because we are of the opinion that it’s difficult and inaccuracy to generalize under which strategy new consumer segment will be gained, it happens with the modification of pricing, flavors, functions, concept change and of great uncertainty.

#### **Line Extension, Classification and Critical Analysis:**

A line extension refers to applying the established brand names to new forms, colours, sizes, ingredients, or flavour of existing product category (Kotler, 2009), line extension facilitate brand growth mainly through (Kapferer, 2004):

1. Provide diversity within current product function: for example, adding new flavours, size, colour, form
2. Provide a finer segmentation for customers’ functional need, for example, segment

product feature according to different need and problem

3. Provide complementary products, for example, a shampoo brand extends their product into hair dye.

Desai and Hoyer (2009) provided a classification framework defining different types of line extensions according to the attributes and targeted segment:

*Figure 2 Classification framework of different types of line extensions*

		Users	
		Current	New
Attribute	Same	<ul style="list-style-type: none"> <li>• Pack sizes</li> <li>• Pack types</li> <li>• Flavors</li> </ul>	<ul style="list-style-type: none"> <li>• Flavors</li> <li>• Pack sizes</li> <li>• Pack types</li> <li>• Price variant</li> <li>• Age variant</li> </ul>
	New	<ul style="list-style-type: none"> <li>• Improvements</li> <li>• Combination of attributes</li> </ul>	<ul style="list-style-type: none"> <li>• Horizontal</li> <li>• Improvements</li> <li>• Combination of attributes</li> </ul>

*Source: Desai, Hoyer 2009*

The line extensions can be classified into vertical stretching and horizontal stretching as well:

*Vertical stretching* provides new offerings in the brand's existing/same product category with a different price positioning or quality level to capture new customer segment, for example, to the customers used not able to afford their products. Vertical stretching can be done both upward and downward with different price strategy:

Upward extensions are often used by non-prestige brands to attract customers who are seeking more prestige, greater choices and better quality and of great interest to companies because successful extensions enable the price premium, however, it's difficult to implement if incompatibility in brand's image or positioning exists.

Downward extensions refer to launching the simple version or lower quality product while keeping the key attributes to attract different segmented customers, eg, customers with lower budget in hope that these customers will eventually purchase the higher vision from this brand. Downward stretching of prestige brands are perceived better by non-owners than owners because the exclusive image of parent brand may be diluted and current customers may feel less exclusive and frustrated thus show negative attitude towards parent brand. Experimental research

indicated that use a sub-name or new name in the case of downward extension would be perceived more favorably by customers. (Kirmani, Sood, and Bridges, 2010)

*Horizontal stretching* refers to keep the same price positioning and quality level but offer variety in other attributes, such as forms, sizes, flavors, package, etc (Kaprefer, 2004), for example, Pepsi provide the “light” cola with less sugar to attract customers formerly won’t buy it from healthy concern; washing powder products provide huge package for laundress and family; juice company provide orange juice as a breakfast juice and add apple juice with concept of “lunch juice”. By doing this to broaden product’s breadth, provide more choices to deepen current customers relationship and attract new customers and improve companies’ position in the market.

Quelch and Kenny (1994) have argued the advantages and disadvantages of line extensions and offered guideline to address the pitfalls in their classic work. The following factors were explained why line extensions are favorably pursued by companies: Companies can benefit from launching line extension achieving a finer market segmentation and broader customer groups with much less cost than investing in new product development, the cost of launching a new brand in the US at that time was estimated at \$30 million versus 1/6 cost for a line extension. The new offerings within line extensions can meet customers’ variety-seeking desires and lead to future trade of company’s premium products in good situation while keep the production cost under a relatively low lever without creating excess manufacturing capacity. Further more, this is the most effective and less time-consuming way to increase sales next to sales promotion, the simple logic of “more market share, more revenue” worked with this.

The problems associated with line extensions appear along with its practice: the most common question is oversegmentation, it may confuse customer as well as retailers and then lead to less retailing supports. Secondly, unadvised line extension decision can dilute the brand loyalty and lead to loss of loyal customers. Nevertheless, line extension can’t increase demand in its nature: consumers’ power of consumption of one type product is limited, more succinctly, consumers won’t wash their hair more after they buy a new shampoo from your brand, the growth in line extension can’t replace the demand in category extensions. The extension can hurt the parent brand even when it was successful launched, the damage happens in the form of “brand cannibalizing” - the revenues increase from new products are actually a result of consumers switching to the extension from existing products. It may cause a sales decrease in the long-term. (Keller 1998) And also, the latent expenses associated with line extension are often be underestimated, such as increased logistic complexity, the cost for change in advertising strategy, etc.

Several guidelines were outlined to solve the problems mentioned above of line extensions:

1. Accurate cost accounting and allocates resources for winners: traditional accounting system often neglects the incremental cost and overestimates the future of line extension. By accurating the cost estimation and allocating focus to the more profitable core products can facilitate long-term gain.

2. Researching consumer behavior and applying line logic test carefully can protect company from image dilution and loss of loyal customer caused by radical line extensions. By doing so, companies are also able to explore their pricing elasticity to achieve more marginal revenue.

3. Coordinate marketing across line and work with channel partners to gain more retailing support and shelf places and by effective communicating to improve the portfolio of line products.

### **Category Brand Extension, Definition and Critical Analysis**

Category extension is an important approach for new product development by leveraging existing brand to enter new product category (Aaker 1990), the mystery of category extension lies in transferring brand core identity into new product categories thus enables new products benefit from existing brand equity and associations.

Unlike line extension, category extensions lead companies to new market, facilitate the transfer from tangible to intangible value and product lever promise to brand lever promise, which are connected with brand diversification, as a result, companies intend to diversify product portfolio and achieve integrated brand architecture have increasingly used this approach (Muzellec, Lambkin 2009). Category extensions will bring considerable advantages to company: saving the expense on branding of new product and reduce the risk of indtroducing a new product.

Successful category extension can provide the following benefits to the parent brand besides accelerating recognition of the new products (Keller 1998):

1. Clarify Parent brand meaning: Extensions explain the meaning of the brand to consumers and outline the markets where are consistent with companies' promises, fashioning broader meaning of the brand can help companies not to lose potential opportunities.

2. Enhance the parent brand Image: One of the most favorable sequels of a successful brand extension is the enriching of the parent brand by underpinning and developing of existing brand associations. The successful brand extensions can strengthen parent brand image by reinforcing its core brand associations. Brand extension can also add new associations to the parent



associations, if the extension was carried successfully new associations can improve the parent brand image by adding perceived credibility and renewing the delivered promises.

**Integrate brand architecture:** Create mega-brand architecture to achieve higher branding efficiency instead of disbursing growing advertising expense to each isolated product line.

There are also some defensive reasons for brand extension (Kapferer 2004): such as “fight against mega distributors brand”. Prevent the shifting to big distributors’ store brand which is competitive alternative for companies. (for example, Canada’s biggest food retailer’s - Loblaw’s store brand President’s Choice)

However, due to the nature of category extension, category extensions will have a considerable impact on company as well. Notwithstanding the benefits category extensions can reap, there some risks are still worth noting. Among them the most fatal one is the damage to parent brand - If the extension fails and is negatively perceived by consumers, for example, poor quality, conflict or irrelevant product category, these undesirable attribute associations will undermine parent brand’ perceived quality (Aaker, 1990). For example, a reckless extension to a new product category where dominated by deep-rooted competitors may not only cause extension failure but also jeopardise parent brand image.

Former literature has researched the negative influence of failure extension on parent brand the most major one is “Parent Brand Dilution”. Loken and John (1993), suggested that dilution effects happen during the time there is incongruity between extension attributes and parent brand image, especially for a distinctive and typical attribute rather a more universal one. Loken and John (2008) deepened their study with different types of products affiliated with the brand, the examination indicated that the flagship products were less affected by dilution than parent brand in general, this result suggested that typical associations of parent beliefs facilitate a stronger brand extension.

A wide range of products in different categories is not always a good thing – it can confuse and frustrate consumers. Attaching extensive kinds of products to a single brand can weaken identification with any of the categories the brand currently operates in and therefore reduce brand awareness, and the sale increase of new product is often a result of cannibalization of existing product.

Kapferer (2004) identified these following features, which are key to successful extension implementation:

1. The brand has strong assets and is related to a lot of customer benefits (both tangible or intangible) that provides a high level of trust.

2. These assets can be transferred to the new category without being negatively distorted or hurting the image of the parent brand. So that consumers still believe that the new products will bring them benefits as the parent brand.
3. These benefits and brand values are associated with the category the brand is extended to.
4. The extension will be perceived as superior to the existing competition and will deliver a real advantage both consumers and the trade.
5. The company behind the brand is able to sustain competition in this new category over the long run and acquire leadership in the market.

The extension will have positive feedback effects on the parent brand image and on the sales of the core product.

## **1.2. Relevant Researches on Brand Extension Strategy**

We can find that in terms of theory, in the end of 1960s, the initial concept of brand was already put forward, however, relative researches haven't got much attention from Economic science circle, the research in this field was not treated as serious discipline. Till end of 1970s, this research direction had been paid attention gradually in the academic circle of marketing management. The milestone was achieved by the classic works published by Tauber, the concept of "brand extension" was firstly published in his articles "Brand Franchise Extension" (1981) and "Brand Leverage: Strategy For Growth in a Cost Control World," (1988). Since then, the brand strategy and brand growth strategy gradually gained attentiveness and were studied as a noteworthy topic which assistants companies to grow.

Since then, brand extension was studied as a systematic discipline. Studies of Smith revealed an opinion that generally accepted by academic world – the key of brand extension success is determined mainly by consumers' evaluation to extensions, this finding gave guidance of further research direction. The deep-going researches bought insight to disciplines such as consumers' psychology and marketing and triggered in-depth discussion in academic circles. Most influential research in this domain is Aaker and Keller's classic work "Consumer Evaluations of Brand Extensions" in Journal of Marketing (1990), the work has profound influence in the brand extension studies and many replicated worked based on their model emerged after. This work revealed three dimension of "fit" consumer perceived and sheds light on how consumers evaluate brand extension for companies and markets.

Researchers represented by Tauber initially had studied the influence of brand strategies backward have on companies and investigated brand strategies and extension evaluation by searching relative case studies. Two main questions were lucubrated at that time – namely, the determinants of successful brand extensions and the influence posed on the parent brand after the launch of brand extension, such as the effect of brand dilution, etc. The shortcoming of the research of that time was that the studies had stagnated only on the qualitative research and macro level, the conduction of the empirical studies haven't separated as a independent studying domain.

Until 1990s, the empirical studies in this field gained popularity. Romeo firstly conducted empirical research based on relative cases in the field of feedback effect brand extension have on the parent brand in his classic research "The Effect of Negative Information on the Evaluation of Brand Extensions and the Family Brand". Desai, Kalpesh and Keller (2002) using empirical study systematically analyzed the inherent relationship of the extension product with the parent product and demonstrated thoroughly the anaphase effect of brand extension in their classic work "The Effects of Ingredient Branding Strategies on Host Brand Extendibility." Völckner and Scattler (2006) conducted a very systematic research regarding the determinants of successful brand extension, which investigated ten direct moderating effects and structural relationships wit them simultaneously.

More and more research appeared in this domain recently, most of them investigated deeply into one or two moderating effects or moderating effects. The evaluation mechanism was studied together with phycology more and more often, such as the moderating effect of consumers involvement (Maoz, Tybout, 2002) on the brand extension evaluation, the influence of culture different reflected on the different thinking patterns (Choi, Koo, Choi, 2007) on the brand extension evaluation; the moderating effect of Self Regulatory (Yeo, Park, 2006) on evaluations of brand Extensions. The scope of brand extension has been boarded largely and more dispersed research directions emerged. All those perspectives of research have largely accelerated brand extension into more deep and detailed research level.

Since the origin of this theory was traceable from western research, the relative research on brand theory started late than western world in around 1980s, the specific research directed at brand extension emerged only in the middle of 1990s. After 1990s, some publications and research book related to brand and intangible assets had been published continuously. Some researches tmade great progress and distribution, for example, <Evaluation of Brand Extension

Effect using Fuzzy Synthetic Evaluation Model> by Haiyan Li, <Evaluation of Brand Extension Value>. These researches based on the previous finding from foreign researches and combined the real case from China to conduct empirical studies, the research attract attention in Chinese academic circle in some extent.

Since traditional brand management was viewed as systematical research, the researches as Rui Zhang thoroughly studied brand management theory and its characteristics, and put forward the new concept of brand eco-management to accommodate the Chinese market feature. Meanwhile, some other Chinese researches put forward some new opinion: Ke Xue and Mingyang Yu(2003) introduced opportunity evaluation of brand extension using Balanced Score Card system.

The most studied field is the factors that influence evaluation, however the systematic research is still lacking. Some researchers made effort to systematize the research, representative ones were made by Taihong Lu, Sunping, Cuanzhong Zhang. Zhang (2003) investigated the determinants of successful brand extension, among the factors, consumer attitude towards parent brand and brand loyalty play the most important role. Chundong Zheng put forward boundary model of brand extension and classified brand extension into 4 types from the perspective of function and performance using this model; Xiaoli Li put forward three level of fit and introduce corresponding strategy choice; Guoqun Fu (2008) mainly discussed the diversity problem, they found that the functional similarity of extension products and parent brand, concept consistency lead to the different evaluation of brand extension; researchers represented by Geng Tian classified brand extension strategy according to operation level

### **1.3. Factors for Successful Brand Extensions**

Besides these general conceptions, researchers have been studying the factors for successful brand extension more deeply and continuously. The following factors are the most studied ones, although the results sometimes differ from different studies due to the different experiment context and some other reasons, their influences are mostly proved in the prior literature. The factors can be categorized into 4 broad categories:

1. Relationship between Parent Brand and Extension Product. The following main factors that have been mostly studied and proved can be included in this broad category: (1) Perceived fit between parent brand and extension product, (2) Transferability of skills and expertise from parent brand to extension product

2. Extensions' Marketing Context. The following main factors that have been mostly studied and proved can be included in this broad category: (1) Marketing Support (2) Advertising (3) Competition Intensity

3. Parent Brand Characteristics: The following main factors that have been mostly studied and proved can be included in this broad category: (1) Perceived quality (2) Brand Breadth (3) History of previous extensions (4) Brand associations

4. Consumers' Characteristic. The following main factors that have been mostly studied and proved can be included in this broad category: (1) Parent brand experience (2) Product Knowledge (3) Style of Thinking.

### **1.3.1. Relationship between Parent Brand and Extension Product**

Relationship between Parent Brand and Extension Product can be mainly divided into following aspects: Perceived fit between parent brand and extension product, which can be divided into product level similarity and brand concept level similarity. Transferability of skills and expertise from parent brand to extension product:

Perceived fit between parent brand and extension product: "Fit" is demonstrated as the logical possibility of consumers accepting a new product as a part of a brand, namely, the intercommunity and matching rate between extensions and parent brand (Tauber 1988) This influence has been determined by many previous researches as of the most important driving force of successful brand extension. Consumers will perceive higher quality and are more likely to buy the extension product if they feel a "fit" between the extension and the parent brand (Aaker & Keller, 1990).

Transferability of skills and expertise from parent brand to extension product: Aaker and Keller (1990) investigated the classified 3 relationship between parent brand and extension products: transferability – will the technical know-how, the facilities, the manufacturing skills be transferred from making existing products into the extension category, complementarity and substitutability – can the extension product complement or substitute the existing product. Among them, transferability was testified to have a primary role in the evaluation. Loken and Buron (2007) also indicated that consumers perceive a typical extension more favourably than an atypical one.

Aaker and Keller (1990) suggested that the launch of dissimilar extension might lead to the brand dilution because the customers tend to evaluate this action as company capturing excessive revenue using brand name, the trust and purchasing intention will decrease significantly when they don't believe that the company has adequate ability and expertise in making extension

products. In their research, respondents hold a more unfavourable attitude towards the extensions such as McDonald's Photo processing machine mainly because they believe that the expertise of McDonald producing fast foods can't be transfer to into producing photo processing machine.

Transferability of skills and expertise reflects a product's physical composition or service's requirements. A poor transferability will be inferred as inferior quality of extension products. This concrete inference can be a significant drawback for category brand extension.

### **1.3.2. Extensions' Marketing Environment**

Extensions' Marketing Environment can be mainly divided into following aspects: Marketing support, the use of Advertising, Competition Intensity. The influence of each factor will be analysed in detail in the following part:

Marketing support: Völckner and Sattler (2006) firstly methodically evaluated the relationship between marketing support and extension success, the research revealed the direct and mediating effect on extension success, the role of marketing support can directly influence the extension success, and also through the moderating and mediating effect to influence the perceived fit, thus to influence retailer acceptance, and therefore influence the extension success.

Marketing support has found to be quite fundamental in evaluation of extension product. Few researches have rolled out the influence of marketing support, and extensive researches have proved the relevant importance of marketing support (Völckner, Sattler 2006; Fu, Saunders, Qu 2009, Yu, Li, Xue, Chen 2012)

The use of Advertising: The choice of extension category is closely related to the perceived fit. Usually, the close extensions and extensions that convey the coherent concept of the brand are perceived more "fit" to parent brand, Advertising can play an important role of helping customers to familiarize extension features and associating these with parent brand benefit, thus positively increase perceived fit. Repeated exposure to advertisement can remind consumers of brand experience and help them to recall relevant parent brand associations. Customers will be influenced by the illustration advertisement made and subconsciously accept that parent brand's good attributes can be transfer into the extensions. (Keller 2000).

The study of Bridge (1990) showed that, when consumers feel the fit between parent brand and extensions is low, there are two general ways of change consumers' perception using two methods. First, when parent brand and extension products share the similar product attributes but vary in terms of brand image and concept, under this situations, the advertisement should emphasize product attributes similarity and disperse the non-product associations. On the contrary, when parent brand and extensions share now product associations, and the image of

parent brand and extensions associated, under that situation, consumers often evaluate unfavourably due to current product attribute associations, by providing advertising that demonstrates the problem solving information and underline the coherent connection of shared symbolic value can disperse consumers negative associations and improve extension evaluation.

Visual presence has been proved can influence consumers' perception towards new introductions (Zhao, Min, Hoeffler, Dahl 2009). Modern advertising can facilitate extension success largely due to the presence of visual cues, Visual cues enable contextualize incidental features into brand associations (Liberman and Trope 2008). Recent research also showed that consumers with abstract mind-sets place more importance on the imagery represented to determine the extent of "fit". The visual cues of the advertisement can have a robust effect on consumers' effect of extension products, it can active a preference shift towards high-quality but worse-fitting product to make up the insufficient fit between parent brand and extension products (Martinez, Mantaner, Oina 2009; Meyvis, Goldsmith, Dhar, 2012).

Competition Intensity: The role of external environment on the extension success has been long neglected in the previous research. This factor has caught more and more attention in the research domain recently, especially among the researchers in emerging markets. The difference of external competition can results in very different successful rate of brand extension. It can be inferred that entering a competitive product domain will be much harder than entering a less competitive product domain where there is fewer rivals and less leading brands. Fu, Saunders and Qu (2009) proved that the competition intensity plays a quite important role in the extension strategy in emerging market.

### **1.3.3. Characteristics of Parent Brand:**

Most studied factors belonging to parent brand characteristics are perceived quality of parent brand, brand type, brand breadth, history of brand extensions. More details and their influences will be explained in the following part:

Perceived Quality: Perceived quality is a commonly accepted factor for succesful brand extension. Previous research has verified that extensions of high equity brands enjoy a more positive attitude (Herbig and Milewicz, 1994; Bottomley & Holden, 2001; Park and Kim, 2001; van Riel et al., 2001; Martínez and de Chernatony, 2004; Vořckner and Sattler, 2006), the main reason lies in the fact that the extensions from brands with high perceived quality can benefits positive associations derived from the original brand and more trust, research findings suggest that the perceived quality of the parent brand has a positive effect on extension evaluation

K. Keller (1998) notes that high quality brands are often seen as more credible, expert. Therefore it is usually concluded that high quality brands can be extended further and receive higher evaluations than low quality brands. “Brands with higher perceived reputation should provide consumers with greater risk relief and so encourage more positive evaluations than brands of lower reputation” (Hem, Chernatony and Iversen 2003).

Aaker and Keller (1990) used empirical method to test relative hypotheses of consumers evaluation on brand extension and created their classic evaluation model based on these hypotheses. In this model, three variables were investigated which were: perceived quality, the fit between extension product and parent brand (dimensioned by transfer, complementarity and substitute) and the difficulty of making extension products. In this research, Aaker and Keller found the result that when the “breadth” of the brand is relatively narrow, which means the brand is more product-oriented, the quality plays a more important role with such brands.

Aaker and Keller’s finding was qualified by the later research. Later researches proved that consumer evaluate different brand types would focus on different points of view. The evaluation and effect of extensions on parent brand equity are identified by the type of parent brand. The product-oriented brand would be judged more from product-level feature and attributes, such as qualities, similarity of functions (Meyvis, Goldsmith and Dhar, 2012).

After a few years, Aaker and Keller revised their research finding in 1990. It was stated that if parent brand is perceived to have good quality, than even if the level of perceived fit is low between extension products and parent brands, it's still very likely that the extension product would receive a high evaluation from consumers. This results represented that under certain conditions, the perceived quality of parent brand can influence consumers' evaluation towards extension products alone without high level of perceived fit. However, the perceived fit still plays a moderating effects on the consumers' evaluation. Thus, a final conclusion was drawn from this study – compared with low quality brands, high quality brands have a bigger extension scope, namely, high quality brands can extend themselves to low fit categories more easily.

Perceived quality is the fundamental criterion for evaluating product, this criterion concludes more abstraction overall impression than specific product attributes. When a brand is perceived as high quality, customers will have a favourable attitude towards the extension and when a brand is perceived as inferior quality, this bad attitude will be transferred into the perception towards the extension product. And vice versa parent brand attitude can also influence customer judgement in product quality (Page and Herr, 2002).



Sunde and Broudie (1993) based on A&K model conducted investigation on consumers from New Zealand. They found that the perceived quality of parent brand can directly influence consumers' evaluation towards extension products alone and not limited by the perceived fit. Their research engaged the cross-cultural applicability of defined factors and conducted cross cultural investigation under the other cultural background, the findings qualified the conclusion above.

Bottomley and Doyle (1996) compared A&K model (1993) and S&B (1993) model, most results shown were supportive with A&K model, thus, the consumers' evaluation on brand extension products were mainly influenced by perceived quality and the fit between extension products and parent brands, and the interactive buffer effect was found as well.

Brand Type: Park (1991) firstly investigated the influence of different brand type on Brand extension strategy. In his research, these two factors cause different impact to brand extension depending on the type of parent brand. For prestige-brands, extensions must be clearly related to the values and concept of the company. Concept consistency seems to be the major key to brand extensions for prestige brands. For functional brands, because of the difficulty of identifying the brand concept, product feature similarity is relatively more important since common features of a functional brand's products are easier to be recognized by consumers.

Furthermore, they found that consumers are aware of the differences between function-oriented and prestige-oriented concepts. For both function-oriented and prestige-oriented brand names, the most favorable reactions take place when brand extensions are made with high brand concept consistency and high product feature similarity (Park et al., 1991).

Fauqhar and Herr (1993) found that when a brand is seen as a prototypical of a product category, then the brand would face the difficulty to extend itself outside this category, for example, the Heineken for beer, Heinz for sauce. Such brands are so-called dominant brands, other than leading brands, dominant brands refer to the entrenched attributes and product categories. If these brands want to implement brand extension strategy, the indirect method is necessary. There are four general ways to extend such brands:

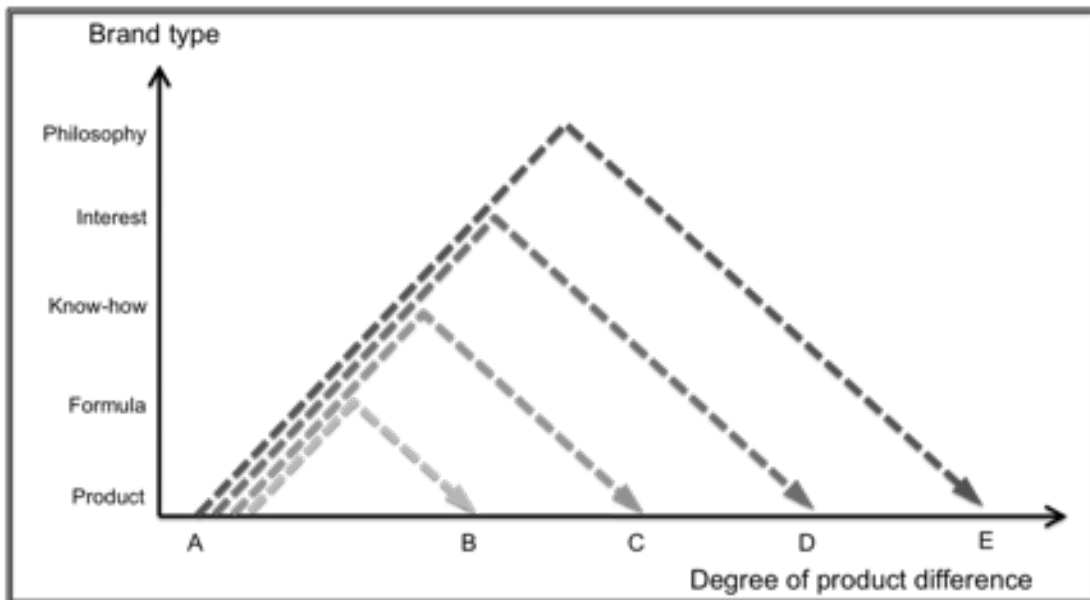
- Sub-branding: create sub-brands with new names to further define and embellish the new products.
- Super-branding: Add new elements to the current level of brand to demonstrate the improvement of new product.
- Brand-bundling or cross branding: Through enhancing the connection between parent brands and other brands to achieve extended growth, including cooperation and co-branding.

- Brand-bridging. When the parent brand tries to enter distant categories, it would choose to bridge new brand with their strong dominant brand.

Brand Breadth: Brand breadth refers to the range of product portfolio affiliated with the brand. If a brand has a variable product portfolio and the distinction with the products affiliated is big, then the brand breadth is board. If the products are associated with a brand are not distinct, the brand breadth is narrow. Boush and Loken (1996) found that brand breadth plays an significant role in consumers' evaluation of brand extensions. Positive relationships between brand breadth and consumers' evaluation of brand extensions exist: a brand with narrow breadth will limit its ability to extend itself into dissimilar categories while a brand with broad breadth can extend itself into distant category.

Kaprefer (1992) demonstrated the extension possibility model as followed:

*Figure 3. Extension ability of different brand types (Kaprefer 1992)*



In this mode different brand types are located in vertical axis regarding their breadth: product based (function) brand is located in the bottom while philosophy brand is located in the top. The degrees of product difference are located in the horizontal axis: A represents the parent product while E represents the most distant extension.

We can see intuitively from the model, the breadth of the brand has a decisive effect on how far can a brand extend itself: product based (functional) brand which has a narrowest brand breadth is the less extendible type of brand while philosophy brand, which has the broadest breadth seems is most extendible type of brand.

Brands endowed with more variable product portfolio can be associated with more symbolic richness. This type of brand was corroborated to be more extendible. As a general rule, a narrow breadth brand focusing on conveying product-level feature and attributes, such as formula, can be carried into similar extension category successfully, while the broad breadth brand can encompass with distant extension.

History of Previous Extensions: According to Dacin and Smith (2014), if brand launched a numbers of extensions in the history, customer tend to perceive the brand to be more convictive with a diversified portfolio and perceive the extension more credible, and also, Low variance in quality among previous brand extensions plays a positive role in the customer's evaluation on extensions as well.

Boush and Loken (1991) enlarged the theory by proving that high variability among product types offered by the brand can enhance the customer's confidence of brand extension as well. Brand breadth refers to the product types offered by the company, it can be seen as a consequence of brand extension evolvment. If brand managers always launch the extensions that very similar as current offering, the typicality of brand extension will result in a narrow brand breadth. Extensions into atypical category of a broad breadth brand are perceived better than a narrow breadth brand, and a narrow breadth brand may not always has advantages in offering new products within current category. Smith and Park (1992) showed that a rich history of extensions and broad extension products affiliated with a brand can increase the brand exposure, a successful and frequent history extension can increase the marketing efficiency and capture more market share.

#### **1.3.4. Consumers' Characteristics**

Most studied factors belonging to consumers' characteristics are perceived quality of parent brand experiences, product knowledge, style of thinking, and the rising influence of conspicuous consumption in emerging market. More details and their influences will be explained in the following part:

Parent brand experiences: It was argued that direct experiences increase the saliency of both intermittent and intelligible indications and arouse emotional responses that consumers feel more confident thus increase the favorable attitudes towards brand evaluation and chances of purchasing decision. It is not easy for indirect experience such as advertising and word-of-mouth to achieve such effect. However, direct experience generally gets high order beliefs because it processes directly through the senses and postulates more extreme attitudes.

Brand familiarity was defined as “the number of product related experiences that have been accumulated by the consumer (through product usage, advertising, etc.)” by Keller (2003), former purchase, knowledge of the brand, exposure to the advertisement all increase brand familiarity, Researches have revealed that consumers are prone to choose brands they feel familiar. Experiments even shown that customers will choose the product with the name formerly displayed to them when they choose between unfamiliar products (Aaker, 2004). Arguably, Previous experiences with parent brand will increase the likelihood of purchasing intention of extension products if the experiences successfully increase the parent brand knowledge, enhance the brand associations, another rationale of parent brand experience driving the conviction of extension products can be explained by the phenomenon named “mere ownership effect” (Kirmani, Sood, Bridges 1999)

The more experience consumers have on the products, the more possible that this brand becomes the “consideration set” of consumers. “Consideration set” refers to a set of products consumers limit their choices subconsciously to reduce choosing time. The previous experience increases the possibility that the brand will be added in to “consideration set” in consumers’ minds. The “part-list cuing effects” of Psychology shows that, the memory of certain information can constraint the memory of others, this rule effects in the consumers’ decision as well, and often manifests as the repeated purchasing of familiar goods. Swaminathan, Fox, Redd (2001) showed that the more parent experience consumers have, the more favorable attitudes they will hold to extension products. This finding is also verified by “ownership effect”.

Product knowledge: Smith and Park (1992) found that, The market share of extension product is positive related to the parent brand position, the degree of dependency on experiences when purchasing extension product; and the market share of extension product is negatively related to the numbers of competitors and the knowledge of product. The advertising efficiency is positive related to the similarity of parent brands and extension products as well as history of extensions, however negatively related to consumers’ product knowledge.

The possible explanation is that the more knowledgeable a consumer about a product, the more possible he will choose the product from “expert brand” that focus on that product category rather than product from brands which originally operates in other categories.

Style of thinking: Yeo and Park (2006) investigated the moderating effect of self-regulatory on extension evaluation, it’s shown that prevention focused consumers tend to evaluate high similarity brand extension more favourably than promotion focused consumers, sometimes even reversed result occurred with promotion focused consumers’ evaluation – they prefer dissimilar extensions than similar extension. The research indicated that individual thinking types could

have a considerable effect on evaluation of extension. Klink and Smith (2003) also found that consumers' innovativeness also have great impact on perception towards brand extension: the more innovative consumers are, the more positive attitude towards extension consumers tend to hold.

Monga and John (2007) have investigated the relationship between style of thinking and evaluation towards brand extension - The eastern culture characterised by "holistic thinking" was described as more ready acceptant towards extension than western culture characterised by "analytic thinking".

Further research reveals that consumers who adopted holistic thinking would perceive the functional brand more elastically and hold more positive attitudes towards the extensions of functional brands (Monga and John 2010). Additionally, the researched provided some guideline about how elasticity of the brand can be largely improved by appropriate brand communication strategy and brand architecture: Introducing elaborative communications facilitate the acceptance of analytic-style thinkers' perception towards distant extensions of functional brands. Also, the use of subbrand architecture can facilitate more positive attitudes from analytic-style thinkers towards distant or inconsistent extensions (Monga and John 2010).

The style of thinking as a new research emphasis has been studied and proved as an important factor in determining the evaluation of extension. For instance, Kim and John (2008) found that the mind-sets of consumers also play important role: consumer with an abstract mind-set evaluate extensions based on perceived fit more largely than consumer with a concrete mind-set. Lee and Shavitt (2006) investigated the difference of social identity mind-sets would impact the choice of retailing brands when evaluating prestige against functional products. These recent researched outline the importance of the pattern consumers process brand information, even though the individual differences are hard to measure, the finds still provide valuable guidelines for companies to adopt facilitative branding strategies under different market contexts.

**Conspicuous Consumption:** Under conspicuous consumption pattern consumers value brand image, brand identity and the "high status", "exclusiveness" brand associations more importantly than the product real need. The "fit" from the perspective of concept consistency put forward by Park (1991) could be quite applicable here. Since brand image predominately influences the evaluation of brand than product-level attributes, it can be inferred reasonably, that the brand image consistency also has more important role than product-level consistency in the evaluation of extension products under emerging market contexts.

Yu, Li, Xue, Chen (2008) had conducted a comprehensive semi-structured interviews to investigate the success factors under Chinese market. The interview was conducted with managers of three Chinese famous brands with successful brand extension history. The research has proved that the brand image and brand positioning can accelerate perception of relevant extension product attributes through appropriate associations. The brand reputation also positively affects the evaluation of extension products, meanwhile, the ownership effect in Chinese market is entrenched, existing satisfied and loyal customers are more willing to accept extension products. In this research much more interviewee consider Brand image consistency as a key factor than “transferability” and “complementarity”, the result is coherent with the feature of consumptions in emerging market Park suggested (1999).

#### **1.4 Perceived Fit between Parent Brand and Extension Product as the Main Driver of Brand Extension Success**

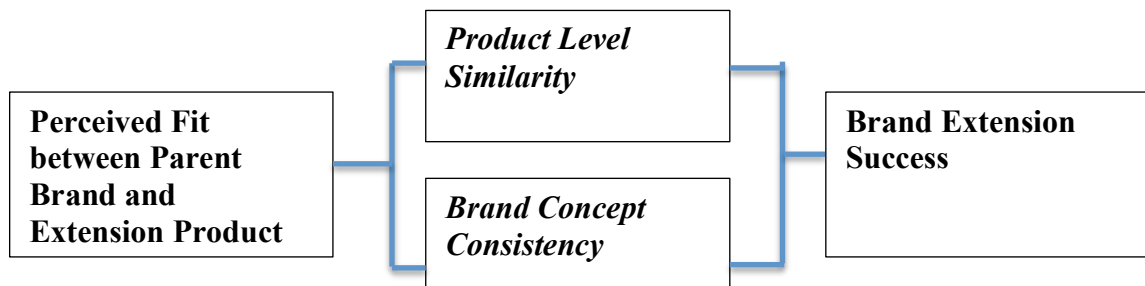
Reviewing the prior brand extension literature, the “perceived fit” has been determined as a major factor that has a positive effect on brand extension evaluation. Many researchers have confirmed that there is a positive relationship between the perceived fit and brand extension evaluation. Perceived fit is a key factor when it comes to evaluating brand extension process, bridging the gap between new product assessment and the beliefs of the parent brand.

“Fit” is demonstrated as the logical possibility of consumers accepting a new product as a part of a brand, namely, the intercommunity and matching rate between extensions and parent brand (Tauber 1988) This influence has been determined by many previous researches as of the most important driving force of successful brand extension. Consumers will feel higher quality and are more likely to buy the extension product if they think it is a “fit” between the extension and the parent brand (Aaker & Keller, 1990).

Park, Miberg and Lawson (1991) recapitulate the fit into two types: “The degree of perceived fit is a function of both product-feature similarity perceptions and brand-concept-consistency perceptions.” If a extension product lack both of product feature similarity and brand concept perception, the extension will be demonstrated as “poor fit”; if product reflect not only product-feature similarity but also brand concept consistency, the extension will be described as “good fit”; if product reflect one of the two fits, it’s called “partial fit”, this study implied customers will also react more favourably to good fit than partial fit and react more favourably to partial fit than poor fit. It’s also proved that dissimilar products affiliated to prestige brand will receive more favourably attitude from customers if they reflect consistency in brand concept

than extension products affiliated to functional brand – concept consistency plays a more important role on prestige brand than on functional brand.

Figure 4: The influence of Perceived Fit on Brand Extension Success



Source: Park, Miberg and Lawson (1991)

Simonin and Ruth (1998) adopted Aaker and Keller 4 dimensions of perceived fit to evaluate brand alliance (one of the forms of brand extension). They found a collaborative relationship also involves the brand images of each parent brands. If the two brand images are perceived to be fit, the co-branded product will be evaluated more favorably compared to the inconsistent or incompatible brand image. Brand image consistency could be defined as perceptions about a brand as reflected by the brand associations held in consumer memory (Keller, 1993).

**Product Level Similarity:** To be detailed about product level similarity, we will need to firstly clarify the meaning of product level feature. In general, it's agreed that there are two level of product feature – concrete level and abstract level, for instance, a symbolic smell of a perfume (concrete level), suitable for summer (abstract level) (Park, Miberg and Lawson, 1991). The prior researchers have been heavily focused on products' function perspectives, among them the most classic theoretic framework was put forward by Aaker and Keller, Aaker and Keller (1990) classified 3 dimensions of product-lever fit: *transferability* – will the technical know-how, the facilities, the manufacturing skills be transferred from making existing products into the extension category, *complementarity* and *substitutability* – can the extension product serve as a complement or substitute to the existing product. Among them, transferability and complementarity were positively related to the consumers' evaluation towards brand extension.

Aaker and Keller (1990) suggested that the launch of dissimilar extension maybe causes brand dilution because the customers tend to evaluate this action as company capturing excessive revenue using brand name. Loken and John however, in their empirical study, found that even the brand dilution did occur under the situation that lower quality extension products launched within parent brand product category, parent brand quality was immune when extension products

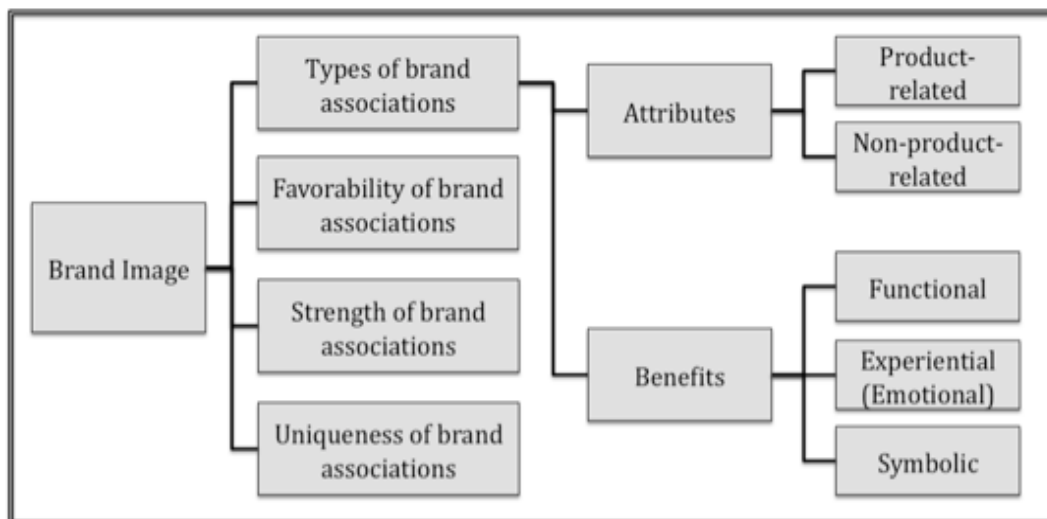
were launched with dissimilar category, the underlying reason is the typicality of brand extension irrespective of product category.

It was also found that customers perceive more favourably to the extension products, which imply a functional orientation under a functional brand, and also customers perceive more favourably to the extension products, which imply a prestige concept rather than functional orientation under a prestige brand (Völckner F. and Sattler. H, 2006; Park, Miberg and Lawson, 2013)

**Brand Concept Consistency:** Brand concepts are unique abstract feature for a particular brand, The importance of imagery fit has raise more and more awareness among scholars, Broniarczyk and Alba (2009) suggested that fit at the imagery level of imagery plays a more significant role in determining the success of brand extension than the fit at physical similarity. Brand image concept is of great importance for extension strategy due to the fact that it copes with the unique set of brand associations, which is used as a base of “fit” between the original category the brand is presented in and the category for potential extension.

Brand image is about the perception of a set of associations the brand reflects in consumer memory. Keller (1998) investigated the brand image structure and summarized the types and characteristics of brand associations offering the following system:

*Figure 5. Brand Image Structure*



*Source: Keller 1998*

Keller in her research indicated that in order to succeed, the associations of the brand should be strong thus to enhance the likelihood of brand recall, also, the associations should be favourable for consumers, thus to create and increase their loyalty, last but not the least, the associations should be unique, thus to differentiate the brand from competitors. Keller also



classified types of brand associations in to two level according to their abstraction: attributes and benefits.

Benefits associations refer to the symbolic and non-product-related attributes. Symbolic benefit associations are vital to brands operate in the categories where the functional attributes of brands are hardly differentiated from each other, such as the luxury industry and perfume or cosmetics industries. Therefore, symbolic associations of benefits become decisive factor when consumers make their decisions choosing such products. Associations related to emotional and images can satisfy consumers' needs of express self-esteem (Keller 1998), these self-express functions are critical to premium brands that people buy them with money largely exceeds its functional value. The nonconcrete and conceptual associations based on non-product-related attributes as well as symbolic and emotional benefits make them more transferable into other categories.

Keller found that the leading successful brands in the markets possess strong and concrete product attribute associations such as user profile, usage situations, price, etc. However, this fact sometimes limits brand' extendibility. Comparing to symbolic associations, such as brand personality, cultural symbol, country of origin, benefits conveyed, the concrete associations limits the opportunity for a brand to extend itself because in consumers' mind, the entrenched associations will make the extension products in other categories seem ridiculous.

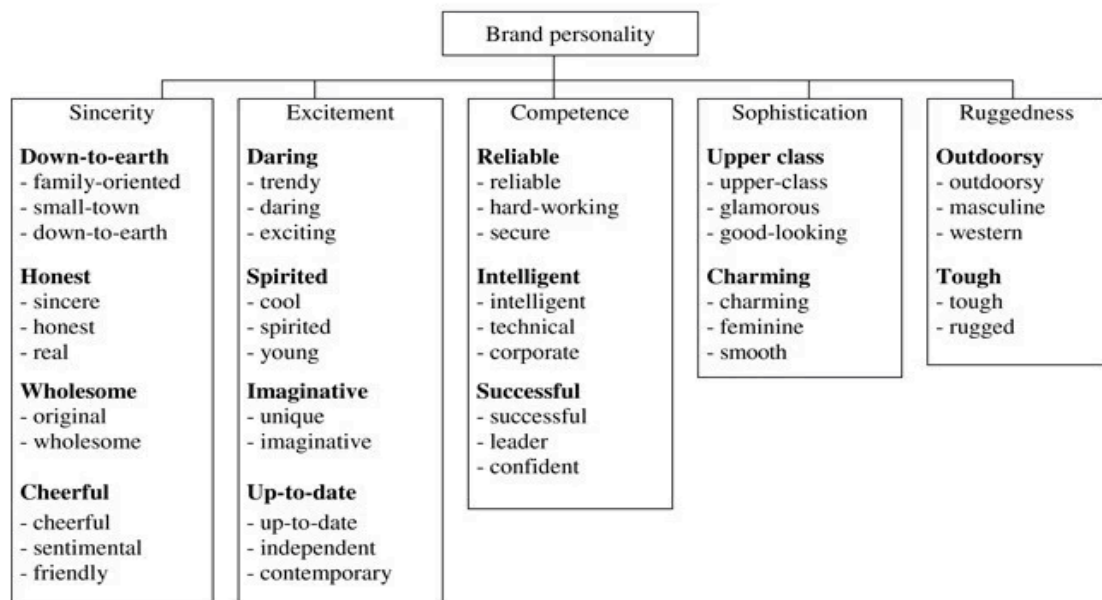
Another Important aspect of brand concept is about brand personality, which is regarded as "set of humanlike characteristics related to a brand" (Aaker 1997) and serves as "a symbolic or self-expressive function rather utilirian function" (Keller 1993). Brand personality as an important component of brand concept, plays a significant role in consumers perception of "fit" (Park, Milburg, Lawson, 1991). The most adopted and accepted is Aaker's model that classified 5 distinctive brand personalities. This framework was investigated among over 600 respondents using 37 brands covering a wild range of products and services categories and 117 traits. The results were coded into 5 categories:

1. Sincerity: it expresses a familiarity and close relation to family, homeland and nature; the earnestness and naturalness of quality, manufacturing technology and belief; the healthy benefits and friendly and cheerful emotional sincerity, for example, Tropicana, Cadbury's, etc.
2. Excitement: this dimension conveys the feeling of exciting, young spirited; the creativeness and unique; and the symbol of trendy and up-to-date. For example, Supreme clothing

conveys the young spirited and hip-hop culture and Apple watch, which symbolizes the creative and high-tech and Pepsi, which associated with “young”.

3. Competence: this dimension emphasizes the superior, reliability and durability of quality; the advantage in technology and intelligence; the image of successful, leader and confidence, for example, Volkswagen, Intel, which associated with reliable, intelligence.
4. Sophistication: this dimension conveys the feeling of up-class, high status, prestige, charming, sometimes more feminine than masculine, for example, Chanel clothing and cosmetics, Cartier, Tiffany, Audi, BMW, etc.
5. Ruggedness: this dimension conveys the masculine, toughness, strong, sturdy, ruggedness, outdoor symbol, for example, Land Rover.

Figure 6: Brand Personality Classification



Resources: Aaker 1997

Therefore the abstract and intangible character of the associations based on non-product-related attributes as well as on symbolic and emotional benefits makes them more transferrable into other categories. Selection of the destination category entirely depends on the unique set of brand associations the company creates and maintains over the long run. Any of these associations can be taken as a basis for further extension. According to J.-N. Kapferer (2004) “any associations held in memory by consumers about the parent brand may serve as a potential basis of “fit” for extending. It can be easily seen from the example of Big - producer of ballpoint pens - that successfully extended its product line into lighters and disposable razors categories

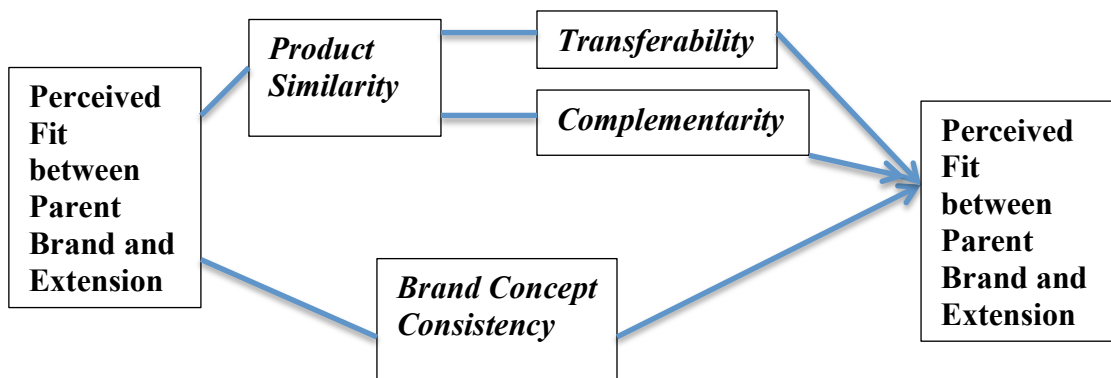
using its core associations – affordability and one-time usage, however exactly these associations led the failure of its extension into women tights and stocking categories.

It should be emphasised once again that an extension is considered acceptable if it “fits” the idea that consumers have of the parent brand (Kapferer 2004). In order to reveal the bases of fit, a detailed analysis of the perceived fit between parent brand and extension should be undertaken.

### 1.5. Research Framework

By reviewing previous studies it was found that perceived fit between parent category and extension products plays a primary role of consumer brand extension evaluations (Aaker, Keller 1990, Fu, Sandra 2009, Monga & John 2010). However, little attention was paid on examining the nature of brand fit, the components pertaining to this concept and their influences. Incorporated with the findings from the previous researches, the framework of perceived fit was constructed:

Figure 7: Research Framework



Source: Aaker, Keller Park(1990),Park Miberg and Lawson (1991)

Based on prior researches, we divided perceived fit between parent brand and extension into two type – product level similarity and brand concept consistency (Park, Miberg and Lawson,1991) The product level similarity is measured by transferability and complementarity (Aaker and Keller 1990) which refers to the ability of transferring expertise, skills to the extension category and the complementarity of extension products and parent brand product respectively.

In our research, the role of perceived fit on the success of brand extension will be thoroughly analysed and the influence of the components of perceived fit will be studied as well.

## **Chapter 2. Overview of Selected Company Xiaomi tech**

### **2.1. Rationale and Criterion of Selecting Case Study Object**

After investigation and in-depth analysis, this paper selected Xiaomi technology Company as the research object. This company is a Beijing headquartered Internet company, the main reasons for choosing Xiaomi Tech are summarized as followed:

Firstly, Xiaomi Tech is a Beijing-based Chinese brand, which has a broad consumer base and accounts for huge market shares in China. This brand is well known among Chinese customers, especially young consumers aging 18-40, in each pilot test, all of the respondents are familiar with Xiaomi brand and its extension products. A large part of the respondents purchased products from this brand. The brand's extension strategy of this company is of great interest and has become discussion hot spots among business field. Also, it shouldn't be neglected that choosing a Chinese brand instead of a foreign brand can rule out the influence of other factors to maximum extent, such as the bias cause by Country of Origins Effect, unfamiliarity with the brand, etc., thus make the research result more valid.

Xiaomi meets our research focus – exploring the driving factor for successful brand extensions. Xiaomi was established in April 2010 started to produce smartphone then gradually and successfully expanded its business into other product categories, both close categories and distances categories. The company established several sub-brands for its extension products such as “Mijia” for its smart home device category and “Hongmi” for its line extension of smartphone. In general, it's more and more obviously that the company is transferring itself from a company that only provides product-level promise to the concept-level products and services. Its product portfolio is increasingly and rapidly expanding and its business empire is growing with its brand extension strategy.

In summary, Xiaomi Tec co. as a rapid rising brand in China provides a representative example for studying the proposed topic and provide valuable insight and managerial implication of launching brand extensions for other rising companies operate in Chinese market. Successful implementation of the brand extension strategy implies

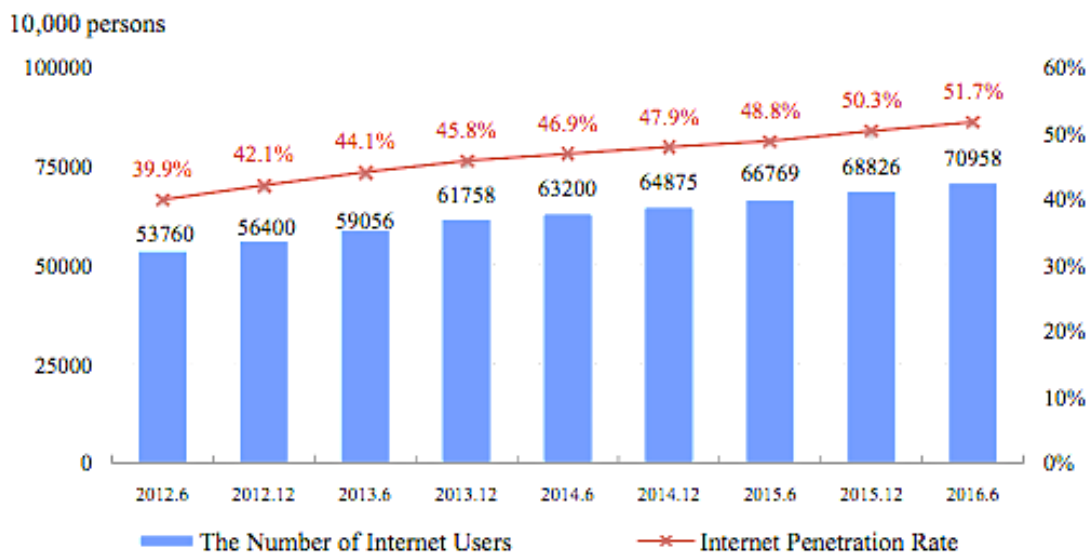
### **2.2 Overview of Environmental Context - Internet Economy in China**

Since the study object of this thesis is an Internet company, which was established in the beginning of Internet Economy started to balloon in China and grew with Chinese Internet Economy, an overview of Chinese Internet Economy is very necessary.

Internet can convert the way business of different scales to be done, thus it creates immense commercial value. The Internet Economy refers to the burgeoning economy growth contributed

by the popularization and advancement of Internet development both in the new industries coming into being and traditional industries. Although the generalization of Internet in China was relatively late compared to the situation in other developed countries, the development of Internet and Internet industry has ballooned in China over the last decades, with the supports from government. In the midst of Internet revolution, the achievements of China altered the style of people living and working and bought evolution in economy structure. The following statistics showed how Internet users proliferated over recent years in China:

Figure 8. The size of Chinese Internet users and Internet Penetration rate



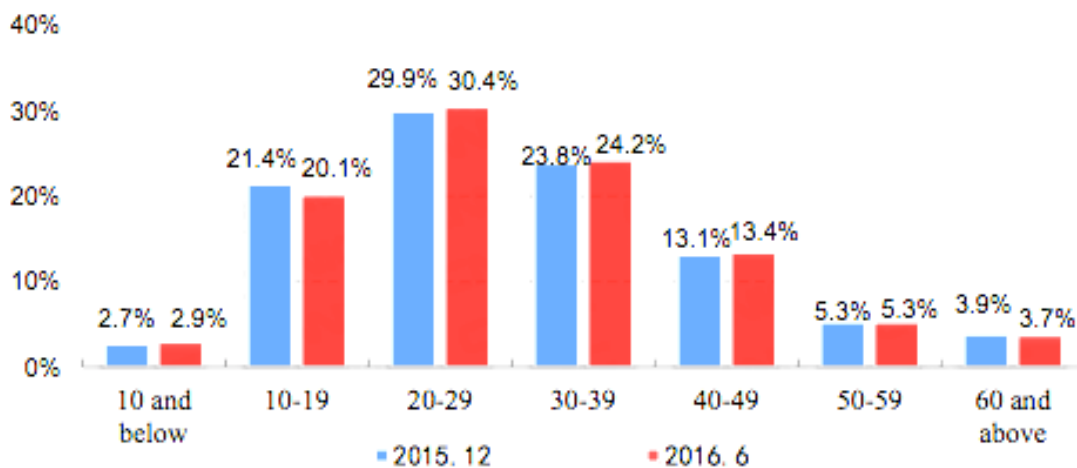
Source: *Statistic Report on Internet Development in China (CINIC, July 2016)*

The explosion of Internet use and Internet Economy is inextricably related to the young generation of China, who is the main force of innovation. The statistics following demonstrated the structure of age and occupation of Internet users in China, which we can see evidently that the young students constitute the major part of Chinese netizens: until 2016 users aged between 20-29 increased to 30.4%, accounted for biggest part of Internet users. Users aged between 30-39, 10-19 and 40-49 respectively accounted for 24.2%, 20.1% and 13.4%. The overall structure of Chinese netizens concentrated in the teenagers, young adult and early middle-aged.

The generation constitutes the main users of the Internet and become the main force of the rapid growing Internet economy. They frequently change the electronic devices such as smartphone, computers in order to achieve better customer experience. And they are the main users of the service-application, such as the online-reading, online car hailing, online shopping. Especially for the university students, many Internet start-ups are founded by the students and their business idea realized with the use of Internet, such as “Meituan”, which originally is a

meal ordering application created by the university students who don't want to go out just for buying food, the company now is already valued more than 4 billion dollars.

*Figure 9: Age structure of Chinese Internet Users in China*



*Source: Statistic Report on Internet Development in China (CINIC, July 2016)*

For occupation distribution, students and self-employed businessman/freelancers constituted the major part of Internet users. Student constitutes one fourth of the Internet users in China in the 2015 according to the report of CINIC, 2015. Businessman/freelancers constitutes one fifth of the Internet users in China in the 2015 according to the report of CINIC, 2015. This result was closely related with the habits and needs of these occupations: Students are the active users of search engines, which are the applications with second biggest users base in China (CINIC, July 2016). The increasing number of self-employed businessmen and freelancers nowadays choose to do business with the help of Internet tools, for example, marketing campaign with social media, the use of online shopping platform or applications to conform the trend towards a more intelligent, intensive Internet Economy business pattern.

Statistics from the CINIC reported showed the results of the usage rate of different functional applications among Chinese netizens in the end of 2015 and in the middle of 2016. Excluding the most basic needed function such as instant messaging, information searching, reviewing news, and entertaining function such as music listening and video watching, there is a large proportion of transactional use of the applications and a sharp growth in the usage of online payment (9.3%), online shopping (8.3%), Internet financing (12.3%), online meal ordering (31.8%) and online education (7.0%) in just in 6 months. These indicators implies that Internet has not only been bought into use of new industries and also been integrated into the adjustment of existing industries, the use of industries and also been integrated into the adjustment of

existing industries, the use of Internet in business is more and more intensive.

The growth momentum of Internet economy bought vitality to Chinese economics and got strong support from Chinese government, in hope to further improve the Internet Economy, Chinese Prime Minister Li Keqiang proclaimed in the conference of Government Work Report held in 12th National People's Congress (March 2015) that, "*To support the solid development of Internet Economy and facilitate the strong appearance of Chinese Internet companies in the global market, the 'Web Plus' guidelines would be put forward to incorporate the mobile internet technology, big data, cloud computing and other information technology with modern manufacturing and service economy.*"<sup>1</sup>

The 13th Five-year Plan (2016-2020) declared the aim of upgrade the consumption structure and emphasized the important role of service consumption in boosting consumption structure upgrade. This reform has been thoroughly implemented into nationwide and revolutionary changes in e-commerce have been happening, traditional industries have been seeking the way of combining Internet technology tools to transform their business models. E-commerce has been seeking more variety and the forms of Internet economy have been<sup>2</sup>becoming richer and mature. Many services-related e-commerce platforms were springing up both in urban areas and rural areas. These changes stimulated the Internet economy towards a more mature development stage.

The outcome of this series reform was also prominent and very promising. The proportion of Internet Economy contributing to the whole nation's GDP has increased rapidly, just a glance of the numbers can tell: according to China Internet Network Information Center (CNNIC), the Internet Economy contributed to the whole nation's GDP with the percentage of 4.4 in 2013 and this number firstly exceeded USA (4.3%), France (4.2%) and Germany (3.7%) and accounted for 7% of total GDP in 2014.

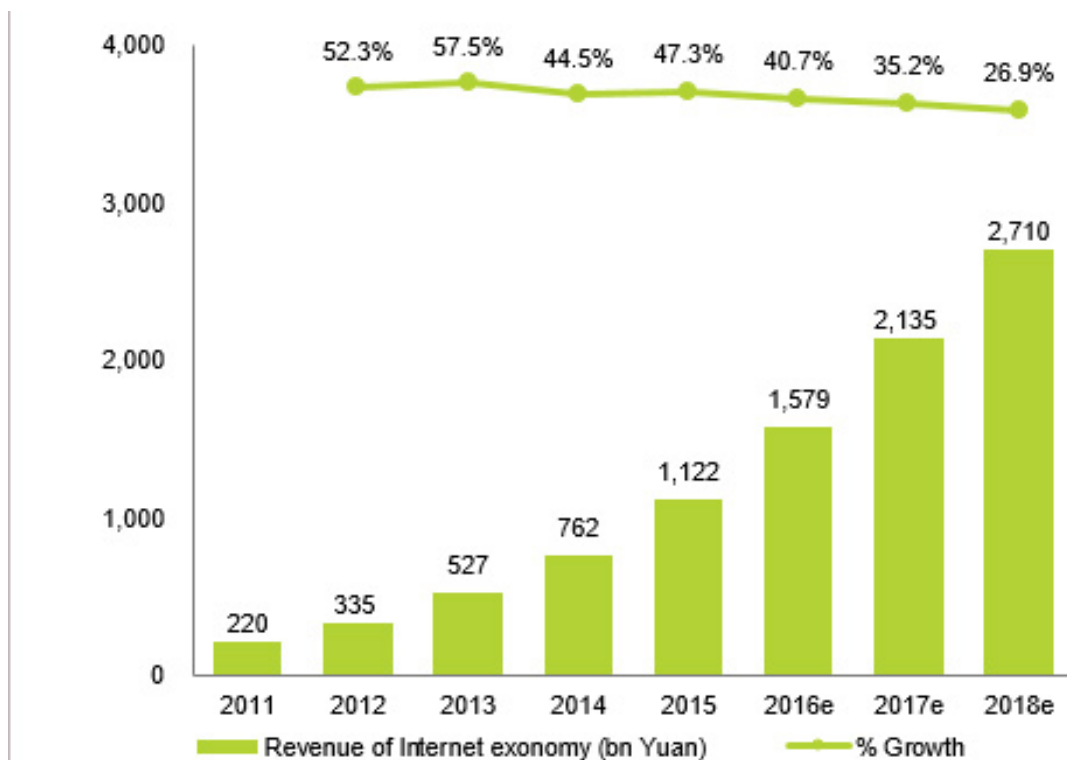
Regarding to statistic iResearch, the revenue of Chinese Internet Economy achieved up to 870.62 billion Yuan in 2014 with a increase of 47% compared to 2013. The number reached 1.1 trillion rmb in 2015 and 63.6% of the total revenue contributed by Ecommerce. China's e-commerce Gross Merchandise Volume reached 20.2 trillion rmb in 2016, the number increased by 23.1% comparing in 2015, online shopping grew to 23.9% and local life Online to Offline grew 28.2%. The GMV is expected to reach 32.7 trillion rmb in 2019. According to the statistics of CNNIC released, there were so far (July 2015) 328 listed Internet companies with a market capitalization more than 7.85 trillion rmb in China, accounting for 25.6% of the nation's whole

<sup>1</sup> Conference of Government Work Report held in 12th National People's Congress (March 2015)

market cap, four from these companies were in the list of the top 10 world biggest Internet companies, including Alibaba.

From the soaring growth in the beginning of 2010s, the growth of Internet economy is predicted to be more stable in the future, the Internet Economy revenue is expected to reach 27.1 trillion rmb in 2018, which we can see from the statistic released by iResearch. Chinese Internet Economy has showed a robust growth now and in the near future.

*Figure 10: Revenue of China's Internet Economy 2011-2018 (May 2016 iResearch Global)*



*Note: Internet economy revenue includes the sum from both PC and mobile Internet Economy revenue, including the revenue of e-commerce, online advertising, online financing and online gaming.*

### **2.3. Highlight of selected company Xiaomi**

Xiaomi is a Beijing headquartered company established in 2010 and started as a smartphone manufacturer and vendor, now the company has extended its business into many other close and distant product categories. With the development of the company the positioning can be more specifically defined as an Internet company. Their brand “MI” signifies the straight meaning of “Mobile Internet” and the connotation “Mission Impossible” which reflects the seemingly unmanageable challenges companies confronted in its development.



The legend of Xiaomi inextricably associates with the founder Lei Jun, who is currently the chairman and CEO of Xiaomi tech. Lei Jun completed all the required credits in just two years and received BA degree in one of the Chinese top universities – Wuhan University. He created his first company in the last year of his university life, after graduation he joined in the founding team of another leading Chinese software company Kingsoft (1992) and worked as CEO there since 1998 and led the company towards IPO. From 2000's, he has founded and invested several start-ups such as on-line bookstore Joyo.com, social media platform YY, browser UC and online cloth retailer Vancl in the fields of mobile internet, online retailer and IT. His reach experience in these industries gave him deep industrial insight before “Internet Economy” has begun to balloon in China over the last decades.

In April 2010 Xiaomi tech was founded by Lei Jun and a constellation of co-founders who also have rich experience in the IT and Internet industries. The company now has over 8,000 employees, the business of Xiaomi centralizes in mainland of China and other Asian countries, such as India, Singapore and etc. Nowadays, Xiaomi is aiming to set branch in Indonesia and fast growing developing countries, like South Africa and Brazil.

In 2011, after one year of its establishment, Xiaomi announced its first flagship product - Mi1 smartphone, it was shipped with Xiaomi's own MIUI interface and resembled Samsung's TouchWiz and Apple's iOS. The company became famous quickly after its establishment for its cheap but surprisingly high quality smartphones which even rival iPhone in some features.

In August 2012, The Xiaomi Mi2 smartphone was announced, till September over 10 million Mi2 had already been sold. In September 2013 the 3rd generation Mi3 was announced, only after a month, Xiaomi became the 5th most-used smartphone brand in China.

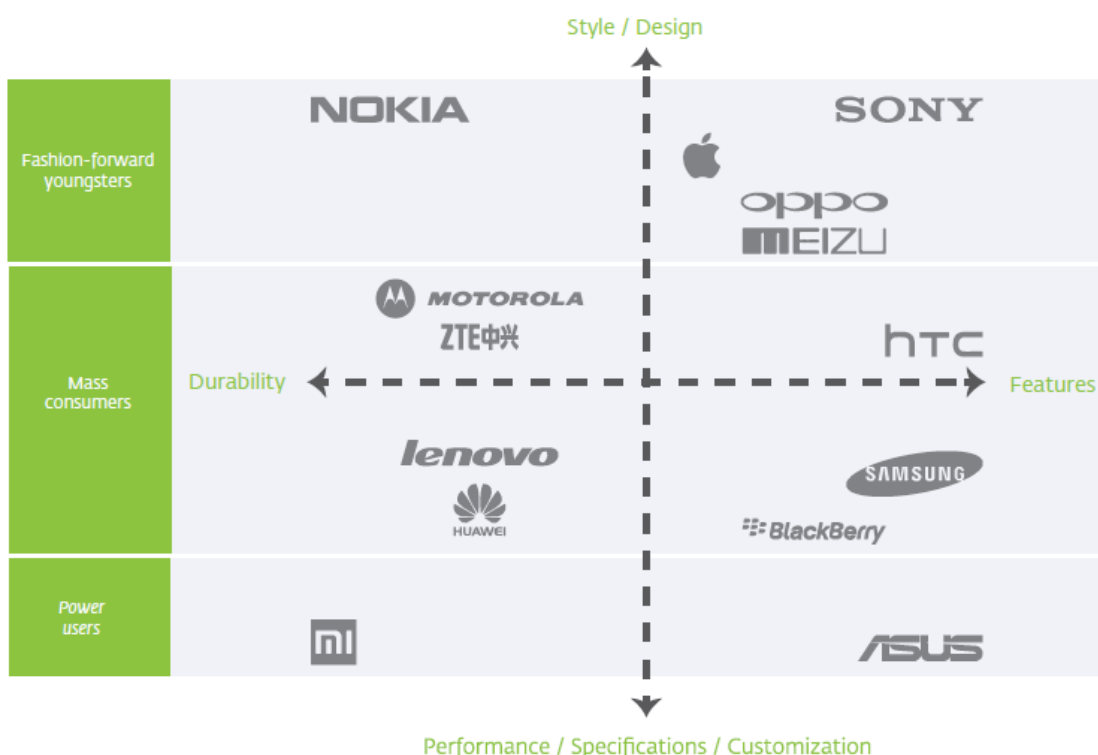
By July 2014, Xiaomi had sold 57.36 million phones and expanded its business into near neighboring countries such as Singapore, Malaysia, Philippines and India, its line extension product with sub-brand Hongmi Note was released and shipped 15 million devices abroad in this year. The sales of Xiaomi smartphone once ballooned and still everincreasing, according to IDC, Xiaomi was the 1st smartphone vendor by sales volume in Chinese market during 2014 and overtook Samsung and other entrenched players in the market.

In 2015, Mi4 was announced in China. By the end of the year, 70 million phones were shipped and 12.5 billion USD revenue was estimated (Xiaomi annual report). On 14th February 2016, Mi5 was announced, more and more category extension products were emerging in this year: on 10th May, Mi Max and Mi Notebook Air was announced, in September Mi 5s was announced. By November, Line extension Sub-brand Hongmi smartphones were sold 110

million globally. Xiaomi's smart home brand – Mijia's estimated revenue in 2016 was 2.2 billion USD. 1-1.5 million phones were sold in India quarterly and the smartphone market share in India was 6.2%. 1 million Hongmi Red 4As sold on Singles' Day (Xiaomi Annual report)

The low pricing strategy and the high performance has attracted a group of mobile phone enthusiasts (A clear contrast can be served to exemplify its pricing strategy: at the same time the cost of Samsung's Galaxy S5 is at least \$600, however, Xiaomi's new Mi4 with similar level of specification and better quality building costs just \$320). However, the revenue released was relatively low, company earned \$56 million in net profit in 2013, on sales of \$4.3 billion with an operating margin of just 1.8%, razor-thin when compared to Apple's operating margin (which was 28.7% in 2013) or even Samsung's (18.7%). However, Xiaomi positions itself as an Internet company instead of a mere smartphone manufacturer or customer electronic company. Its business model is quite distinct from traditional smartphone vendor whose hardware works as a real moneymaker, for Xiaomi, the cheap hardware works just for generating users and as a distribution channel, the real revenue would be generated gradually from the software and services the company provides in the long run.

Figure 13: Positioning strategy of main smartphone companies in Chinese (business week)



The positioning map clearly demonstrates the different positioning strategy of different brands operating in the Chinese Market. While leading foreign brands such as Apple and Sony make efforts on the style and design, and most Chinese Companies such as ZTE, HUAWEI and Lenovo operate in order to attract mass consumers, brand Xiaomi differs with them with its

distinct strategy of continuously pursuing to convey the promises such as high performance, high feature, and the image of durable.

If we use the brand identity prism of Kapferer to identify Xiaomi's We can identify the brand Xiaomi's identities. They are the main point of Xiaomi's identities: Xiaomi's capability can be summarized as top quality and "even better and more efficient". Personality of Xiaomi brand can be summarized as committed and Smart. The Shared value and community can be summarized as "participatory design and marketing" Internal value of Xiaomi can be described as hard-driving (aspirant), fast-paced (modern, up to date). The noble purpose of Xiaomi can be described as exclusive (buy before they are gone, participatory design and marketing). Self image of Xiaomi can be identified as "Chinese made, Modern, Proud". These identities defines Xiaomi's unique image and value propositions.

### **2.3.1 Review of Brand Xiaomi's Extensions and Product Catalog**

Aiming to occupy the consumer electronics space, Xiaomi has been actively collaborated with a constellation of related companies in various areas around its core business. The initial goal of brand extensions is to propagandize the interesting relevant products in Xiaomi's e-commerce store to increase company's revenue since the smartphone is kind of durable good. So the idea of extending the brand was aimed to have a family of products on e-commerce store satisfy customers.

Naturally, some close extensions were launched first, such as the tablet and laptops, which the technology is relatively transferable from smartphone into the mentioned categories. The first Xiaomi Mi Pad tablet was announced in 2014 and in November 2015 Xiaomi announced the successor Mi Pad 2. The laptop of Xiaomi was popular because of its high performance and low price, on July 27th 2016, the long-rumored Xiaomi Mi Notebook Air – a fully-capable Windows machine with a very high performance from Xiaomi was launched also and made a hit in Chinese market.

Other close extensions such as mobile accessories with complementarity function were launched also. A plethora of accessories, from earphones and headphones to power banks, smartphone stands, bluetooth music players were launched continuously. Xiaomi has always been valuing its quality and brand reputation. However, building the accessories itself was also not practical because it requires the offer of large amount of resources away from its core smartphone team to build an ecosystem of accessories, and it also requires the decentralization of company's previous focus. Xiaomi's enterprising founder Lei Jun had an idea to support related

startups, therefore these companies would provide innovative accessories for Xiaomi, and sell these extensions on Xiaomi online store.

In this way, Xiaomi kept developing the current startups, at the same time, sought out companies whom it could provide new products to Xiaomi's online store. The Mi Ecosystem project and many other extension categories were implemented. Product team need to do portfolio management, and at the same time decide which product category should be developed in the future, and sought out partners produce those products. The manufacturing startups were belting out products like Wi-Fi routers (like a much cheaper version of Apple's AirPort), wireless weighing scales, selfie sticks, a pen to test water quality, a Segway-like Ninebot Mini hoverboard, in-ear and over-the-ear headphones, smart TVs, movement and occupancy sensors for homes, surveillance and web cameras, fitness tracker band and much more<sup>3</sup>

The close extensions into intelligent accessories performed good for Xiaomi and is correlated with its plan of becoming an Internet company. All of brand extensions were sold on Xiaomi's online store and Mi Home app, in the store or app you can manage your Mi devices and receive advertises of new stuff. The success of extension products encouraged Xiaomi to further extend its business scope in to more distant categories and develop accessories in new area, such as smart TVs.

Thus the decision of distant category extension: the first product Xiaomi launched was air purifier. So far the company had sold companion accessories, which is related to its smartphones, to attract more young, tech-savvy customers. However, as an air purifier, this kind of product is a home appliance, which is obvious unconnected to a smartphone, It's challenging to make it high quality and meets the concept Xiaomi conveys. After hard work and unremitting research, a good looking air purification with a better offer than existing ones came to the world, also, it heritage Xiaomi core identity of "Intelligent", users could control this air purifier with their Mi phones through Internet and receive real-time indoor air quality reports and it could even automatically order new filters from Mi.com, This characteristic of Mi air purifier has never been achieved by other companies. The Mi Air Purifier occupied 20% market share in China after only 7 months sales(Xiaomi annual report).

Other products were gradually added to the product line, such as blood pressure monitors, smart webcams, smart scales, water purifiers, smart rice cookers, Yeelight (photo to the left), Mi TVs, TV boxes, routers, media servers, customers could control all products in the Mi Ecosystem through Internet, even control the Rice Cooker by smartphone. Xiaomi was a company who is trying to challenge the popular smartphone companies, such as Samsung and

<sup>3</sup> Inside Xiaomi's plan to dominate the connected world

Apple by low-cost strategy. Nowadays, Xiaomi is changing to a company with diversified related extension products catalog to enrich its products. Finally, Xiaomi will become an well-known IT company, not only because of the core product—smartphone, but also the extension products in Mo Ecosystem

### **2.3.2. Xiaomi Marketing Communication Strategy**

Fans-centric Marketing Communication Strategy – the communication strategy of Xiaomi can be characterised as “fans-oriented” communication strategy using social media. Social media plays an increasing significant role in marketing campaigns and the trends of it will be intensified in China. Xiaomi’s business model driven by social media communication can be characterised by “user interactivity” and “content sharing and exchange”. Xiaomi is the leading technology company who successfully adopted this mode of marketing communication strategy in China.

Traditional smartphone brands in China rely heavily on the off-line marketing activities, such as expanding distribution channels by setting shoppes in shopping malls or authorized distribution point of major telecommunication companies such as China Mobile, China Unicorn, China Telecom and relying on the sales on site. This strategy is used by most Chinese smartphone brands such as HUAWEI, VIVO, OPPO, etc. On the one hand, this strategy can guarantee the penetration to remote cities and rural areas where customers are lack of product knowledge and information thus make their decisions depending largely on the introduction or recommendation of salesman. On the other hand, this strategy can be quite costly, each level of distributor is expected to receive its sales commission and smartphone companies are also supposed to pay the merchants for participating on their sites, these expenses constitute the main part of marketing cost and sometimes jeopardise the company’s ability of investing in product research.

Unlike most other brands, Xiaomi adopted a very different marketing strategy. Xiaomi didn’t make effort to force a way into traditional distribution channels but to sell its product online, propaganda products, interact with users and update products based on the feedback users provide through a positive use of social media tool. Correspondingly, simplification of redundant supply chain activities allows company to focus more on products themselves. The company’s chairman and CEO Lei Jun interacts actively with users in the social media Sina Weibo – Chinese Twitter with the active users of 0.212 billion (annual report of Sina 2015). Other executives also interact with users actively in the social media and answer their questions regarding the products and company status, which is really uncommon in other big companies where just customer services and sales department deal with customers directly.

In the early stage of company's development, most users were "mobile phone fever fans" that were highly knowledgeable about technology, specs, functionality and new trends. They were attracted and gathered by the surprisingly cheap but high performance Xiaomi smartphones and affectionately called "Mi-Fan" by the company. Xiaomi paid high attention to the interaction with those fans and many feedbacks were bought into the modification of new Xiaomi product, their user friendly interface – MIUI system was updated once a week and Mi-fans were all looking forward to try the new features and functions each week and enthusiastically exchange ideas about the new customer experiences in their community and provided feedback to the company.

Attaching great importance to the reviews from fans can bring significant benefit to the company, online customer reviews can help company precisely find the deficiencies of current products, reduce the research cost and sustain customer loyalty. Xiaomi take very seriously to the product-related feedbacks provided by users and users can literally participate in the product design procedure through the communication. These real examples can be serve to exemplify this mode: they have modified the interface with the feedbacks from fans; a larger-capacity battery was put forward according to customers' review; the function of recording conversation length was created to meet fans feedback and a intelligent humanized filtering system was invented as well to meet customers requirements.

This fan-centric marketing communication strategy enables Xiaomi to design the most users-friendly products and services at lowest research cost. Also, this marketing communication strategy helps to maintain customer loyalty to the greatest extent. New companies, especially those in technology industry often face a high failure rate in their early stage, one major reason is that the technology products market is volatile and changes rapidly, those who fail to catch the new trend and meet the needs of customer would go out of fad. By this fans-oriented marketing communication strategy, Xiaomi grasp customers' needs precisely and respond to them rapidly and customers thereby feel more exclusive and involved, this positive circulation engaged company with its users closely and create a double win business model.

Hunger Marketing Sales Promotion – The advertising strategy of Xiaomi is successful, before launching a new product, the company creates a social media stir, using the chairman's Weibo account. Then the information of new product will be discussed by Xiaomi fan customers, who are the key opinion leaders in various online forums in China, and these fans of Xiaomi are likely to actively promote new products voluntary. One of the characteristics of sale strategy of Xiaomi is online pre-ordering campaigns, because this will create strong demand. Fans go online to share tips about how to buy a smartphone as soon as possible, since there's always lack of

stock. In 2012, the company offered 50,000 units of a new model in one batch, and they sold out in less than three minutes. The online pre-ordering model is a good method to save the cost. Xiaomi successfully establish customer loyalty by Popcorn community and social media.

### **Chapter 3. Analyze the influence of Perceived fit on Xiaomi's Brand Extension Staregy**

#### **3.1. Empirical Analysis of Perceived fit on Consumers' Perception**

##### **3.1.1 Research Design and Method**

In the empirical experiment, the main problem we want to address is to investigate the influence of perceived fit on success of brand extension. The success of brand extension is measured by consumers' evaluation towards extension products that reflected by the purchasing intention. Most prior studies in this field and many replicative studies of Aaker and Keller's (1990) used hypothetical extensions, however, this method has been questioned more and more recently. The imagery situation may differ from real decision making essentially, many examples of contradicted results for a particular factor appeared in the previous studies (e.g., Dacin and Smith (1994) and Reddy, Holak, and Bhat (1994), a certain variable that was proved to be significant in one's study was proved not significant in another study later. The use of hypothetical extensions rouse doubts concerning its validity more and more often. Four extension products from categories of different level of distance were selected by group discussions in our investigation

Xiaomi Internet TV

Xiaomi Fitness Track Wristband

Xiaomi Air purifier

Xiaomi Power Bank

##### **Questionnaire Design:**

In the series of empirical study steps, the questionnaire design is a very important step. The validity and reliability of the information collected by questionnaire largely depends on the design of questions. The design of questionnaire should contain the pilot questionnaire design and pilot test, the revising of Questionnaire design and the formation, distribution and collection of final Questionnaire.

Consistent with the prior researches on brand extension and most used market research experience, we used a seven-point Likert scale. Scores range from 1 to 7 to measure respondents' attitudes towards certain questions. 1 represents "strongly disagree", "definitely not willing to" and 7 represents "strongly agree", "definitely willing".

The pilot test involves around 10 people, they filled and questionnaire and gave feedback on the questionnaire design, some suggestions about the improvements of questionnaires were also given in this stage. The later version of questionnaire was revised based on the feedbacks and the effect of questionnaires.

The formal questionnaire contains the following questions, which are the measure of their evaluations (measured by purchasing intention), respondents are asked to rate their attitudes towards each of them:

- > Are you willing to buy this extension product when you need to buy this kind of product? (purchasing intension)
- > Do you agree the skills, expertise and technology of Xiaomi can be transferred in to this product category? (1: definitely disagree – 7 totally agree)
- > Do you think this extension product is consistency with Xiaomi' brand concept/image? (1: definitely disagree – 7 totally agree)
- > Do you think this product can serve as complementary with other Xiaomi' product?

#### **Sample selection and Data Collection:**

Our questionnaires were designed on and published using the most frequently used questionnaire tool in China - Wen Juanxing ([www.sojump.com](http://www.sojump.com)). Which clears show the IP address, the time duration of answering, answering time of the respondents as well as the visualization and basic statistic of the result collected. These features help the investigator to better know if the questionnaire is really and seriously treated.

The questionnaires were published by author in the instant messaging social platform – Wechat. The questionnaire was revised once in order to diminish inductivity question setting. Finally, 231 volunteer filled the questionnaire, however but 19 questionnaires were discarded due to they were uncompleted or never knew Xiaomi brand. 78 of the respondents are male (36.8%) and 134 (63.2%) respondents are female, all of them are acquainted with brand Xiaomi, and 115 of them have purchased products from Brand Xiaomi (54%)

#### **Method:**

Multivariable Regression Analysis:

Multivariable regression is a common quantitative analysis method often used in this kind of research. Most for the studies that aims at analysis several certain determinants' influence on the brand extension. This method is an effective way to test the relationship of several predictor



variables with a dependent variable and their relative strength of relation. This method is very commonly used in the brand extension domain. Fu, Saunder and Qu's (2009) theory test based on Aaker and Kellers' model (1990) revised the statistic dealing method and used multiple regression models to test several determinants and their relevant importance in the emerging market.

In our test, we investigated the relationship between overall purchasing intention and brand concept consistency and product level similarity. The product level consistency is measured by transferability and complement. Respondents are asked to rate each of it. The result is presented in the table below.

### 3.1.2. Results and Discussion

**Table 1 study means**

	Purchasing Intention	Transferability	Concept level Consistency	Complementarity
Xiaomi Internet TV	3.63	4.68	4.70	3.09
Xiaomi Fitness Track Wristband	4.60	5.09	4.98	3.54
Xiaomi Airpurier	3.98	4.2	4.3	2.95
Xiaomi Power Bank	5.12	4.95	5.10	3.3

From the study means we can see that the Xiaomi power bank has a highest purchasing intention, followed by Xiaomi Fitness Track Wristband. In terms of perceived transferability, most consumers perceived that the expertise Xiaomi has can be transferred into producing Fitness Track Brand mostly, and followed by Power bank. When speaking about the concept level consistency, it was broadly believed that Xiaomi power bank has a highest level of concept level consistency.

### Reliability Analysis:

Before run the regression, the reliability test should be applied to test the reliability of our questionnaire. Most common measure is the reliability test of Cronbach's Alpha. The general measurement is delineated as follow:

When the number of Cronbach's Alpha is less than 0.6, the reliability of internal consistency is low, especially when the number is lower than 0.5, it's considered unacceptable usually. When the Cronbach's Alpha is between 0.6 and 0.7, the reliability of internal consistency is still inadequate and construct of the questionnaire is questionable. When the Cronbach's Alpha is between 0.7 and 0.8, the reliability of internal consistency is acceptable. When the Cronbach's Alpha is between 0.8 and 0.9, the reliability of internal consistency is good. The Cronbach's Alpha statistic of our experiment is listed in the table below.

*Table 2: Reliability statistics of Questionnaire.*

Variable	Cronbach's Alpha	N of Items
Question regarding Transferability	.799	4
Question regarding Complement	.799	4
Question regarding Brand Concept consistency	.841	4
Question regarding Purching Intension	.760	4
All Questions	.899	18

The Cronbach's Alpha for the whole questionnaire is 0.899, which indicates a high internal consistency. The questionnaire for each factor we intend to analyse is over 0.7 as well. The result for reliability is comparatively ideal. The internal consistency indicated by the questionnaire suffices for the further analysis.

High risk of hurting the parent brand exists also “if the brand extension has attribute or benefit associations that are seen as inconsistent or perhaps even conflicting with the corresponding associations for the parent brand” (Keller 1998). Low correspondence of new

extensions with the brand core image can lead to brand dilution, which is especially dangerous, because it can deprive the brand of its competitive advantage.

Another possible disadvantage to brand extension, according to Kevin L. Keller (1998), is that by introducing a new product as a brand extension, the firm forgoes the chance to create a new brand with its own unique image and equity.

**Results of regression analysis and discussion:**

*Table 3: Regression Analysis Results*

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.139	.276		.503	.616		
Brand Concept Consistency	.527	.078	.445	6.766	.000	.448	2.233
Gender	-.280	.130	-.095	-2.150	.033	.999	1.001
Experience	-.148	.131	-.050	-1.123	.263	.985	1.015
Product Similarity	.463	.082	.370	5.618	.000	.448	2.234
Adjust R square	.591						

*Dependent Variable: Purchasing Intention*

In the table above we can see the results of regression and the relevant importance of each factor. We can see from table that significant for the factors “brand concept consistency” and “Product similarity” are all significantly less than 0.05, the result, namely, means that these two

factors have major influence on the dependent variable- purchasing intension, in a more practical meaning- these two factors will play important roles in determining brand extension success.

The beta for brand concept consistency is 0.445, which is higher than product similarity – 0.37. This means in our test, brand concept consistency plays an more important role than product similarity. In this model, considering that our sample has a not very even distribution of gender, (Female is female is more than male) and half of the respondents have previously experience with brand Xiaomi, this was also considered an influential factor in the prior research. We add two control variable in our model – Gender and experience, which refers to the previous purchasing experience. These two factors are not significant in our test (with the significant of 0.033 and 0.263), which largely exceeds the level of 0.01 and 0.05. Thus, we can role out their influence to a large extent.

We also run a variance inflation factor test to see the seriousness of multicollinearity. Statistically, when  $0 < \text{VIF} < 10$ , there is no multicollinearity or very slightly that we can ignore. Wen  $10 < \text{VIF} < 100$ , there is certain level multicollinearity, when the VIF exceeds 100, there is serious multicollinearity. The VIF results are all below 2.3 in our case, so the multicollinearity level is low in our case.

In terms of each components of “Perceived fit”, we run the analysis again. From this table above, we can see the relevant significance of each variables thus their importance in the consumers’ evaluation can be inferred. The beta of Transfeferability of the skills and expertise is 0.327, which is much higher than the Complement. This result is consistency with several previous researches (Aaker,Keller 1990, Fu, Saunder,Qu 2009), which all indicated that consumer value company’s production ability and technical advancement, and Fu indicated that this phenomenoum is particularly important in the emerging market, because consumers are risk-averse due to the inundate counterfeit article, consumers do not trust extension products that they perceive company has no ability to produce.

Still, the brand concept level consistency still plays a important role(with the beta of 0.388). The brand concept consistency is proved to be premominant dependant in our test. The adjust R square increased slight from 0.591 to 0.597 due to the increase of model’s ability of explanation. After we indroduced the new variables, the variance inflation factor still kepted at a stable and low level. It proved that the multicollinearity of the factors we chosed is very slight, each factor can impact the independent variable itself.

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	.080	.275		.289	.773		
Transferability	.353	.072	.327	4.907	.000	.431	2.320
Brand Concept Consistency	.459	.084	.388	5.462	.000	.379	2.641
Complement	.174	.050	.176	3.509	.001	.762	1.312
Gender	-.279	.129	-.094	2.158	.032	.999	1.001
Experience	-.165	.131	-.056	1.264	.207	.981	1.019
Adjust R square	.597						

*Dependent Variable: Purchasing Intention*

*Table 4: Importance of each components' importance*

In summary, in this empirical part, we proved that two levels of “perceived fit”- “concept level consistency” and “product level similarity” all play decisive role in determining brand extension’s success. Among these factors, brand concept consistency was proved to be most important one compared to other factors in determining consumers’ evaluation towards brand Xiaomi’s success

Using the characteristics offered by B. Cawthorne (2009) we can define each archetype and brands endowed with its key features:

### **3.2. Analyse Category Extension Opportunity for Xiaomi’s further growth**

#### **3.2.1. Selecting Hypothetical Extension Categories using Delphi Method**

As long as the role of “perceived fit” in extension evaluation has been determined, before

providing potential category for brand Xiaomi to further extend itself, Hypothetical extensions have been put forward by combining primary data get from in-depth interviews with managers in the relevant industries and secondary data regarding analysis of Xiaomi brand identity and overall brand image, the shortlist of eight possible extensions was proposed by group discussions:

*Table 5. Possible Categories for Xiaomi Extension*

Skin Care Category
Theme Hotel Category
Car-hailing Service App Category
Furniture Category
Extreme Sport Equipment Category
Energy Drinks Category
Health Supplementary Category
Snacks Category
Service Category (House Design and Decoration)
New energy automobile Category

Some reasons of choosing the above categories were stated in the contents of interview: *“Xiaomi is transferring itself as a premium retailer who is providing exclusive goods, it reminds me more and more of MUJI, I think they will step into industries such as snacks and energy drinks, because many Xiaomi fans are working in the Internet companies, where is needed to constantly overwork, I think Xiaomi will provide these things in the future. It’s consistent with their market position that aimed at young customers.”* One respondent in our survey said so.

*“I think Xiaomi will boldly step into new energy automobile industry in the future. Xiaomi is concentrating on the technology till now in everything they made. I bought UAV from this brand, and I am very impressed by the high performance of it. I think Xiaomi will step into industry with higher technical requirement level, such as new energy automobile category.”*

*“I think Xiaomi will produce health supplementary and skin care products in their “Mijia”, Xiaomi is very focused on the problem that brought by the increasing serious environmental problem, they produced the air purifier and water purifier especially for the metropolitan works suffering from environment problem. I believe they will produce products to deal such as health supplementary and skin care with the same healthy-oriented value”*

*“I think Xiaomi will step in the application service of car-hailing, this industry is of increasing demand, and Xiaomi has rich experience in the application design and development.”*

However these hypothetical categories for extension should have been pretested and also the number should have been reduced to 3-4 options in order not to confuse and overwork respondents, who were supposed to evaluate these hypothetical extensions on the second step of the research.

**The aim:** Select 3-4 “most interesting” and “most suitable” categories to extend the brand Xiaomi.

**Method:** Qualitative method: Expert Evaluation (Delphi Method).

The Delphi method is a technique of conducting structured communication in order to elicit the opinions of experts and achieve consensus. This method is originally developed as a systematic, interactive forecasting method that relies on a panel of experts.

In the structured communication forum or interviews experts are asked to answer certain questions, the specialty of this method with traditional interview is that experts are asked to answer the same questions several rounds and are encouraged to change their answers in each round. An interviewer will provided summarized answers from previous round and participants will review the answers from each other and some revised answers will be made in the next round in lights of other’s opinions. It’s supposed that the number of answers will decreased each rounds and consensus will be finally reached. The interview will be terminated when some preplanned criteria are reached, such as the number of total answers, reach of consent, etc.

One principle is that the identity of participants stay anonymous, by doing so can ensure the free express of opinions in the largest extent, because the participants will not be influenced by authority or reputation of other participants. Delphi has been widely used for business forecasting and has certain advantages over another structured forecasting approach, prediction markets.

**Data gathering method:**

Questionnaire with open questions

**Sample selection:**

One key feature of Delphi method is that the experts are from relevant organizations, industries and possess adequate knowledge to make decision. For our test, we contacted qualified people using the connections author have and finally 4 participants are willing to participate in this survey:

Expert	Company	Position	Industry	Time of the interview
Mr. Zhao	DJI	Sales Manager	Innovation Company	16 <sup>th</sup> of April
Ms. Lai	ZTE	Marketing Managers	Telecommu- nication/Smartphone	16 <sup>th</sup> of April
Ms. Wang	Unilevel	Manager	FMCG	16 <sup>th</sup> of April
Mr. Zhao	Entrepreneur	Entrepreneur	Internet Company	16 <sup>th</sup> of April

### Research Design:

The surveys are conducted online with several respondents simultaneously using on-line questionnaire tool Wen Juanxing (<https://www.sojump.com/>), which is the most popular questionnaire tool in China that provides a variety of question types and functions, and the results can be clearly viewed by questionnaire publisher. Since the form is on-line questionnaire collection, each respondent do not know each other at all. After each round, facilitator will summarize the answers from respondents and give them to each via application Wechat. The respondents will answer the questions again in lights of others' answer. Finally, when the consensus of answers reached, in our case, if a number of 2-5 commonly agreed categories were finally chosen, the survey will be finalized.

An open questionnaire was made by group discussion. The questions were selected with reference of prior researches on determinants of consumers' favorable attitude towards extensions, and also in consideration of the feasibility of measure. The following questions were asked in the questionnaire:

1. Among these product categories, which do you think is promising and interesting future extension directions for brand Xiaomi? (several answers can be chosen)
2. Why do you think the chosen product categories are the appropriate ones? Could you analysis the strength and benefits of Xiaomi extending itself into the chosen product



categories? For example, you can analysis the reasons both from internal and external. The internal reasons may involve the ability/skills/expertise/resources of Xiaomi to make this product, the relativeness of this product category with Parent brand, the coherent of this product with Xiaomi’s brand identity/brand image, the external reason may involve the competition intensity in this product category, the number and competitiveness of rivals, etc. You can add any opinion comes to your mind.

3. Which categories you don’t rate? And can you specify the reasons?

**Results:**

*Table 6. Selected Possible Categories for Xiaomi Extension*

Health Supplementary Category
Skin Care Category
Theme Hotel Category
Car-hailing App Service Category

**3.2.2 Testing Hypothetical Brand Extensions using the Method of Semantic Differential**

**The aim:**

To test four chosen categories for hypothetical Xiaomi brand extensions in terms of their correspondence with the existing Xiaomi brand identity and brand image.

**Method of the research:**

For testing hypothetical extensions in terms of their correspondence with the existing Xiaomi brand image, the method of semantic differential was chosen. Semantic differential is most used by marketers in brand perception studies and the result is presented in an intuitive manner.

The semantic differential is a seven-point rating scale with points associated with bipolar labels that have semantic meaning (Malhotra and Birks1999). In this research Individual items on a semantic differential scale are scored on a -3 to +3 scale. Afterwards the means on each rating scale are calculated and compared. The significant advantages of the method of semantic differential are simplicity of design and visualizing of the results demonstration.

**Data Collection Method:**

Online survey in the form of questionnaire with possible compensation for fully completed participants (See Appendix), the online survey is chosen because it’s easy for research to distribute, collect efficiently and the statistic is easily to be processed

### **Sample Selection:**

Non-Probability sampling. Total of 106 questionnaires collected and excluding the incomplete questionnaires, there were 9 valid ones with a returning rate of 92%

### **Questionnaire Design:**

Based on the exhaustive investigation of Xiaomi Brand product-related attributes, concept-level attributes, brand images and brand personalities from primary sources (collected from interviews with Chinese consumers) and secondary sources (Business reviews, publications, academic paper, company marketing activities, etc.) For example, after the fitness track twist band jumped into popularity and successful launch of home air purifier and water purifier, Xiaomi is more and more perceived by Chinese consumers as “healthy concept brand”, so we add this attributes in the list, in the same way, each attributes conceptualized and summarized were draw from extensive primary data and secondary data and then carefully defined and chosen. The following concepts were finally chosen for our study: Sincere, Young, Imaginative, Trendy, Intelligent, Unique, Energetic, Healthy, Funny, High quality, Household, confident.

This list of attributes was tested among 2 experts and 6 loyal consumers and 6 workers from relevant industry who are all very familiar with the brand. In the pilot test, participants were asked also evaluate the overall brand image regarding these attributes. The results of pilot test were all positive, which indicates that all the attributes are congruous with brand image. However, the attribute of “confident” was ruled out in the pilot test due to a low acceptance.

In order to get insights into the consumer profile the first part of the questionnaire was designed. It concerned the demographic information and was aimed to reveal the general acquaintance with the brand and respondents attitude towards it. Therefore the following questions were chosen: “Are you acquainted with Xiaomi brand and Xiaomi products?”; “What is your general attitude towards brand Xiaomi?”; “Have you ever purchased any of Xiaomi Products?” The designed questionnaire attached in the appendix.

### **Results and Discussion**

The questionnaire has been published using online questionnaire tool Wen Juanxing, the received completed questionnaires are 95.

### **Results for Demographics:**

The sample represents the main target group of Xiaomi – young people of both genders - and, thus, is relevant for the research. (Age: 18-24 aged respondents – 50%; 25-29 aged respondents – 30%; 30-35 aged respondents – 20%. Gender: female respondents - 49%; male respondents - 51%).

The sample covers several geographical regions in China, which makes up a comprehensive and credible sampling (Geographical area: 17 out of 34 provinces/municipality directly under the Central Government/Special Administrative Region/autonomous region).

**Results for Overall Brand Awareness and Attitude:**

100% of those respondents, whose responses are relevant for the research are acquainted with the brand Xiaomi. This result was one of the most important for the research, due to its nature – evaluating the image of the brand. Alongside the overall attitude to the brand Xiaomi was evaluated and showed rather good results with total absence of extremely negative attitude – 0%, and higher numbers for positive and indifferent attitude - 56% and 44% respectively. Among them, male consumers hold a more favorable attitude towards the brand – 63% held positive attitude. Moreover, the purchasing behavior was also analyzed, revealing the following results: 28% of respondents purchased one or more items and 35% of respondent plan to do so in the future.

**Results for Overall Brand Image and Hypothetical Extensions’ Image**

Having analyzed the responses, we have identified the average mean for each attribute used in the bipolar scale. First, we should pay attention to the fact, that none of the attributes, which are seen as brand’s main characteristics, gained less than 1. These can be seen as a very good result and speaks in favor of efficient positioning of the brand that managed to deliver Xiaomi brand identity values to the recipient (consumer) without severe distortions. The figure 9 presents the average scores:

*Table 10. Results for Average Perception of Overall Xiaomi Brand Image (-3 strongly disagree, 3 strongly agree)*

Perception of the overall Xiaomi Image	
Sincere	1.69
Young	2.53
Imaginative	1.78
Trendy	1.56
Intelligent	2.49
Unique	1.64

Energetic	1.89
Healthy	1.71
Funny	1.46
High quality	1.86
Household	1.48

Each attribute of the overall Xiaomi image was evaluated more than 1.4 points out of 3 possible points. Some parameters such as: “Energetic” and “Health” are closer to 2 points and some, attributes “Young” and “Intelligent” got the highest scores, above 2 points. These results allow speaking about the right choice of positioning strategy to transfer to the final consumer the key features of Xiaomi Brand Identity.

Thereafter based on the same survey design, the scenario of potential extension of Xiaomi into four chosen categories were collected and calculated:

*Table 11: Results for Perception of potential Xiaomi Extensions*

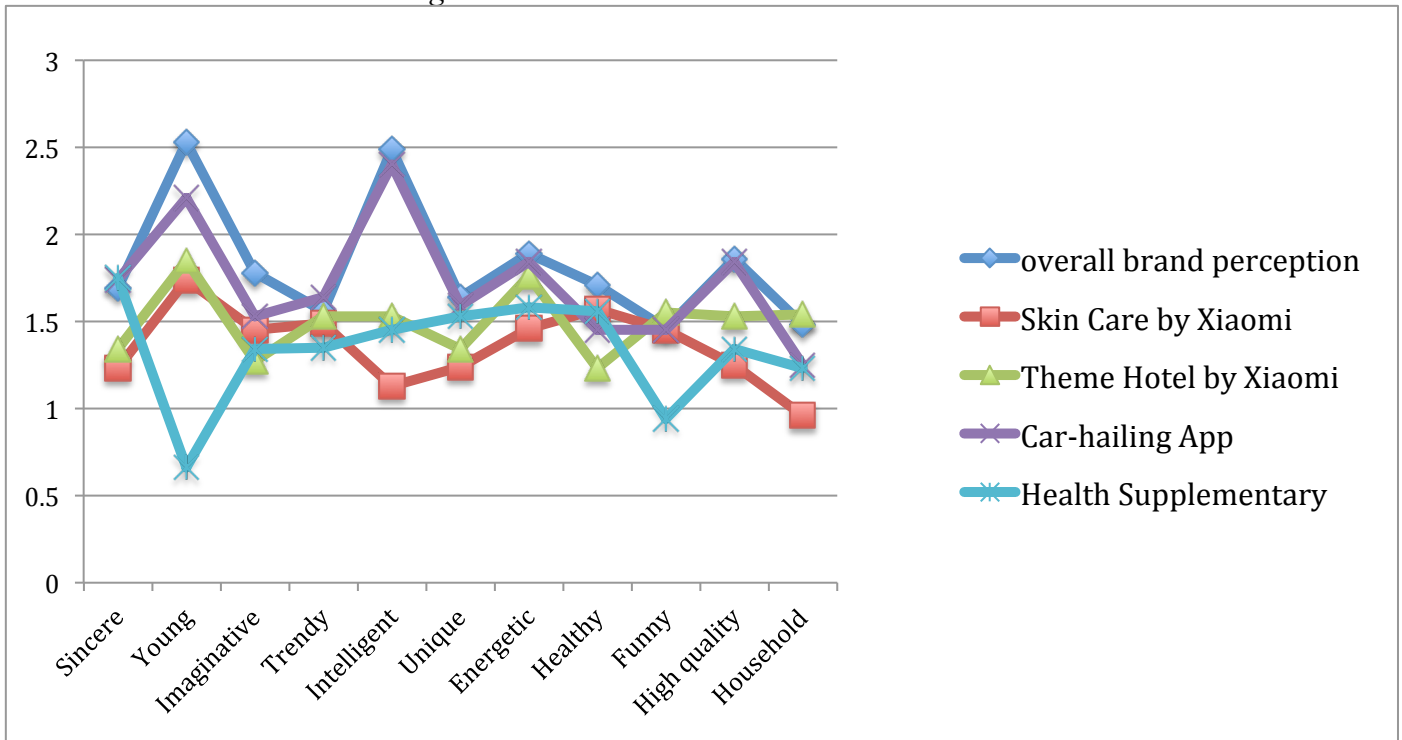
	Perception of Skin Care products under the brand XIAOMI:	Perception of the Theme Hotel products under the brand XIAOMI	Perception of the Car-hailing App under the brand XIAOMI	Perception of the Health Supplementary under the brand XIAOMI
Sincere	1.23	1.34	1.74	1.75
Young	1.74	1.85	2.21	0.66
Imaginative	1.45	1.27	1.53	1.34
Trendy	1.49	1.53	1.64	1.35
Intelligent	1.13	1.53	2.4	1.45
Unique	1.24	1.34	1.59	1.53
Energetic	1.46	1.76	1.84	1.58
Healthy	1.57	1.23	1.45	1.56
Funny	1.45	1.55	1.45	0.94
High Quality	1.25	1.53	1.84	1.34
Household	0.96	1.54	1.25	1.23

*Source: Made by Author.*

Each potential extension received positive scores on each attribute. It means that in general none of the extensions contradict with the existing brand image of Xiaomi, thus, can be taken into the consideration as growth directions.

However, some of the hypothetical extensions are closer to the current image of the brand. In order to illustrate it more visual the graphics for each scale were provided:

Figure 14: Correspondence between potential extension categories with overall brand Xiaomi image



Analyzing the results of the potential extension it can be seen from the graph, that the most appropriate extension, which is closer to the perceived image of the brand is the extending into “Car-hailing App”. It is closer to the brand image perception on all the parameters except the sole one “Health”, where it lost to the “Skin Care Category” and “Health supplementary category” which is nevertheless reasonable and can be explained by category specifics. Extension into Extreme sport equipment category has significantly outscored other categories on such attributes as: intelligent, young, which is also often used in characterised the brand concept and personaility of Brand Xiaomi.

Besides the fact that the extension into Car-hailing App is closer to the perceived image of the brand than other categories the scores this category gained are very much correspondent to those of the brand itself. The difference in values usually compounds just tenths or hundredths, which can be seen from the figure below. We can see in this comparison that the closest, practically identical scores were received for “young”, “alternative”, “Intelligent”, “Energetic” and “High quality” parameters. And the attribute “trendy” has even outscored the perceived Xiaomi image. Extension to Car-hailing App category gained a bit lower scores for such characteristics as: “Health” and “Household”

### **3.2.3. Recommendations on Category Brand Extensions for Xiaomi**

Following the results gained from the undertaken research we propose extension into Car-hailing App category as the most potential one due to the highest level of its correspondence with the existing image of the brand Xiaomi. Extension to this category will help Xiaomi to maintain and strengthen the current image. Alongside with possible favourable acceptance by consumers, the chances of positive affect the parent are also very high, owing to category specifics. Extension to Car-hailing App category reduces the risk of perceiving it as a trivial one that, as it was already mentioned in the literature review part, is documented by researched as one of major pitfall that will harm extension success. The procedure of extending Xiaomi into Car-hailing App category will be feasible to realize due to the fact that the company has experience and skills in developing Mobile operating system and has a group of loyal customer with young age, which are the most potential target customer for car-hailing service. However, the remaining tested categories, and even those that were eliminated on the first stage of the research, can influence the existing image of the brand; therefore can be used as a tool to “correct” the present image of the brand and bring to the forefront some particular associations, if Xiaomi will reveal a need for it.

## **Chapter 4. Conclusion and Discussion:**

### **4.1 Conclusion:**

This thesis investigated the determinant of perceived fit and its components' role on consumer attitudes toward brand extension using a highly representative China-based brand. The research has evaluated both recognized antecedents and potential factors specifically concern us about the interesting aspect – perceived fit. The result of experiment revealed the paramount importance of brand concept consistency in consumers' evaluation of brand extension, which consists with the particularity of emerging markets.

Further more, the use of example Xiaomi sheds light on the difference of brand extension of durable product categories. This study reveals the necessity of examining the generalizability of the previously established theory before applying to emerging markets.

Theoretical background analysis and empirical investigation of the brand Xiaomi enables to carry on the research of future growth opportunity as well, which is of great practical value.

This study not only reveals key factor for successful implementation of category brand extension strategy and provides comprehensive study of Xiaomi branding strategies, communication strategy, but also reveals the need for this types of research when launching growth strategies. Detailed investigation of the brand's core concept, perceived image,

associations and positioning as well as the possibilities and likelihood to transfer these core values into other product categories will allow the brand to avoid fatal mistakes that can lead not to extension failures and jeopardize parent brand.

#### **4.2. Managerial Implication**

Our research explored the role of perceived fit on the evaluation of extensions of Brand Xiaomi. Our research suggests that the perceived fit plays a primary role in consumers' evaluation of extensions in general, this factor is largely controllable by companies and can be altered by different choose of brand extension strategies and different marketing activities. Thus, this research can be seen as managerial applicable.

Our research has suggested that in China, consumers are particularly image-directed. Concept consistency plays the crucial role in their evaluations of perceived fit and in their evaluation of brand extension. This result suggested that companies should be careful and do enough research to appropriately select extension product category, this can directly affect fit perception prior launching brand extensions.

Great effort of image-related marketing communication activities should be made as well, such as different forms of product endorsements. The Companies' marketing communication activities should be made closely based on the company's image, positioning, identities and value propositions. In order to have a clear understanding of the brand image, regular and continuous marketing researches are very necessary. The form of use Delphi method and semantic differential can be seen as a effective tool in this kind of market domain. In our research, the use of these forms gave very inspiring ideas of evaluation brand extension. Such knowledge could help companies to define potential niche for themselves.

The example we used in our study - Company Xiaomi operates in the Internet Industry and adopted different marketing strategies that are often altered in different and innovative forms. Traditional marketing method such as the advertising still plays important roles of promoting brand extension in many industries. Consumers will likely infer judgments of fit and consistency when an advertisement illustrates how parent-brand attributes improve the extension's ability to provide benefits. Repeated exposure to advertisements that evoke appropriate parent-brand associations also helps consumers establish linkages between the brand and the extension product, thus positively influence perceived fit between the extension product and the extending brand, the proper choose of marketing communication strategy form and proper use of marketing strategy should be thorough analyzed according to the company's feature and market characteristics.

It's worth noting that it's a common mistake when companies choose product categories they are prone to choose the categories that are very similar with existing ones in terms of products' features. These strategies may bring a short-time convenience, however, in the long-term, the results may be not very satisfactory. The product feature similarity doesn't leads to perceived fit in many situations. However, this fact doesn't actually contradict the benefits of leveraging current manufacturing skills. It's proved in our study, that Chinese consumers value the transferability of a brand's skills and expertise into new product category. When an extension is launched in the domain that companies do not possess the technique and expertise, these extensions are often questionable to consumers.

Opportunities for extending brands in emerging economies are just as constrained as they are in developed economies, however carefully selection of product categories where there is the competitive advantage for the company prior extending the brand could significantly enhance the likelihood of a brand extension's success and reduce the risk of a reckless extension would cause, such as the dilution of parent brand.

### **4.3 Limitation and Scopes**

Due to the fact that China still lacks its own strong brands and the examples of brand extension are very limited while choosing foreign brand to study may lead to an unstable results caused by influences such as Country of Origins Effects, Stereotypes. Albeit all the effort being made in choosing most representative company in the study, the result of "perceived fit" study from the selecting studying object "Xiaomi" cannot be claimed to be fully applicable for other companies and industries.

There are a number of reasons will influence consumers' evaluation of "fit". It is impossible to incorporate all the factors in our study. Such as, the influence of parent brand category also impact on consumers' perception towards its extension. The entrenched early impression of "smartphone" producer may influence consumers' perception of brand malleability as well. Consumers' individual characteristics, such as the mood will influence the perception also, which is extremely hard to measure.

The suggestion of potential extension category was considered mainly the most important influence we defined in the first experiment – brand concept consistency. Some other promising categories might be thus neglected with this criterion. The intended extension category should be thoroughly analysed using more benchmarks before put into action. In order to achieve more accurate results, more rigorous methodologies need to be adopted.



For the further research, more deep analysis of the influence factor of “perceived fit” should be made in order to better understand its working mechanism, Such as the factors that have mediating and moderating effects on perceived fit.

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**Appendix 1.** Questionnaire for investigating the role of perceived fit on Xiaomi's brand extensions

**XIAOMI Brand Extension Perception**

The aim of the survey is for academic use in order to analyze consumers' attitude towards Xiaomi's brand extension strategy.

The information will stay anonymous

**THANK YOU FOR YOUR PARTICIPATION!**

**1)Gender**

Male	<input type="radio"/>
Female	<input type="radio"/>

**2)Are you acquainted with the Brand "Xiaomi"?**

Yes	<input type="radio"/>
No	<input type="radio"/>

**3)Have you ever purchased any of XIAOMI Products?**

Yes	<input type="radio"/>
No	<input type="radio"/>

**Following Questions concern your evaluation towards Xiaomi's extension products.**

Please, rate your attitude towards the given subject and given question. For each question, please rate from 1 to 7.

1 – strongly disagree/definitely not willing to

4 – neutral/indifferent

7 – strongly agree/definitely willing to

**4. Are you willing to purchase Xiaomi's Internet TV when you have this need to purchase this kind of product?**

1  2  3  4  5  6  7

**5. Do you think the skills and expertise of Xiaomi can be transferred into producing Internet TV?**

1  2  3  4  5  6  7

**6. Do you think the concept/image of Xiaomi TV is consistent with Xiaomi overall image/concept?**

1  2  3  4  5  6  7

**7. Do you think Xiaomi's Internet TV can serve as complement for other Xiaomi's products?**

1  2  3  4  5  6  7

**8. Are you willing to purchase Xiaomi's wristband when you have this need to purchase this kind of product?**

1  2  3  4  5  6  7

**9. Do you think the skills and expertise of Xiaomi can be transferred into producing wristband?**

1  2  3  4  5  6  7

**10. Do you think the concept/image of wristband is consistent with Xiaomi overall image/concept?**

1  2  3  4  5  6  7

**11. Do you think Xiaomi's wristband can serve as complement for other Xiaomi's products?**

1  2  3  4  5  6  7

**12. Are you willing to purchase Xiaomi's Air purifier when you have this need to purchase this kind of product?**

1  2  3  4  5  6  7

**13. Do you think the skills and expertise of Xiaomi can be transferred into producing Air purifier?**

1  2  3  4  5  6  7

**14. Do you think the concept/image of Xiaomi's Air purifier is consistent with Xiaomi overall image/concept?**

1  2  3  4  5  6  7

**15. Do you think Xiaomi's Air purifier can serve as complement for other Xiaomi's products?**

1  2  3  4  5  6  7

**16. Are you willing to purchase Xiaomi's Power Bank when you have this need to purchase this kind of product?**

1  2  3  4  5  6  7

**17. Do you think the skills and expertise of Xiaomi can be transferred into producing Power Bank?**

1  2  3  4  5  6  7

**18. Do you think the concept/image of w Power Bank is consistent with Xiaomi overall image/concept?**

1  2  3  4  5  6  7

**19. Do you think Xiaomi's Air purifier can serve as complement for other Xiaomi's products?**

1  2  3  4  5  6  7

**Appendix 2: The results of regression analysis**

**Note: PI-Purchasing Intention**

**Variables Entered/Removed<sup>a</sup>**

Model	Variables Entered	Variables Removed	Method
1	4、 Experience, 1、 gender, Transferability, Complement BrandConcept Consistency <sup>b</sup>		Enter

a. Dependent Variable: PI

b. All requested variables entered.

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.779 <sup>a</sup>	.606	.597	.90687	1.915

a. Predictors: (Constant), 4、 Experience, 1、 gender, Transferability, Complement, BrandConceptConsistency

b. Dependent Variable: PI

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	261.047	5	52.209	63.483	.000 <sup>b</sup>
	Residual	169.418	206	.822		



Total	430.466	211		
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a. Dependent Variable: PI

b. Predictors: (Constant), 4、 Experience, 1、 gender, Transferability, Complement, BrandConceptConsistency

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.080	.275		.289	.773		
	Transferability	.353	.072	.327	4.907	.000	.431	2.320
	BrandConcept Consistency	.459	.084	.388	5.462	.000	.379	2.641
	Substitute	.174	.050	.176	3.509	.001	.762	1.312
	1、 gender	-.279	.129	-.094	-2.158	.032	.999	1.001
	4、 Experience	-.165	.131	-.056	-1.264	.207	.981	1.019

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions				
				(Constant)	Transferability	BrandConceptConsistency	Complement	1、gender
1	1	4.644	1.000	.00	.00	.00	.01	.01
	2	.632	2.711	.00	.00	.00	.00	.23
	3	.571	2.851	.00	.00	.00	.02	.73
	4	.100	6.817	.05	.04	.01	.92	.01
	5	.038	11.097	.89	.23	.04	.00	.01
	6	.015	17.568	.06	.73	.95	.06	.00

a. Dependent Variable: PI

#### Collinearity Diagnostics<sup>a</sup>

Model	Dimension	Variance Proportions
		4、Experience
1	1	.01
	2	.74
	3	.16
	4	.04
	5	.04
	6	.00

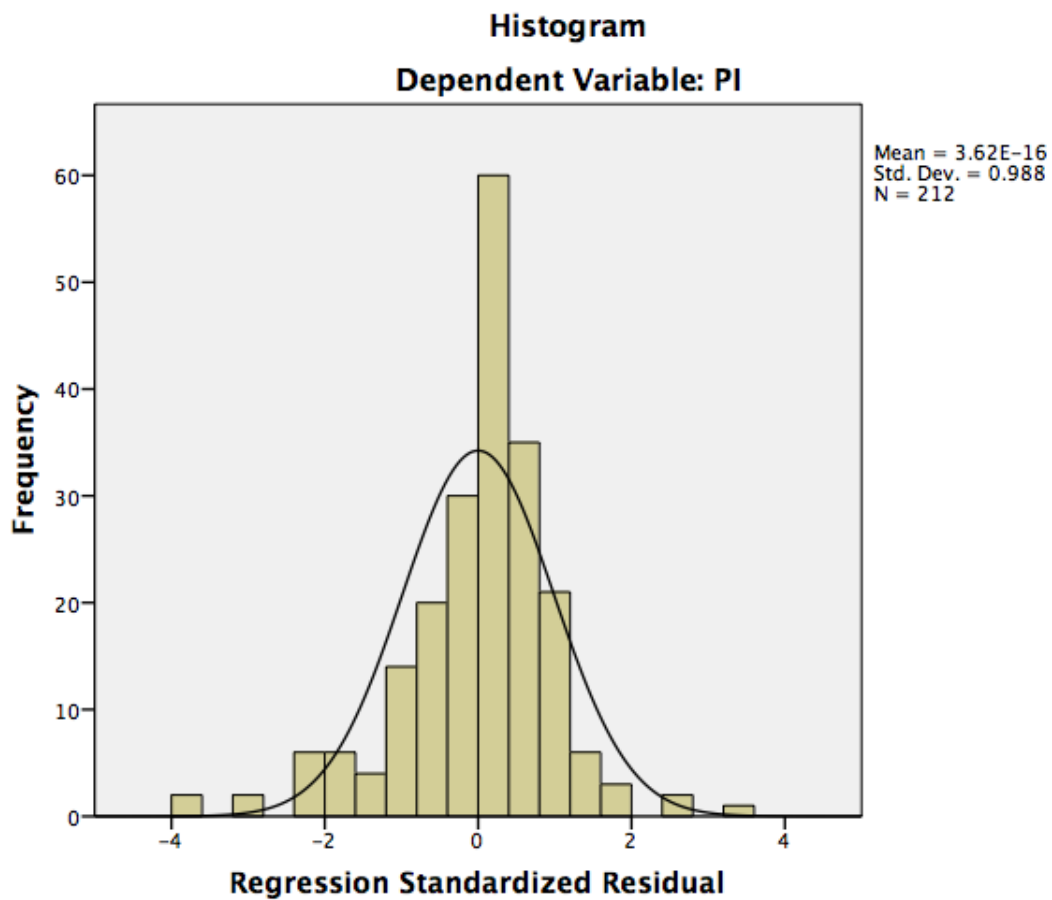
a. Dependent Variable: PI

### Residuals Statistics<sup>a</sup>

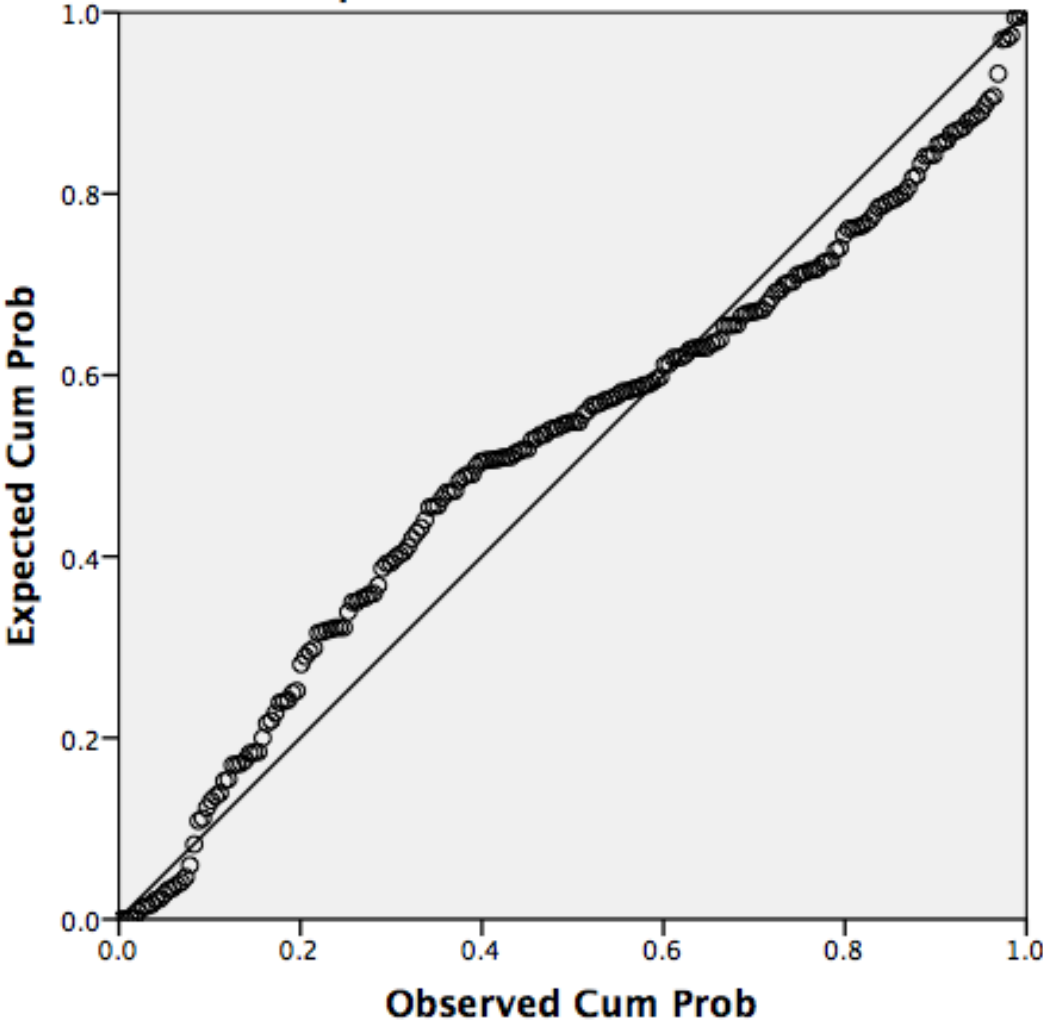
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1.0651	6.9782	4.3278	1.11229	212
Residual	-3.54589	2.90548	.00000	.89606	212
Std. Predicted Value	-2.933	2.383	.000	1.000	212
Std. Residual	-3.910	3.204	.000	.988	212

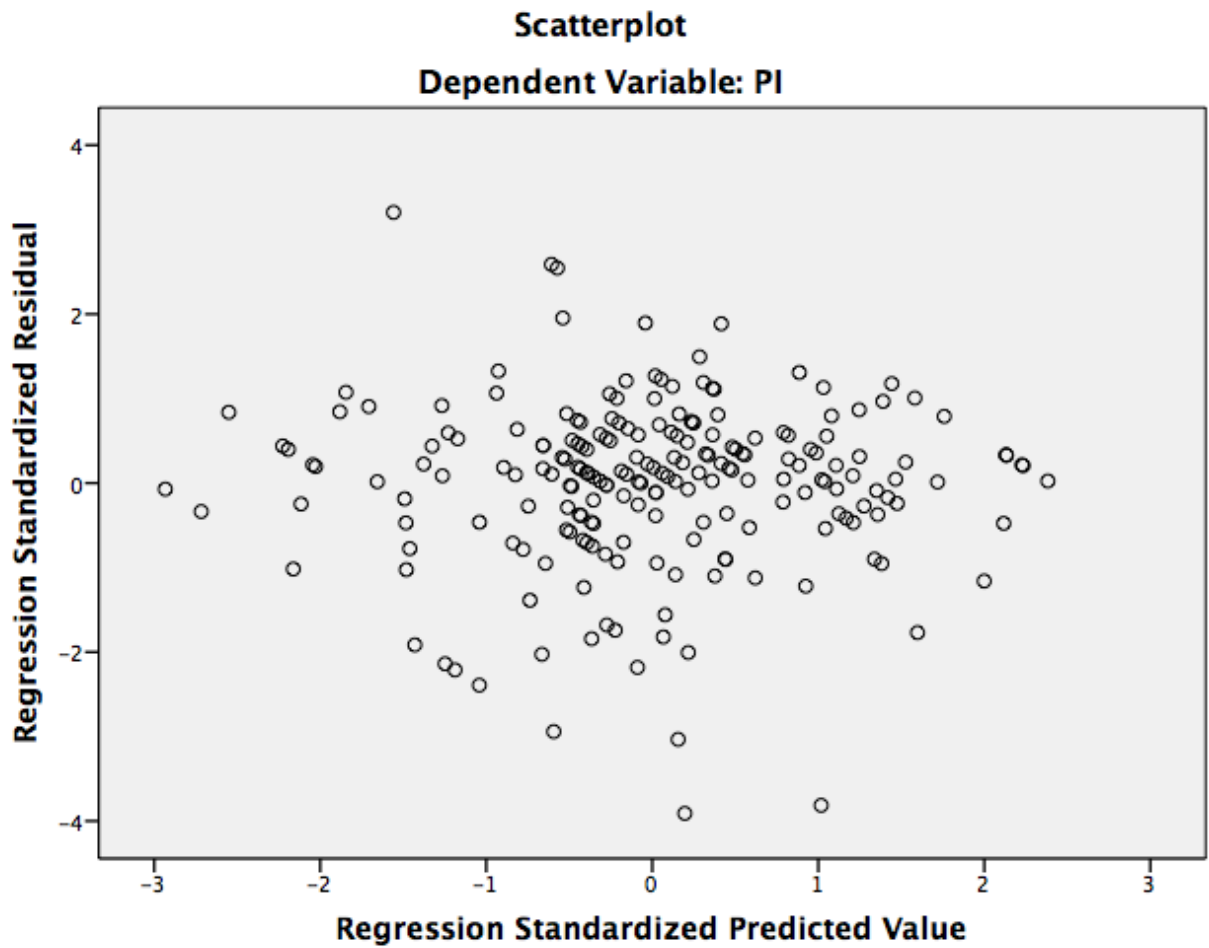
a. Dependent Variable: PI

## Charts



**Normal P-P Plot of Regression Standardized Residual**  
**Dependent Variable: PI**





Regression 2. Note:PI-Purchasing Intention

**Variables Entered/Removed<sup>a</sup>**

Model	Variables Entered	Variables Removed	Method
1	ProductSimilarity, 1、 gender, 4、 Experience, BrandConcept Consistency <sup>b</sup>		Enter

a. Dependent Variable: PI

b. All requested variables entered.

### Model Summary<sup>b</sup>

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.774 <sup>a</sup>	.598	.591	.91388	1.919

a. Predictors: (Constant), ProductSimilarity, 1、gender, 4、Experience, BrandConceptConsistency

b. Dependent Variable: PI

### Coefficients<sup>a</sup>

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.139	.276		.503	.616		
	BrandConceptConsistency	.527	.078	.445	6.766	.000	.448	2.233
	1、gender	-.280	.130	-.095	2.150	.033	.999	1.001
	4、Experience	-.148	.131	-.050	1.123	.263	.985	1.015
	ProductSimilarity	.463	.082	.370	5.618	.000	.448	2.234

### ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	257.585	4	64.396	77.105	.000 <sup>b</sup>
	Residual	172.881	207	.835		
	Total	430.466	211			

a. Dependent Variable: PI

b. Predictors: (Constant), ProductSimilarity, 1、 gender, 4、 Experience, BrandConceptConsistency

#### Collinearity Diagnostics<sup>a</sup>

Model	Dimensi on	Eigenvalu e	Condition Index	Variance Proportions			
				(Constant)	BrandConceptC onsistency	1、 gender	E
1	1	3.789	1.000	.00	.00	.02	
	2	.628	2.456	.00	.00	.38	
	3	.528	2.679	.01	.00	.59	
	4	.038	9.946	.90	.04	.01	
	5	.017	14.969	.09	.96	.00	

a. Dependent Variable: PI

		Variance Proportions	
Model	Dimension	ProductSimilarity	
1	1	.00	
	2	.00	
	3	.01	
	4	.25	
	5	.74	

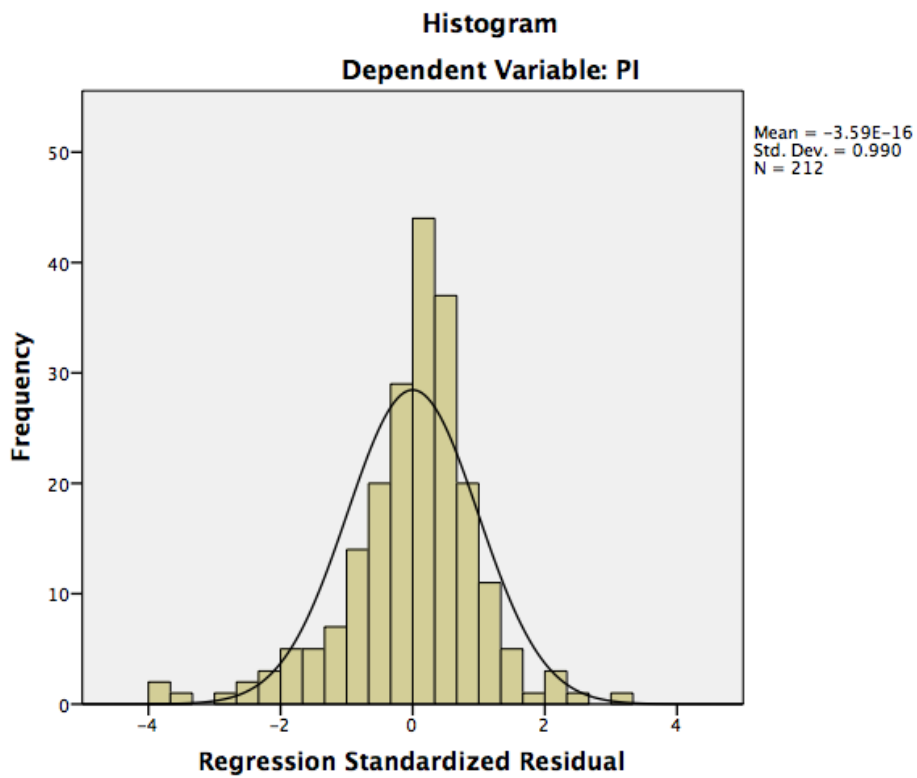
**Residuals Statistics<sup>a</sup>**

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1.1282	7.0651	4.3278	1.10489	212
Residual	-3.43380	2.93611	.00000	.90517	212
Std. Predicted Value	-2.896	2.477	.000	1.000	212
Std. Residual	-3.757	3.213	.000	.990	212

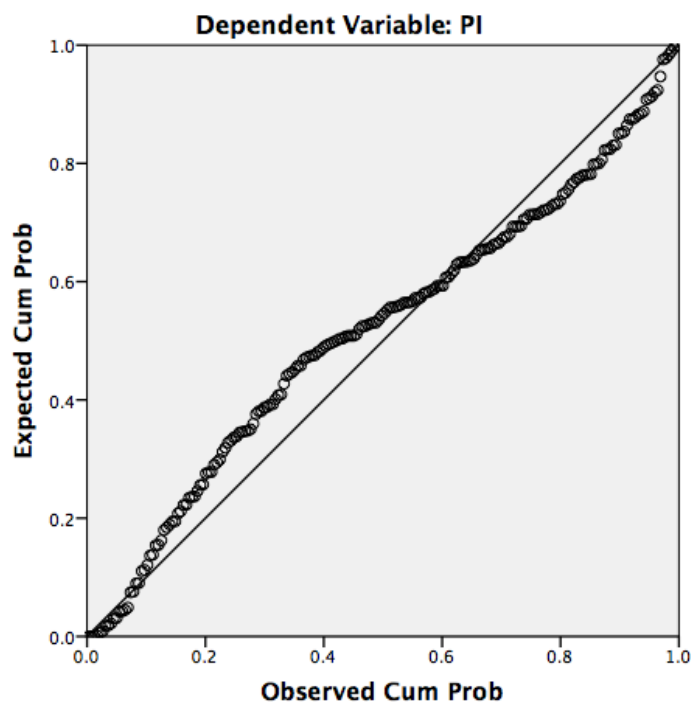
a. Dependent Variable: PI

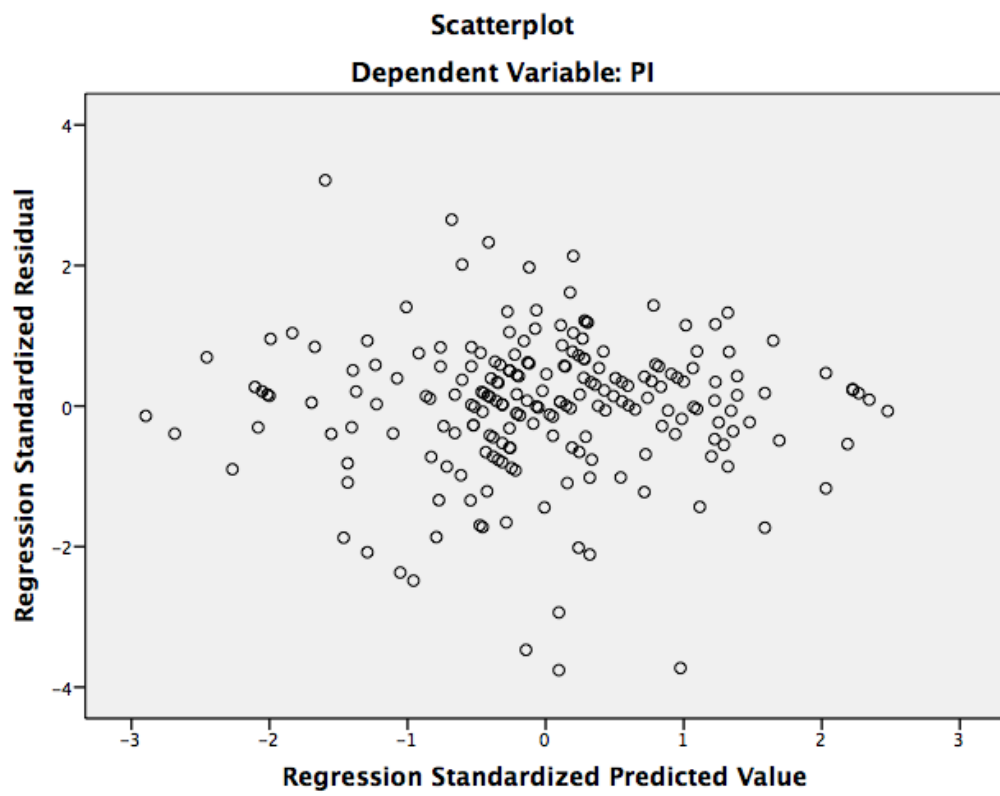


# Charts



**Normal P-P Plot of Regression Standardized Residual**





### Appendix 3. Expert Evaluation Form

## XIAOMI Brand Extension

Thanks for your willingness to participate in the survey! The aim of the survey is to evaluate the potential of each category for brand Xiaomi to extend. The present expert evaluation procedure will consist of four rounds.

### INSTRUCTIOS:

Each time you have to answer the same questions, however taking into account the replies given by your colleagues.

How would you evaluate the potential of XIAOMI Brand Extension into following categories? Do you think these categories are promising for Xiaomi's future growth.

Please consider the following questions:

1. Among these product categories, which do you think is promising and interesting future extension directions for brand Xiaomi? (several answers can be chosen)
2. Why do you think the chosen product categories are the appropriate ones? Could you analysis the strength and benefits of Xiaomi extending itself into the chosen product categories? For example, you can analysis the reasons both from internal and external. The internal reasons may involve the ability/skills/expertise/resources of Xiaomi to make this product, the relativeness of this product category with Parent brand, the coherent of this product with Xiaomi's brand identity/brand image, the external reason may involve the competition intensity in this product category, the number and competitiveness of rivals, etc. You can add any opinion comes to your mind.
3. Which categories you don't rate? And can you specify the reasons?

	Round 1 <i>(Expert1)</i>	Round 2 <i>(Expert2)</i>	Round 3 <i>(Expert3)</i>	Round 4 <i>(Expert4)</i>
Skin Care Category				
Theme Hotel Category				
Car-Hailing Service App Category				
Furniture Category				
Extreme Sport Equipment Category				
Energy Drinks Category				

Health Supplementary Category				
Snacks Category				
Service Category (House Design and Decoration)				
New energy automobile Category				

Appendix 4: Hypothetical categories evaluation

**Please, rate your attitude towards the given subject on the 13 scales with opposite meanings.**

**INSTRUCTIONS:**

For each pair, please, choose only one position:

0 – neutral

1 – slightly

2 – quite

3 – extremely expressed

**1) How do you perceive the Image of the Brand Xiaomi?**

	3	2	1	0	-1	-2	-3	
Sincere	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Fake
Young	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Old
Imaginative	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Conventional
Trendy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Old-fashioned
Intelligent	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Manual
Unique	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Ordinary
Energetic	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Lifeless
Healthy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Unhealthy
Funny	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Serious
High quality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Low Quality
Household	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Regular

**2) How would you perceive Skin Care Products launched under the Brand Xiaom?**

	3	2	1	0	-1	-2	-3	
Sincere	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Fake
Young	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Old
Imaginative	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Conventional
Trendy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Old-fashioned
Intelligent	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Manual
Unique	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Ordinary
Energetic	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Lifeless
Healthy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Unhealthy
Funny	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Serious
High quality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Low Quality
Household	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Regular

**2) How would you perceive Car Hailing Application launched under the Brand Xiaomi?**

	3	2	1	0	-1	-2	-3	
Sincere	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Fake
Young	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Old
Imaginative	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Conventional

Trendy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Old-fashioned
Intelligent	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Manual
Unique	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Ordinary
Energetic	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Lifeless
Healthy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Unhealthy
Funny	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Serious
High quality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Low Quality
Household	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Regular

**3) How would you perceive Theme Hotel launched under the brand Xiaomi ?**

	3	2	1	0	-1	-2	-3	
Sincere	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Fake
Young	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Old
Imaginative	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Conventional
Trendy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Old-fashioned
Intelligent	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Manual
Unique	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Ordinary
Energetic	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Lifeless
Healthy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Unhealthy
Funny	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Serious
High quality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Low Quality
Household	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Regular

**4) How would you perceive Health Supplement launched under the brand Xiaomi?**

	3	2	1	0	-1	-2	-3	
Sincere	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Fake
Young	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Old
Imaginative	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Conventional
Trendy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Old-fashioned
Intelligent	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Manual
Unique	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Ordinary
Energetic	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Lifeless
Healthy	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Unhealthy
Funny	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Serious
High quality	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Low Quality
Household	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Regular