

Consumer Preferences and Reactions to Brand Expansion

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Abstract

Consumer purchasing power is one of the key determinants of consumer behavior, among other factors. Acceptance of new brands or product line extensions of existing brands is influenced by perceived value. New products can be added to existing product lines by introducing new products within them, or brands can expand horizontally by entering entirely new categories or product lines. Any vertical expansion, whether to a higher or lower level, comes after a price shift and a product quality achievement relative to its base product. While survey-based research provides valuable insights that support the growth of the Premium brand, building a strong relationship with customers, quickly identifying preferences, personalizing the offer and fostering a climate of trust remain its main sources of value. The purpose of the paper is to show the positive relationship that exists between the vertical growth of the brand and the increase in customer loyalty, as shown by the research conducted on a deliberate sample.

Introduction

Perceived value is a term that is most often used in the context of consumer behaviour, and refers to the difference between the buyer's assessment of all the benefits (benefits) and all the costs of a certain offer with the simultaneous perception of possible alternatives. The total value of an offer is the sum of various economic, functional and psychological benefits that the customer expects to arise in the process of making a purchase decision, and ultimately when using what he bought. Thus, perceived value represents the difference between all expected benefits and costs. The perceived value of the same product for different consumers can be very different, therefore it is a subjective category that is subject to the action of numerous factors.

Simply put, the perceived value of a product is the overall impression of quality, that is, the customer's opinion about how much a particular

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product is worth. Perceived value excludes all so-called hidden and invisible processes that led to the creation of the product and includes only what is known to the customer, i.e. the information and manifestations that the manufacturer or seller has publicly expressed. According to previous experiences and information at his disposal, the customer forms his attitude, which is also very important in judging whether a certain product is worth buying or not. Therefore, the perceived value of the product is influenced by other factors besides the quality of the product itself. This is why it happens that the perceived values of different customers for the same product are very different. However, generally speaking, the perceived value of some products and brands, such as premium brands, is high because a large number of consumers consider such products to be worth buying. The term "premium" means a high or added value compared to the value normally expected for a similar product. The success of premium product brands is not only based on the product being of better quality but also on being different from the competition. With premium brands, the emotional component is very important because customers and consumers want to feel special when they buy such a product, as well as when they consume it or give it to another person. According to some authors, prestige is one of the key determinants of perceived value because it implies that certain products are viewed as status symbols. This leads to consumer identification with such products, both through purchase and through use. The purchase and use of premium products are thus connected with the realization of one's personality, which clearly shows the great importance of psychological factors and consumer attitudes that influence the formation of perceived value.

Perceived value influences the acceptance of new products, i.e. brand extension. Expansion can be horizontal or vertical. Horizontal brand extension is used to introduce a new product within an existing (line extension) or new product category. Vertical extension refers to the expansion of a brand within the same product category, but the product is positioned at a different level of price and quality compared to the base brand. Given the differences in price and quality, vertical brand extension can take place both higher and lower. For any brand extension to be successful, there must be some congruence between the base brand and the extended brand. In the case of vertical expansion of a premium product brand, this is especially important, because such brands already have a high image that should not be damaged by the expansion. Consequently, it follows that the vertical expansion of a premium product brand downstream could be risky. When

expanding to more, given that the brand is already a status symbol, the higher price will not pose a particular problem to customers, especially if they get the same or higher quality for it. This is because, in addition to quality and price, other factors are of great importance for premium brands.

Market of Luxury Products

Since the 1990s, the market for luxury products has grown rapidly. Truong, Simmons, McColl and Kitchen (2008) find the explanation in the economic recovery of most eastern countries, the economic growth of Southeast Asian countries, and the increase in the number of affordable luxury products. Despite the current global economic crisis, difficulties in the Eurozone, and political instability, the global luxury goods market remains largely positive. The word "luxury" is used in everyday life to describe products, services or a certain lifestyle, although often without a clear understanding of its meaning. While ordinary products are used every day to fulfil basic human needs, luxury products are characterized as objects of desire that provide pleasure (Barry, 1994), they are not necessary, that is, their purpose is exclusively to contribute to a luxurious life (Webster's dictionary, 2002). The word "luxury" is used in everyday life to describe a certain product, service or lifestyle and often, almost always, it is described through the perception of the consumer. In the case of luxury products, a considerable amount of work and funds is invested in creating a distinctive, characteristic, recognizable product design and creating a trademark (trade mark) that represents the recognizable brand of its owner on the market. Although luxury products allow users to satisfy functional as well as psychological needs, psychological benefits are still considered the main factor differentiating luxury from non-luxury products or counterfeits (Arghavan & Zaickowsky, 2000). Premium brands in the minds of consumers include associations of a high level of quality, aesthetics, rarity, excellence and price, and a high degree of non-functional benefits (Heine, 2012). Summarizing the results of previous research (eg Kapferer, 2001; Kisabaka, 2001), Heine (2012) states that these are: price, quality, aesthetics, rarity, extraordinary and symbolism. Taking on the role of experts, luxury product manufacturers often set style trends, which are then adopted by mass-market manufacturers (Goody, 2006). A protected trademark or brand represents the property of its owner by which he protects the investment in the quality and reputation of the product and as such enjoys legal protection. Nueno & Quelch (1998) define it as satisfying needs regardless of cost. Kapferer (2001), Kisabaka (2001) and Heine

(2012) cite six basic characteristics by which they can be distinguished from other brands on the market, namely: price, quality, aesthetics, rarity, extraordinary and symbolism. Something special is expected from a luxury product, a certain "shift" that comes from small details. Given the extravagance, the luxury product has a so-called eccentric selling proposition that facilitates the vertical extension of the premium brand. Eccentricity can, in addition to style, be achieved through innovative functional properties (Heine, 2012). Companies ensure rarity through limited production and individualization of their products (Catry, 2003). Nueno & Quelch (1998) conclude that luxury fashion brands share the following characteristics: ensure consistent delivery of premium quality, have a heritage of craftsmanship, often derived from original designers, have a recognizable style or design, are produced in limited quantities to ensure exclusivity and preferably create consumer waiting lists, limited distribution and premium prices support a market position that combines emotional appeal with manufacturing excellence, have a global reputation and association with a country of origin that has a particularly strong reputation as a source of excellence in a specific product category, possess an element of uniqueness and the value and personality of its creator. Perceived value is an abstract term whose meaning varies depending on the context, and different authors give different definitions of perceived consumer value. According to Zeithaml (1988), perceived consumer value is the consumer's overall evaluation of the utility of a product or service based on perceptions of what the consumer has given and received in return. According to a significant number of relevant authors (Dodds, Monroe & Grewal, 1990; McDougall & Levesque, 2000; Lapierre, 2000; Woodal, 2003) perceived value for the consumer is analyzed as a relationship between benefits and costs or between quality and costs. On the other hand, authors such as Sheth et al. (1991), Sweeney & Soutar (2001), Roig et al. (2006) include the concept of multidimensionality of perceived value according to which perceived value gives the sum of different dimensions of value that have different influence in different situations. Many authors such as Woodruff, De Ruyte et al., Sweeney & Soutar, Sanchez et al. (in Roig et al., 2006) state that the second approach is based on a multidimensional concept of perceived consumer value consisting of two main dimensions: cognitive, which is mainly related to the economic values of the main product or service, and affective, which includes the social and emotional value of the product. When it comes to premium products, the perceived value should not be seen as the outcome of a single value that is the result of the difference between benefits and costs, but that

perceived value is complex, which is why it should be seen as a multidimensional value.

Preferences towards luxury products

Luxury products represent people's desire to be exclusive and inaccessible to certain layers of society, to thereby distance themselves from certain social circles, and thus to become different and unique. In the luxury goods market, the brand decides to buy long before the act of exchange has even taken place. The decision to buy a certain brand, a certain luxury product, is made by the prior positioning of the brand on the market of luxury products and its brand name in the minds of consumers. The key to success in the luxury product market is conditioned by a detailed knowledge and understanding of human emotional needs and desires. The strength of a luxury product depends on the position that the luxury brand has in the mind of the consumer in relation to other luxury brands. Manufacturers of luxury products are aware of the fact that the customer can always get fed up with them and replace them with a new luxury product brand or product line of an already used brand, so brand extensions are a matter of sustainability.

Luxury as a concept and luxury goods have attracted considerable attention in recent years of research. However, the term "luxury" is becoming more complex with the increased availability of luxury goods in the market, resulting in different interpretations and definitions depending on individuals and circumstances (Akther 2014, p. 4).⁸ In his research paper "Review on Luxury Products" (2022), Yaoxuan, F., highlights a significant change in consumer perceptions of luxury. Luxury used to be reserved for buyers with high incomes, but now it can be seen that consumers, even those with lower incomes, are more willing to shell out significant amounts for luxury goods. This transformation in the perception of luxury opens the door to new market segments, and the traditional idea that luxury is exclusively the domain of high society becomes a thing of the past. In the research of the author Varga, E. I. (2020), which deals with the market of personal luxury goods, it was pointed out that preferences for luxury products depend on the age, income, and gender of the consumer. It is interesting that the group of young people aged 18 to 25, often students with limited financial means, shows a strong interest in personal luxury products. This segment of the market has significant participation, which indicates the need for precise segmentation of the consumer market to better understand the specific needs and wishes of different groups of consumers (Varga, 2020). All these studies

together point to the dynamics of the luxury goods market and changes in the way consumers perceive luxury. This drives the need to adapt marketing strategies to meet different needs and wants in the world of luxury. In addition, the importance of an innovative approach to consumers is emphasized to build a deeper and more personal relationship with them.

Customers, when considering different brands of luxury products and appreciating and recognizing the creativity and efficiency of the products they buy, choose one brand of luxury product on the market to buy, having expectations about the purchased luxury product, that is, the brand they have chosen. Brand loyalty means that when the time comes for customers to repurchase products or services that satisfy the same needs, bearing in mind a positive experience and satisfaction, they will probably buy the same brand of product or service (Vranešević, 2007). The feeling of rarity fulfils the consumer's desire to be unique and different from other consumers Xingqiu Lou (2022). Moreover, luxury has a more distinctive character and creates a personalized relationship between the product and the consumer Kessous et al. (2019). With luxury consumption, social, emotional, quality, and financial values have been recognized as crucial dimensions Amatulli et al (2020). Research suggests that consumers purchase luxury goods not just to meet basic life needs but for the fact that the symbolic value of luxury brands increases consumers' self-esteem, the extent of recognition by others, and meets the emotional requirements of individuals (Smith Maguire & Hu, 2013; Li et al., 2022). In addition to social identity, the self-congruity theory explains that consumers seek consistency in cognition (such as beliefs, values, and personality) and behaviour. Inconsistency would make consumers feel worried, anxious, or dissatisfied (Wang et al., 2022).

The importance of loyalty in the luxury market is invaluable, where the battle for loyalty ensures survival in the market. On the other hand, the importance of loyalty to manufacturers of luxury products implies the possibility of fairly accurate forecasting of the purchasing behaviour of consumers of luxury products in the future. Therefore, large resources are directed towards researching the satisfaction of buyers of luxury products, why they buy a certain brand of luxury product, what their experiences are when buying a luxury product, what their experiences are when using it, and whether the purchased product has met their expectations.

Brand Extension Research to Date

Traditional luxury brands began their expansion through brand extensions, especially in the fashion industry, and in the perfume industry (Aaker, 1991). As expressed by Kapferer & Bastien (2009, p. 2), brand extensions allow luxury brands to grow faster without being limited by purely organic growth. But, for Stankeviciute & Hoffmann (2011), the way brand extension works for a consumer brand is different from that for a luxury brand. In addition, there are many different theories when it comes to the consumption of luxury brands and after extensive research of various literature sources, it can be concluded that high-price strategies are what attract consumers to luxury brands. This stems from Veblen's (1899) theory of conspicuous consumption, which states that people who have a higher disposable income consume expensive and luxurious goods and services as a way of displaying their wealth as a way of gaining a certain status in society. Mason (1998) also found that consumers are willing to pay a higher price for a product of similar quality to impress those of higher social status. Furthermore, the term "luxury" can be difficult to define as the reason why certain products are classified as superior to other products is mainly determined by customers' perceptions of these products (Baines & Fill, 2014). Hoffman & Coste-Maniere, 2012 indicate the seriousness of managing product premium brand extensions and conclude their research that premium brand extension negatively affects consumers' perception of premium brand value.

Premium brands follow the so-called vertical brand expansion strategy to serve growing niches of affordable luxury. Nevertheless, the upgrade of a premium brand extension, which involves a difference in price and/or quality, may lead to "consumer concerns, questions or disagreement about the level of quality of the core brand" (Kim & Lavack, 1996). The extension of the luxury product brand to the lower end harms the concept of luxury Eren-Erdogmus et al. (2018), while the extension of a luxury product brand to more increases the perception of brand luxury Margariti et al. (2019). The extension of the luxury product brand downstream affects the unfavourable image of Phau et al. (2021). Trust, quality perception, emotional connection and effective marketing strategies are the key factors that enable the parent brand to support the success of the premium extension Lee et al. (2023). The role of the parent brand is not only in recognition but in creating continuous trust and loyalty that enables successful

expansion into the premium segment Ahn et al. (2018). Companies must carefully communicate the values and qualities of the new product, emphasizing the connection with the parent brand. Clearly communicating how the new product maintains the quality and value standards of the parent brand can help convince consumers of the superiority and value of the premium extension Prados-Peña & Barrio-García (2020). Chanda & Moharir (2020) believe that consumers often associate the reputation of the parent brand with the expected quality of new products. Thus, if the parent brand is known for its excellence, consumers will have greater confidence in the quality of the premium extension.

Research Methodology

As already stated, perceived value is a subjective category, therefore its measurement and generalization in practice is a problem. As modern business requires continuous adaptation of the offer to the needs and desires of consumers, which change over time, it is necessary to respond to market pressure in terms of adapting the product portfolio to the needs and desires of price-insensitive consumers, rather than picky consumers. The perceived value of premium brand products among a large number of customers is very high, which indicates that the product program is not static, but follows the needs and wishes of consumers, the competition and the market. Since individual products, lines, and even the entire production program can be included under the same brand, it is necessary to establish the relationship between the product and the brand, carefully implementing the extension of the premium brand from the basic one to other products and lines, guided by, on the one hand, effectiveness and the efficiency of the strategy, that is, on the other hand, the perception of value, the extension of the premium product brand from the consumer's point of view. In the strategic planning of the brand, it is necessary to think about all the advantages and disadvantages of different forms that can be branded and, in accordance with the analysis, to strategically plan the construction and introduction of the brand. The development of measurement scales in brand extension research is critical for accurately and validly measuring consumer perceptions, the success of the extension, and its impact on the luxury brand. The process of developing these scales involves several steps to ensure their reliability and validity. For the stated reason, the measurement scale was taken from several authors who dealt with the vertical expansion of the brand and it is adapted to consumers in a very small market, in general, and in the very small market of luxury brands. The measurement

instrument developed by Oz, Donthu & Lee (2000) provides a comprehensive framework for understanding the key variables that influence customer satisfaction and loyalty towards a new product. Product uniqueness, matching customer demand, social media recommendations, first choice compared to other products, trust in the company and customer loyalty are key factors that contribute to the success of a new product. Understanding and measuring these variables allows companies to adjust their strategies and ensure long-term market success. This ranking covers several key aspects, including product uniqueness, alignment with customer demand, social media recommendations, customer loyalty and willingness to repurchase. In this essay, we explore these variables and how they affect the success of a new product. Development of measuring instrument through components:

- (i) The uniqueness of the new product - One of the key elements in measuring customer satisfaction is the uniqueness of the new product. This includes the customer's perception that the product is unique in its appearance, features and use. Consumers are often looking for innovative products that stand out on the market. If the new product is unique, it can attract curious consumers who want to try something new and different. Such uniqueness can serve as a powerful differentiator, helping a product stand out from the competition;
- (ii) Compliance with customer demand - A product must be aligned with customer requirements and demand to be successful. Oz, Donthu and Lee's scale involves measuring customers' perceptions of how well a new product meets their needs. A product that meets customer expectations not only meets their current needs but also anticipates future wishes. This includes functional aspects of the product, such as performance, quality and usability, as well as emotional aspects, such as satisfaction and a sense of value for money;
- (iii) Recommendations via social media.

Social media referrals have become a key factor in modern marketing. Including this variable in the measurement scale helps to assess the willingness of customers to recommend the product to their friends and acquaintances through social networks. Positive reviews and recommendations on social media can significantly influence brand perception and attract new customers. Customers who are willing to recommend a product via social media tend to be very satisfied with the product, which can further increase its visibility and acceptance in the market;

- (iv) The first choice compared to other products - Customers often have many options when choosing a product. The measurement scale involves

assessing how often a new product is the first choice of customers compared to other products or brands. If consumers regularly choose a new product as their first choice, this indicates a high level of satisfaction and preference. This variable is crucial because it shows how competitive the new product is in the market and how well it meets customer expectations compared to alternatives; (v) Confidence in the company - Trust in the company producing the new product also plays a significant role in the success of the product. Customers who trust the company behind the product are more likely to be loyal and willing to try new products from that company. Trust can be built through consistent quality, transparent communication and positive experiences with previous products. The trust variable included in the measurement scale helps to understand how much customers believe that the new product will meet their expectations based on the company's reputation; (vi).

Customer loyalty - Customer loyalty is key to the long-term success of any brand. This variable includes the willingness of customers to recommend a new product to their friends and acquaintances and to repeat the purchase of the same product. A high level of loyalty indicates satisfaction with the product and its ability to meet customer needs over time. Loyal customers not only make repeat purchases but also often become brand ambassadors, spreading positive information about the product and increasing its popularity. The research was conducted on a relatively small intentional sample but by random selection, in luxury goods stores in the cities of Zagreb, Split, and Dubrovnik. The research results were processed in the SPSS program.

For this research, a survey questionnaire was created. A survey questionnaire was used to collect data. The survey questionnaire is divided into 3 parts according to the type of question. The first part consists of 5 multiple-choice questions, and they concern the socio-demographic characteristics of the respondents in this research. The second part consists of 4 questions related to the perceived value of premium brand products. The last chapter consists of 8 questions related to the assessment of the respondents' tendency towards vertical expansion. The answers offered in the second and third parts were Likert scales from 1 to 5 (1 indicated the lowest degree of agreement with the question/statement, and 5 the highest degree of agreement with the question/statement).

As already stated, each premium product brand must have specially defined, unique values that make

consumers choose a premium brand. The main objectives of the work include an analysis of the basic determinants of brand management and strategic positioning, an analysis of the process of vertical expansion, and an analysis of the perceived value of a premium brand. Four basic research hypotheses are set:

H1: There is a positive relationship between the perceived value of premium products and vertical expansion to more.

H2: There is a statistically significant difference in respondents' attitudes/inclinations between upward vertical expansion and downward vertical expansion, in favour of upward vertical expansion.

H3: Customers with high perceived value show a preference for vertical expansion to more.

H4: Customers with lower perceived value show a preference for vertical expansion downwards.

Reliability analysis was carried out before the start of the statistical analysis to determine whether and to what extent the measurement scale used in this research is reliable; in other words, what is the internal consistency of the questionnaire used in this research. For this research, two measuring scales were used, one to assess the perceived value of a premium product brand (four items) and the other to assess the respondent's tendency towards vertical expansion (eight items). The answers offered for both scales were in the form of a Likert scale from 1 to 5 (1 indicated the lowest degree of agreement with the question/statement, and 5 the highest degree of agreement with the question/statement).

Table 1 shows the results of frequency analysis, i.e. descriptive statistics for certain socioeconomic characteristics of respondents in this research. From Table 1, it can be seen that 58.95% of women and 41.05% of men participated in this research, a purposive sample who were surveyed in retail spaces that sell premium brands of clothing and footwear products, and fashion accessories.

Regarding the age structure of the respondents, the largest percentage of respondents belonged to the age group of 26 to 30 years (38.95%), followed by respondents in the age group of 18 to 25 years (33.16%) and respondents in the age group of 41 years and more (12.63%). The largest percentage of respondents determined by level of education (60%) had completed high school, while an almost equal percentage of respondents had completed undergraduate studies (19.47%), i.e. completed graduate studies (18.95%). The lowest percentages of respondents were those with completed elementary school (1.05%) and postgraduate studies (0.53%). Regarding work status, the majority of

respondents (68.95%) are permanently employed, compared to 10.53% of respondents in this research who are temporarily employed. There were 13.68% of students, and the smallest percentage was the unemployed (6.84%). 51.53% of respondents have a

monthly income in the amount of more than HRK 7,001 (€928.14), followed by 27.89% of respondents with a monthly income in the range of HRK 5,001 (€662) to HRK 7,000 (€928). While 0.05% of respondents have no monthly income.

Table 1
Sociodemographic characteristics of the respondents

<i>Gender</i>	Male	Female			
	41.05%	58.95%			
<i>Age</i>	18-25	26-30	31-35	36-40	41+
	33.16%	38.95%	10.00%	5.26%	12.63%
<i>Education degree</i>	Elementary School	High school	Undergraduate studies	Graduate study	Postgraduate study or doctorate
	1.05%	60%	19.47%	18.95%	0.53%
<i>Employment status</i>	Unemployed	Temporary employed	Permanently employed	Student	
	6.84%	10.53%	68.95%	13.68%	
<i>Monthly income</i>	No income	< 3,500 HRK	3,501-5,000 HRK	5,001-7,000 HRK	> 7,001 HRK
	0.05%	8.42%	12.11%	27.89%	51.53%

Source: Authors' work

Table 2 shows the basic descriptive parameters of respondents' responses to questions from the questionnaire related to the perceived value of premium brand products. From the average values of respondents' answers, it can be concluded that the highest average value was determined for respondents' answers to the statement "I think it is worth buying a certain brand of product" (3.91 ± 0.917). In other words, on average, respondents agree to the highest degree with this

statement. The next highest average value of respondents' answers was determined for the statement "I believe that a certain product brand is worth its price" (3.55 ± 1.000). The lowest average value of respondents' answers was recorded for the statement "The displayed price of a certain brand of product is very acceptable" (3.16 ± 0.995), based on which it can be concluded that the respondents, on average, showed an ambivalent attitude regarding this statement.

Table 2
Basic descriptive statistics of respondents' answers (perceived value of premium brand)

	N	Minimum	Maximum	Mean	Std. Deviation
I believe that a certain brand of product is worth its price.	190	1	5	3.55	1.000
A certain brand of product is very economical considering its price.	190	1	5	3.35	0.913
I think it's worth buying a certain brand of product.	190	1	5	3.91	0.971
The displayed price of a certain product brand is very acceptable.	190	1	5	3.16	0.995
Valid N (listwise)	190				

Source: Authors' work

From Table 3, which shows the basic descriptive parameters of respondents' answers to questions from the questionnaire that determine their preference for vertical expansion, it can be seen that in terms of vertical expansion, the highest average value was recorded for

the answers to the statement "In the event that a similar product appears on the market a product of the same brand/brand as my favourite product, but of higher/better quality, I would be interested in that product." (3.73 ± 1.140). It is followed by the average value of the

respondent's answer to the statement "In the event that a similar product of the same brand/brand as my favourite product, but of higher/better quality, appears on the market, I would buy that product" (3.68 ± 1.125). The average values of respondents' responses for the remaining statements related to vertical expansion to more (concerning higher product prices) are less than 3, which suggests that respondents did not agree with these statements; in other words, respondents are interested in a similar product of the same brand of higher quality and are willing to buy such a product, however, they are not interested in buying a similar product of the same brand at a higher price.

On the other hand, regarding the issue of vertical expansion downwards, the highest average response

values were given by the respondents to the statement "In the event that a similar product of the same brand/brand as my favourite product appears on the market, but at a lower price, I would be interested in that product" (4.02 ± 1.129) and to the statement "In the event that a similar product of the same brand/brand as my favourite product appears on the market, but at a lower price, I would buy that product" (3.91 ± 1.183). The average values of respondents' answers to statements concerning their interest and intention to buy a similar product of the same brand but of lower quality are less than 3 (2.04 ± 1.159 and 1.97 ± 1.177), which indicates a certain negative attitude of respondents towards vertical expansion downwards from the aspect of lower product quality.

Table 3

Basic descriptive statistics of respondents' answers (propensity for vertical expansion)

	N	Minimum	Maximum	Mean	Std. Deviation
In the event that a similar product of the same brand/brand as my favourite product, but with a higher price, appears on the market, I would be interested in that product.	190	1	5	2.48	1.312
If a similar product of the same brand as my favourite product, but with a higher price, appears on the market, I would buy that product.	190	1	5	2.22	1.191
In the event that a similar product of the same brand/brand as my favourite product, but of higher/better quality, appears on the market, I would be interested in that product.	190	1	5	3.73	1.140
In the event that a similar product of the same brand/brand as my favourite product, but of higher/better quality, appears on the market, I would buy that product.	190	1	5	3.68	1.125
In the event that a similar product of the same brand/brand as my favourite product appears on the market, but at a lower price, I would be interested in that product.	190	1	5	4.02	1.129
If a similar product of the same brand as my favourite product, but with a lower price, appears on the market, I would buy that product.	190	1	5	3.91	1.183
In the event that a similar product of the same brand/brand as my favourite product appears on the market, but of lesser/worse quality, I would be interested in that product.	190	1	5	2.04	1.159
In the event that a similar product of the same brand/brand as my favourite product, but of lesser/poorer quality, appears on the market, I would buy that product	190	1	5	1.97	1.177
Valid N (listwise)	190				

Source: Authors' work

The Cronbach Alpha test was used to examine the reliability of both scales used in this study (Table 4). The results of Chronbach's alpha test for the first measurement scale (estimation of the perceived value of the premium product brand) is $\alpha = 0.797$, and it can be concluded that the reliability, i.e. internal consistency, of the first questionnaire used in this research is very good. The obtained value $\alpha = 0.681$ of Chronbach's alpha test for the second measurement scale (estimation of vertical expansion propensity) indicates good reliability of the second measurement scale used in this research.

Table 4
Cronbach alpha test

Measurement	Cronbach alpha	Number of items
Estimation of the perceived value of the premium product brand	0.797	4
Estimation of vertical expansion propensity	0.681	8
Case processing summary: 190 valid cases, 190 total cases		

Source: Authors' work

To test the first hypothesis of this research, which reads "There is a positive relationship between the perceived value of premium products and vertical expansion to more", correlation analysis was used. From the results of the correlation analysis (Table 5), it can be concluded that there is a positive, small correlation ($r = 0.300$, $p < 0.001$) between the perceived value of premium products and the vertical expansion to more among the respondents in this research. Namely, the higher the respondents' perceived value of premium products, the greater their inclination towards vertical expansion to

more, thus confirming the hypothesis.

Table 5
Results of the correlation analysis between background music in the store and consumer behaviour

		Vertical expansion to more
Perceived value in total	Pearson Correlation	0.300***
	Sig. (2-tailed)	0.000
	N	190

Source: Authors' work

To examine the second hypothesis of this research, that there is a statistically significant difference in the respondents' attitudes/inclinations between vertical expansion to higher and vertical expansion to lower, in favour of vertical expansion to higher, a t-test for dependent samples was used. The level of statistical significance was set at $p < 0.05$. Table 6 shows the comparative basic descriptive parameters of respondents' answers in the analyzed variables.

Table 6
Comparative basic descriptive statistics of respondents' answers in the analyzed variables

Pair sample statistics					
		Mean	N	Std. Deviation	Str. Error Mean
Pair 1	Vertical expansion to more	3.0276	190	0.86386	0.06267
	Vertical expansion downwards	2.9829	190	0.74227	0.05385

Source: Authors' work

Table 7
The results of the t-test to determine a statistically significant difference between the responses/attitudes of the respondents regarding the tendency to vertical expansion to higher (VP to higher) and to lower (VP to lower)

Paired Samples Test									
		Paired Differences					t	df	Sig. (2-tailed)
		Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
					Lower	Upper			
Pair 1	VP to more - VP down	0.04474	0.93611	0.06791	-0.08923	0.17870	0.659	189	0.511

Source: Authors' work

Table 7 shows the results of the conducted t-test to determine a statistically significant difference in the attitudes/inclinations of respondents between vertical expansion to higher and vertical expansion to lower. From the obtained results of the t-test for dependent samples, it can be concluded that no statistically significant difference was found between the respondents' attitudes/tendencies towards vertical expansion upwards, i.e. vertical expansion downwards ($t(189) = 0.659$; $p = 0.511$). This result did not confirm the second hypothesis of this research.

ANOVA statistical analysis was used to test the following hypotheses of this research: "Customers with high perceived value show a tendency towards vertical expansion higher" and "Customers with lower perceived value show a tendency towards vertical expansion lower". For the purposes of this analysis, the average values of respondents' answers to a set of questions assessing their perceived value were taken into account. Based on these average values, the respondents were

divided into three groups according to their perceived values; a group of lower perceived value, a group of medium perceived value and a group of higher perceived value. Dependent variables consisted of the average values of respondents' answers to a set of questions about vertical expansion to higher (VP to higher), i.e. average values of respondents' answers to a set of questions about vertical expansion to lower (VP to lower). The level of statistical significance was set at $p < 0.05$. Table 8 shows the descriptive parameters of respondents' answers in the dependent variables, according to perceived value groups.

From the p-value in Table 9 it can be seen that there were statistically significant differences between different groups of perceived value in their responses in the dependent variable "VP to more" ($F(2) = 7.032$, $p = 0.001$) as well as between of different groups of perceived value in their responses in the dependent variable "VP down" ($F(2) = 3.745$, $p = 0.025$).

Table 8

Descriptive statistics of respondents' answers in dependent variables, grouped according to age groups

		N	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
						Lower Bound	Upper Bound		
VP to more	1	63	2.7659	0.76711	0.09665	2.5727	2.9591	1.00	4.50
	2	66	3.0000	0.72058	0.08870	2.8229	3.1771	1.00	5.00
	3	61	3.3279	1.00782	0.12904	3.0698	3.5860	1.00	5.00
	Total	190	3.0276	0.86386	0.06267	2.9040	3.1513	1.00	5.00
VP down	1	63	2.7897	0.63374	0.07984	2.6301	2.9493	1.00	4.00
	2	66	3.0189	0.64646	0.07957	2.8600	3.1779	1.25	4.50
	3	61	3.1434	0.89496	0.11459	2.9142	3.3727	1.00	5.00
	Total	190	2.9829	0.74227	0.05385	2.8767	3.0891	1.00	5.00

Source: Authors' work

Table 9

ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
VP to more	Between Groups	9.866	2	4.933	7.032	0.001
	Within Groups	131.177	187	0.701		
	Total	141.042	189			
VP down	Between Groups	4.010	2	2.005	3.745	0.025
	Within Groups	100.122	187	0.535		
	Total	104.132	189			

Source: Authors' work

To determine between which groups of perceived value there is a statistically significant difference, the Bonferroni post-hoc test was used (Table 10). The obtained p-values of the post hoc test indicate that there was a statistically significant difference in the respondents' attitudes in the dependent variable "VP on more" between the group with higher and the group with lower perceived value ($p = 0.001$). The average answer value of respondents in the group of lower perceived value was 2.77 (± 0.767), while the average answer value of respondents in the group of higher perceived value was 3.33 (± 1.008). From these values, it can be concluded that, about the tendency to expand vertically to more, the attitudes of respondents who show a higher perceived value are statistically significantly different from the attitudes of respondents who show a lower perceived value. With this result, the hypothesis that customers with high perceived value show a preference for vertical expansion to more has been confirmed.

The results of the Bonferroni post-hoc test (Table 10), i.e., the obtained p values of the post hoc test indicate that a statistically significant difference in the attitudes of the respondents in the dependent variable "VP to lower" also existed between the group of higher and the group of lower perceived value ($p = 0.023$). The average answer value of respondents in the group of lower perceived value was 2.79 (± 0.634), while the average answer value of respondents in the group of higher perceived value was 3.14 (± 0.895). From these values, it can be concluded that, about the tendency to vertical expansion downwards, the attitudes of respondents who show a higher perceived value are statistically significantly

different from the attitudes of respondents who show a lower perceived value. However, considering the higher average values of responses of respondents in the group of higher perceived value compared to the average values of responses of respondents in the group of lower perceived value, the hypothesis that customers with lower perceived value show a tendency towards downward vertical expansion was not confirmed.

From the obtained results of the t-test for dependent samples, it can be concluded that no statistically significant difference was found between the respondents' attitudes/tendencies towards vertical expansion upwards, i.e. vertical expansion downwards ($t(189) = 0.659$; $p = 0.511$). To test the first hypothesis of this research, which reads "There is a positive relationship between the perceived value of premium products and vertical expansion to more", correlation analysis was used. From the results of the correlation analysis, it can be concluded that there is a positive, small correlation ($r = 0.300$, $p < 0.001$) between the perceived value of premium products and vertical expansion to more among respondents in this research. Namely, the higher the respondents' perceived value of premium products, the greater their inclination towards vertical expansion to more, thus confirming the hypothesis. From the p-value in the ANOVA table it can be seen that there were statistically significant differences between different groups of perceived value in their responses in the dependent variable "VP to more" ($F(2) = 7.032$, $p = 0.001$) as well as between different groups perceived values in their responses in the dependent variable "VP down" ($F(2) = 3.745$, $p = 0.025$).

Table 10
Results of the Bonferroni post-hoc test

Multiple Comparisons							
Dependent Variable			Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
						Lower Bound	Upper Bound
VP to more	1	2	-0.23413	0.14752	0.343	-0.5905	0.1222
		3	-0.56200**	0.15045	0.001	-0.9254	-0.1986
	2	1	0.23413	0.14752	0.343	-0.1222	0.5905
		3	-0.32787	0.14876	0.086	-0.6872	0.0315
	3	1	0.56200**	0.15045	0.001	0.1986	0.9254
		2	0.32787	0.14876	0.086	-0.0315	0.6872
VP down	1	2	-0.22926	0.12888	0.231	-0.5406	0.0821
		3	-0.35376**	0.13144	0.023	-0.6713	-0.0362
	2	1	0.22926	0.12888	0.231	-0.0821	0.5406
		3	-0.12450	0.12996	1.000	-0.4384	0.1894
	3	1	0.35376**	0.13144	0.023	0.0362	0.6713
		2	0.12450	0.12996	1.000	-0.1894	0.4384

Note: ** The mean difference is significant at the 0.05 significance level.
Source: Authors' work

As we have seen, based on processing the results using the following tools: descriptive statistics, Cronbach alpha, correlations, t-test, ANOVA, and the results of the Bonferroni post-hoc test, it was possible to confirm the H1 (There is a positive relationship between the perceived value of premium products and vertical expansion to more) and H3 (Customers with high perceived value show a preference for vertical expansion to more). While H2 (There is a statistically significant difference in respondents' attitudes/inclinations between upward vertical expansion and downward vertical expansion, in favour of upward vertical expansion) and H4 (Customers with lower perceived value show a preference for vertical expansion downwards) were not confirmed.

All of the above needs to be analyzed in the light of two limitations. The first is the relatively small number of respondents, even though it is a purposive sample, and the second limitation is the large number of variables that the respondents had to evaluate, which could have led to fatigue or poorer discernment of the importance of traits during the evaluation. It is not excluded that some respondents have no experience with any of the three offered premium brands, which jeopardizes the validity of their answers. Despite the mentioned limitations, the research results can be considered indicative, i.e. they have a certain theoretical, methodological and managerial importance. The methodological value of the work is reflected in two important facts: (1) the paper, based on the results of empirical research, provides an overview of the vertical extension of a premium brand, thereby supplementing the existing empirical knowledge, which until now has been limited to brand extension research in general and (2) a questionnaire was applied in the paper, created based on all previously offered questionnaires for measuring brand extension and adapted to the Croatian market, which is relatively small. One of the important limitations is the complexity of the luxury product market, given that it is dynamic and complex, with numerous factors that influence consumer perception. A separate research should be done for each part of the luxury market. Also, an important limitation is that the extension of the brand has not been explored, which can result in the cannibalization of existing luxury products. Therefore, the obtained results should be seen exclusively in the vertical expansion of the brand to more. Finally, the paper can offer several recommendations to managers in the field of brand management. Since the luxury brand industry is global, and the experts who manage the global brand portfolio, understanding brand extension - vertically in different cultures helps in creating a successful global marketing

strategy, the results of this research can provide insight into possible cultural differences in recognizing the dimensions of brand extension in relation to price and quality.

Vertical brand extension is a complex and dynamic strategy that requires detailed and diverse research. The research gaps identified in this paper identified by the authors and according to the research are: cultural variations, long-term effects on brand equity, the influence of the digital environment and industry specificities. Understanding and filling these gaps can help companies develop more effective expansion strategies and more successfully manage their brand perception in the marketplace. One of the main research gaps relates to cultural variations in the perception of vertical brand extension. Most existing research has been conducted in Western contexts, ignoring how consumers from different cultural backgrounds perceive vertical extensions. For example, in a culture where social hierarchies and status are extremely important, premium products may have a different effect on brand perception compared to a culture where egalitarianism and value for money are key factors. Understanding these cultural differences can help companies adapt their expansion strategies and communicate effectively with different markets. Another significant research gap concerns the long-term effects of vertical brand extension on brand equity. While many studies focus on short-term outcomes, such as initial consumer reaction or immediate sales, there is less research that tracks long-term consequences. Long-term impacts include changes in brand perception, consumer loyalty and overall brand value. Is it possible that the negative consequences of expanding to the lower price segment in the long term outweigh the short-term financial benefits? Or, conversely, can premium expansion maintain the brand's long-term prestige? These questions require longitudinal studies that monitor effects over a longer period of time. With the development of digital marketing and social networks, a new research gap is emerging in the context of vertical brand extension. Digital platforms offer new channels for the launch and promotion of extended products, and the influence of social networks on consumer perception is becoming increasingly significant. There is little research that addresses the specifics of how digital marketing and social media influence the success of vertical expansion. For example, how do influencers and online reviews shape perceptions of a premium or economy product? Understanding the digital landscape can help brands better leverage these channels for successful expansion. Another research gap lies in the different effects of vertical brand extension in

different industries. A brand extension may not have the same effect in the automotive industry as it does in the luxury fashion or food industry. Each industry has its own specific characteristics, market dynamics and consumer habits that can affect the success of an expansion. Investigating how industry specificities shape vertical expansion outcomes can provide deeper insights and allow firms to adapt their strategies according to the industry context.

Research results can help managers identify demographic and psychographic profiles of new consumer segments that they can target through vertical expansion, whether they are price-sensitive consumers (downward extension) or highly prestigious segments (upward extension). Managers of luxury brands can use research findings on vertical brand extension to develop strategies that balance market expansion with maintaining brand exclusivity and prestige. Careful planning, clear positioning and continuous monitoring of performance are key to successful vertical brand extension, which is the author's contribution to this topic.

Conclusion

As stated in the paper, the brand has different dimensions and elements, and all of them affect the perceived value of consumers. Each brand is a kind of combination of elements, which can have different meanings, and which consumers can experience in different ways. In the empirical part of the work, a reliability analysis was carried out before the start of the statistical analysis to determine whether and to what extent the measurement

scale used in this research is reliable, in other words, what is the internal consistency of the questionnaire used in this research. The goals set in the paper are the analysis of the basic determinants of brand management and strategic positioning, the analysis of the process of vertical expansion, and the analysis of the perceived value of a premium brand. According to the results of the research, can be concluded that there is a positive relationship between the perceived value of premium products and vertical expansion to more, and that customers with a high perceived value show a preference for vertical expansion to more. It was not confirmed that there is a statistically significant difference in the respondents' attitudes/inclinations between vertical expansion to higher and vertical expansion to lower, in favour of vertical expansion to higher and that customers with a lower perceived value show a preference for vertical expansion to lower. In conclusion, the analysis of theory and the results of empirical research suggest that the concept of vertical expansion of a luxury brand is to the greatest extent described by its symbolic function, which is confirmed by the obtained dimensions, given that consumers do not react to an increase in the price of a luxury product and the expansion itself is associated with greater recognition of the luxury brand and in the end, loyalty itself. The comparison between the obtained research results on a wide range of brands of all product categories and types, and research exclusively on luxury brands, once again confirmed the specifics of luxury products, and their orientation towards value, aesthetics, excellence and symbolic value, because the mentioned characteristics are much more readable from the purchase luxury brands.

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Potrošniške preference in odzivi na širitev blagovne znamke

Izvleček

Kupna moč potrošnikov je poleg drugih dejavnikov eden od ključnih dejavnikov, ki določajo vedenje potrošnikov. Na sprejemanje novih blagovnih znamk ali razširitev proizvodnih linij obstoječih blagovnih znamk vpliva zaznana vrednost. Novi izdelki se lahko dodajo obstoječim linijam izdelkov z uvedbo novih izdelkov znotraj njih, ali pa se blagovne znamke lahko horizontalno razširijo z vstopom v povsem nove kategorije ali linije izdelkov. Vsaka vertikalna širitev, bodisi na višjo ali nižjo raven, sledi spremembi cene in doseženi kakovosti izdelka glede na osnovni izdelek. Medtem ko raziskave, ki temeljijo na anketah, zagotavljajo dragocene informacije, ki podpirajo rast blagovne znamke Premium, ostajajo glavni viri njene vrednosti vzpostavljanje trdnih odnosov s strankami, hitro prepoznavanje preferenc, prilagajanje ponudbe in spodbujanje ozračja zaupanja. Namen prispevka je prikazati pozitivno povezavo, ki obstaja med vertikalno rastjo blagovne znamke in povečanjem zvestobe strank, kot je pokazala raziskava, izvedena na namerno izbranem vzorcu.

Ključne besede: premium blagovna znamka, pozicioniranje, vertikalna širitev premium blagovne znamke, preference potrošnikov, odziv strank na vertikalno razširitev