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**Title: Global Brands' "Foreign-Category" Associations and Their Extension Strategies in**

**Local Markets: The Interactive Roles of Product Category, Endorser's Race and Brand**

**Concept**

## INTRODUCTION

Brand extension is an important strategy for global brands to expedite their as an international growth (Pina, Iversen and Martinez, 2010). Increasing global brands launch new products that are distant from their core product categories in their penetrated markets. And it is not unusual that these new products are typical to the local market, e.g. local- cultural-related products, while they are atypical to the global brands' existing products. Taking Taiwan as an example, McDonald's introduced several rice dishes in 2002 in Taiwan with an attempt to appeal to local consumers by offering localized products. However, McDonald's failed in this product localization just in six months after the introduction. When Taiwanese people think about McDonald's, they think about typical American fast food: hamburgers, French fries, etc. In fact, people will not go to McDonald's for local or traditional foods.

Why global brands such as McDonald's seek opportunities in local-cultural products even when their core products are far distant from these products. Two possible reasons for global brands to employ this strategy: a. making it a localization strategy in the local market in order to gain more market share; and b. leveraging the brand equity and reducing the risk and cost of launching a product (Taylor and Bearden, 2002; Völckner and Sattler, 2006). Therefore, to launch new products

in local-culture-associated category is a practical strategy for global brands to grow their sales in their penetrating markets.

Indeed, global brands' localization strategy offers consumers a wide variety of brand choices, from local area or abroad (Halkias, Davvetas & Diamantopoulos, 2016; Özsomer, 2012; Strizhakova & Coulter, 2015; Winit, Gregory, Cleveland and Verlegh, 2014), which further complicates consumers' global-local brand decisions. A crucial factor documented in explanation of consumer preferences for local vs. global brands is product category. Some studies revealed that local brands are more advantageous in culturally-laden categories (Alden, Steenkamp and Batra, 1999), such as food category (Özsomer 2012); other study showed that global brands are preferred in status-signaling product categories (Batra et al., 2000). These findings suggest that the characteristic of product category plays an important role in consumers' local-global brand decisions, therefore, it is necessary to further explore how product category shape consumers' brand preferences between local and global brands (Davvetas and Dimanpoulos, 2016; Eckhardt, 2005; Ozsomer and Altaras, 2008).

In our context, when a global brand attempts to extend to those products that have strong connections and associations with local cultures it is possible that the extension may suffer from the perceived "mismatch" of product category by local consumers. Particularly, if the association of the brand's core product is far distant from the local culture, e.g. the above-mentioned McDonald's case, the perception of "mismatch" will even more pronounce. According to our observations, a category-bias preference seems exist that global brands are favored by consumers over local brands

in certain product categories that are strongly associated with foreign customs and habits. Usually, many of these categories are typical to certain foreign countries and they are introduced by foreign companies to the local consumers. Conversely, local brands are able to gain consumers' favor over global brands in product categories perceived to be of high localness, i.e. those categories strongly connected with local culture, customs and tastes. As a result, a classification of product category in terms of "local-foreign" associations is meaningful when investigating consumers' attitude toward the global brand's extension in a local market.

Our first research objective is to test if the (mis)match between the parent brand's core category and the extension category, in terms of local vs. foreign category, will influence consumers' attitude toward the new extension product. In addition, it is found that one of the localization strategies in marketing for global brands is the use of endorser; particularly, we focus on endorser's race and test if it helps to attenuate negative effects or increase positive effects from the mismatch and the match between the parent and the extension category. Moreover, research has shown that brand concept has impacts on consumers' evaluations of brand extensions. Brands with prestige image have the advantage to extend to more distant product categories than function-image brands (Monga and Roedder John, 2010; Park, Milberg, and Lawson, 1991). This research would also investigate the effects of brand concept on global brands' extension when their advertisements featuring with different endorser's races.

Based on categorization theory (Mervis and Rosch, 1981; Sujan and Bettman, 1989; Tversky, 1977), a new construct, namely the "local-foreign category" was conceptualized first in this

research. Then, according to the schema congruity theory (Fiske and Taylor 1991; Mandler, 1982; Meyers-Levy & Tybout, 1989) and matchup theory (Kahle and Homer, 1985; Kamins, 1990; Till and Busler, 2000; Wright, 2016), an experimental study was designed and conducted to address the research question: how product category, endorser's race and brand concept interact to impact a global brands' extension when the brand is with strong foreign associations. In line with previous research (Ger, 1999; Holt et al., 2004; Özsomer, 2012), we conceptualized a global brand from the consumer's point of view, but focused on those foreign-owned global brands<sup>1</sup> and their core products are foreign-category. Global brands refer to those brands are characterized by wide availability and familiarity in multiple geographic markets and by the use of standardized/coordinated marketing strategies across the world (Schuiling and Kapferer 2004; Steenkamp, Batra, and Alden 2003).

The result demonstrated that category congruity between the parent and the extension category has impacts on the consumer's attitude toward a global brand's extension. This revealed that global brands have a foreign-category advantage when making brand extension. Therefore, the result suggested that it is more promising for a global brand to extend into a foreign category than into a local category. However, global brands are not without chance in the local-category product. Properly featuring the similar-race endorser can effectively counter negative effects caused by category incongruity but only when global brands are positioned with prestige images. Therefore,

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<sup>1</sup> Previous research pointed out that brand ownership will impact consumer brand attitudes, for example, consumers react differently to domestically-owned global brand and foreign-owned global brand (Winit et al., 2014). In order to avoid the confusion, global brands in this research refers only to foreign-own global brands, those brands are owned by foreign companies.

prestige brands, compared with functional brands, are easier to stretch to local-category in there penetrated markets.

This research contributes to the literature stream by advising “local-foreign category” and demonstrating its influence in global brands’ extension in the local market. Through the perspective of product category’s influence (Davvetas and Dimanopoulos, 2016), this research offers a fresh insights on how cultural associations of category origin influence consumers’ extension attitude and answers the call for more research on global branding’s extension strategies (Iversen and Hem 2011). The identified “category-origin congruity” contributes to brand extension theories in terms of “brand-extension fit” concept (Aaker and keller, 1990; Boush and Loken, 1991; Balabanis and Diamantopoulos 2011; Park et al. 1991; Martin and Stewart, 2001) by suggesting a new dimension of “fit”. The study demonstrated the importance of the congruence between the brand’s core category and the extension category when the two categories are far culturally distant. It is

Despite that significant research on category extension of brands, to our knowledge, no research has examined category extension in terms of foreign-local origin in an international market context. Furthermore, this study should be valuable for managers of global brands especially in gaining more business from the local markets by extension strategies. The idea of “local-foreign category” offers the mangers a guideline on how to leverage their brand equity and “endorser-race-congruity” provides them with a practical advertising strategic direction.

In the next sections, we provide the conceptual background on our focal constructs and present our research hypotheses. We then describe our research design and report of the results of the

experiment study. We conclude by discussing the theoretical and managerial implications of our findings.

## THERETICAL BACKGROUND AND CONCEPTUAL DEVELOPMENT

### Categorization Theory and Local-Foreign Category

Social information is likely to be cognitively represented in a variety of different forms; categorization is a mental representational form to help people storing social information in cognition (Mervis and Rosch, 1981; Tversky, 1977). Categorization theory suggests that consumers will organize objects into different cognitive category schemas in their memories to simplify their information processing process (Lajos, Katona, Chattopadhyay and Sarvary, 2009; Sujan and Bettman, 1989). If a new object were perceived by consumers as a member of a particular cognitive category, the stored information and associations with that category will be retrieved from consumers' memories and they will be used to evaluate the new object (Mervis and Rosch, 1981).

Category members may be grouped together because they are understood in terms of some shared concept (Park, Milberg and Lawson, 1991). Taking this stance, products can be categorized by their category origin in terms of being rooted in foreign or local cultures, i.e. foreign vs. local category, to facilitate consumer product decision (Eckhardt, 2005; Ozsomer and Altaras, 2008).

Applying the categorization theory to the situation, consumers will classify products which are closely connected with foreign culture, habits and consumption styles into "foreign category" due to same foreignness-associated meanings and characteristics shared and stored in their memories; and conversely, those products strongly linked to local culture, habits and customs will be classified into "local category" by the same group of consumes for their collective memories on the associations of

“localness” stored in their minds.

Previous research has shown that consumers categorize products into foreign-local category according to their subject perceptions (Eckhardt, 2005). For example, Oliver oil is perceived as a local category by Italian consumers but as a foreign category by Taiwanese consumers.

Incorporating Eckhardt’s (2005) work, this research defines “local category” as the product category that is strongly associated with or rooted in local culture, customs and habits, or is typical to the local area, and has very weak connection to foreign culture and customs; whereas “foreign category” refers to the product category that is perceived to be strongly relating to foreign culture, customs and habits, or is typical to certain foreign countries, and is little connected to the local country.

#### Schema Congruity Theory and Global brands’ Local-Category Extensions

Schema theory postulates that people organize and store knowledge in memory-based structures (Fiske and Taylor 1991). A schema is conceptualized as cognitive structures of organized prior knowledge which are abstracted from people’s experience with a particular concept or stimulus specifying the entire configuration of its defining and relevant attributes (Fiske and Linville 1980; Fiske and Taylor, 1991). Product category schema is one of the most important types of schemata in a marketing context (Davvetas and Diamantopoulos, 2016). A product schema helps consumers to structure their knowledge about a specific product category (Meyers-Levy and Tybout, 1989; Sujan and Bettman, 1989), which delineating the product’s definition and attributes and it can be used as a basic segmentation of the marketplace (Halkias, 2015).

In line with the schema theory, local-category products, sharing the same structured knowledge of distinctive product attributes relating to local culture and customs, are stored as a distinctive schema in the memories of local consumers; alternatively, foreign-category products conveying different schematic knowledges, which are associated with foreign culture and consumption, atypical to the local, are shared as an different schema across the same group of local consumers. In this fashion, category origin ( from local or abroad), can be represented as schematic knowledge stored in consumers' memories, and consumers will have the same and particular expectations on product attributes based on a product's category origin, local or foreign, to make new product judgment accordingly.

Schema theory suggests that consumers' responses to an extension largely depend on the congruence between brands and their extension product category schemata (Meyers-Levy and Tybout, 1989). The schema congruity theory advises that two categories in cognitive congruity will produce greater positive effects in terms of attitude while incongruity usually leads to negative attitudes (Mervis and Rosch, 1981). The schema (in)congruity has been widely applied in the brand extension literature, and it has been well documented that consumers positively evaluate brand extensions when they perceive the "fit (congruity)" between the parent brand category and the extension category (Aaker and Keller, 1990; Boush and Loken, 1991; Dawar, 1996; Herr, Farquhar, and Fazio, 1996; Kirmani, Sood and Bridges, 1999). Consumers also tend to believe that extensions to incongruent product categories are unreliable and distant, and therefore such extensions are assessed more negatively (Dawar, 1996; Kirmani, Sood, & Bridges, 1999).



Applying the schema congruity theory to a global brand's extension context, we expect that (in)congruity between a parent and its extension category origin, i.e. foreign-local category (in)congruity, influences the consumer's attitude toward the extension. In our context, when a global brand, whose core product is foreign-category, extends its products into a new product and that product is perceived to be foreign-category, consumers cognitively perceive the new product as a member of foreign category and will retrieve stored information from their memory and transfer foreign-category associations to evaluate the new extension, the schema congruity between the two local categories (the parent and the extension categories) leads to a favorable evaluation toward the extension. However, when the global brand extends to a local-category product, the new extension category is distant from the parent category, a mental inconsistency occurs and it may hinder a favorable evaluation, or even generates a negative perception on the extension. Consequently, we proposed hypothesis one as follow:

**Hypothesis 1: Consumers will have a higher evaluation for a foreign-category extension by a global brand whose core product is foreign-category than a local-category extension by the same global brand.**

#### Influence of Endorser's Race and Brand Concept

Endorsement is a prominent strategy often used in an advertisement to influence consumers' attitudes toward the advertised brand and product (Biswas, Biswas and Das, 2006; Goldsmith, Lafferty and Newell, 2000). The endorser characteristic is documented as an important factor that impacts endorsement effects. Two most-mentioned characteristics in the literature are endorser's

trustworthiness and attractiveness. Endorser trustworthiness encompasses consumers' perceived trustworthiness and expertness toward the endorser (Lafferty and Goldsmith, 1999; Wiener, and Mowen, 1986). Endorser attractiveness includes familiarity and likability consumers possess about the endorser (McGuire, 1985). In addition, endorser's race has been found to be crucial in consumers' attitudes toward the advertisement. Literature suggested that when the audience's race is congruent with the model's the attitude and purchase intention toward the advertisement and the product will increase (Forhand and Deshpande, 2001; Martin, Lee and Yang, 2004; Sierra, Hyman and Torres, 2009; Whittler, 1991).

Matchup theory suggested that when the endorser "fits" the advertised product the advertisement will receive the best result (Kahle and Homer, 1985; Kamins, 1990; Till and Busler, 2000; Wright, 2016). Matchup happens when the endorser's characteristic (e.g. physical attractiveness) fits the endorsed product, and at the same time the fit is relevant to the consumer's product evaluation, then the endorser's influence on product attitudes will increase (Kahle and Homer, 1985; Kamins, 1990). In addition to physical attractiveness (Kahle and Homer, 1985; Solomon, Ashmore and Longo, 1992), reliability (Koernig and Page, 2002; Stafford, Stafford, and Day, 2002), trustworthiness (Kamins and Gupta, 1994), expertise (Friedman and Friedman, 1979; Ohanian, 1990) are also important endorser characteristics that have impacts on the degree of matchup. Till and Busler (2000) proposed the term of "appropriateness" to represent the "fit" between the endorser and the endorsed product. In sum, the higher perceived fit between the endorser and the endorsed product is, the more positive attitude toward the advertisement and the

product the consumer has (Wright, 2016).

Endorser's race can also be a distinctive characteristic. Endorser's race may stimulate culturally-related associations that have impacts consumers' attitudes toward the endorsed product. Particularly, when a global brand wants to launch new products in terms of local vs. foreign category the congruence between the endorser's race and the extension plays an important role in consumers' acceptance of the extension. Feick and Higie (1992) showed that because the appreciation of a product's various characteristics differs among different races of consumers, when the advertised product is high preference-heterogeneity an endorser with more similarity with the audience will be more persuasive. In our research context, when a global brands launches a new product and the new product's category is distant from the brand's core category consumers are more likely to accept the product recommendation by an endorser with the similar race rather than with the dissimilar race because they believe the similar-race are more likely to have similar attitudes, opinions, and preferences over the evaluative product, which will result in a more favorable response toward the product. Therefore, it would be more convinced to local consumers when a global brand's local-category extension employing a local-race endorser than a foreign-race model in its advertisement.

Moreover, the evaluation of a brand's extension can be influenced by the brand's positioning: brand concept. A brand's meaning based on consumers' perceptions and elaborations between the concept of being functional and prestige brand has impacts on consumers' brand attitudes (Monga and Roedder John, 2010; Park, Milberg, and Lawson, 1991). Functional brands refer to those brands

position themselves by specific functional attributes related to either the product or the category; while prestige brands are those brands position themselves by a more abstract concept characterized by prestige and exclusivity (Allman, Fenik, Hewett and Morgan, 2016; Monga and Roedder John, 2010). Research showed that prestige brand concepts are more abstract than functional brand concepts, enabling them to stretch to a broader range of products that share few physical features (Park, Milberg and Lawson, 1991). Therefore, prestige brands are easier to launch more distant extensions; in contrast, functional brands are found to be more difficult to stretch distant extensions (Monga and Roedder John, 2010). Therefore, we conjectured that when a global brand aggressed into local-category products the compensating effects of the endorser-race “match” (a local-category extension with an Asian endorser) on the local the parent-extension category “mismatch” is greater when the brand is positioned as a functional (versus prestige) brand. Thus, we proposed the following hypothesis:

**Hypothesis 2: Extension into a local-category product featuring with an Asian endorser leads to higher (no change in) extension attitudes for the functional (prestige) compared with featuring with a white endorser.**

## METHOD

The research questions were examined in a 2 (endorser’s race: Asian, White)  $\times$  2 (extension category: local, foreign)  $\times$  2 (brand concept: prestige, functional) between-subjects design using real brands and hypothetical extensions. The study was conducted in Taiwan, which has a high degree of dependence on foreign trade for decades, and in 2017, its imports (goods and services)

accounted for 45% of its GDP. Moreover, a wide variety of global and local brands in various product categories are available for sale in the marketplace, making it a suitable setting for the purpose of this research.

### Stimuli Development

Stimuli of the global brands and their extension categories used in this study were based on an open-ended questionnaire survey and pretests. Existing global brands were used as brand stimuli to avoid hypothetical flaws, which was in line with the method used in previous research regarding brand extension (e.g., DelVecchio and Smith 2005; Martin and Stewart 2001).

*Category stimuli.* 24 undergraduate and graduate students majoring in international business were invited to join an open-ended questionnaire survey. They were asked to list down three to five products that they perceived to be foreign and local category after an explanation of the meaning of foreign/local category. In order to control extraneous effects, confectionary and pastries were selected to be target products from the listed categories because they have both typical local and foreign categories. Four foreign categories (toffee candy, popcorn, mille feuille and chocolate) and four local categories (nougat, maltose, sachima and poprice) were firstly selected to be candidate category stimuli. A pretest (n=30; male:13; female:17) on the eight categories was conducted to select final stimuli of parent and extension category. A single 7-point semantic differential scale item of “How do you feel about this product category (1: very local -7: very foreign)?” was used to evaluate the degree of the category’s perceived localness-foreignness. In the end, chocolate was chosen to be the parent category while poprice and popcorn were chosen to be the local and foreign

extension category according to the result of the pretest ( $M_{\text{toffee}} = 4.37$ ;  $M_{\text{popcorn}} = 5.20$ ;  $M_{\text{mille feuille}} = 4.20$ ;  $M_{\text{chocolate}} = 6.37$ ;  $M_{\text{nougat}} = 2.10$ ;  $M_{\text{maltose}} = 1.53$ ;  $M_{\text{poprice}} = 1.17$ ;  $M_{\text{sachima}} = 3.17$ ).

*Brand stimuli.* After a thorough investigation on chocolate brands sold in the marketplace, M&M, Godiva, Ferrero Rocher, and Kinder were selected to be candidate brands because they were most-often seen and available in shops. A pretest on brand concept: prestige-functional was conducted with a single 7-point semantic differential scale item of “How would you rate the [brand name] (1: very functional -7: very prestige). Godiva ( $M = 5.13$ ) and M&M ( $M = 2.47$ ) were chosen to be the prestige and the functional brand ( $M_{\text{Godiva}} = 5.13$ ;  $M_{\text{Ferrero Rocher}} = 4.57$ ;  $M_{\text{Kinder}} = 3.07$ ;  $M_{\text{M\&M}} = 2.47$ ).

*Endorser Stimuli.* Western and Asian look-like noncelebrity endorsers of same sex (female) were used to avoid celebrity effects caused by consumers’ prior knowledge (Ryu, Park and Feick, 2006). The photo of western endorser was sourced from a professional image bank. The photo of Asian endorser was a picture taken from a real person, who was recruited from the local and asked to show face expression and gesture similar to the western endorser.

*Development of Advertisements.* Eight full-page print advertisements in full color were created to correspond with each of the eight between-subjects conditions. Each advertisement was designed to be similar in terms of layout, graphics, size of the endorser and the product. At the right of the advertisement is the endorser with one hand holding the product appearing in the left of the advertisement. The brand logo and a short advertising slogan are just above the product. Please see an example of the AD in appendix A.

## Questionnaire Design

According to the result of pretests, a questionnaire composing of three parts were developed.

The first part begins with a screening questions of “heard of” or “not heard of” the brand to ensure all respondents has right knowledge of the focal brand, those did not pass the screening test were thanked and rejected from the study. Then, a separate page of the advertisement followed. The second part of the questionnaire comprises major questions related to the variables we want to measure. It began with dependent variables of perceived quality (Broniarczyk and Alba 1994; Keller and Aaker 1992) and purchase intension (Aaker and Keller 1990; Taylor and Bearden 2002). These two variables were suitable for evaluating the success of brand extension (Carter and Curry 2011; Völckner and Sattler 2007) and they were averaged to form an index of extension attitude. Then, followed with manipulation check questions and some variables that potentially influence testing results but are not our research focus. These variables were measured and controlled as covariates in the analysis, including category attitude (Aaker and Keller, 1990), endorser attractiveness (Feick and Higie, 1992) and perceived price difference between the parent and extension category. Manipulation-check variables include perceived category foreignness/localness (for parent and extension category), brand concept (perceived prestige vs. functional) and endorser’s race (Asian vs. White). The last part is consumer demographics of sex, age and education.

Measures were adapted from the scales of previous studies except for two measures for manipulation checks: perceived category localness/foreignness and endorser’s race. In order to

more completely capture the consumer's perception on a category's localness/foreignness, three 7-point (disagree-agree) items forming a measure of "perceived category localness/foreignness" were self-developed via a qualitative research<sup>2</sup>. The items are "I think the product<sup>3</sup> symbolizes foreign(local) culture rather than local(foreign) culture," "I feel that it's better to buy foreign(local) brand rather than local(foreign) brand in this product category," and "I believe foreign(local) brand is better at producing this product category than local(foreign) brand." With the use of reverse coding when measuring a product's perceived category localness, in this scale 1 denotes that consumers perceived the evaluative category to be very local while 7 denotes very foreign. Endorser's race was evaluated with a 7-point single item of "How would you rate the endorser in terms of race (1: very Asian -7: very white).

#### Sampling and Data Collection

Convenience sampling method was used to collect data in three largest cities in Taiwan. Age-above-18 regular consumers were our target subjects. The locations include the place where local people often gather or patronize, e.g., shopping malls, busy street centers, stations and university campuses. Participants were approached and invited by two trained research assistants and they were asked if they want to help evaluating a new product's advertisement. Once permitted, they were first qualified by age and were randomly assigned to one of the eight versions of questionnaire, then asked to read the AD and complete the questionnaire. After completing the

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<sup>2</sup> In-depth interviews with consumers were conducted to explore their subjective interpretations on what constitutes a "local" and "foreign" category. Three consistent themes that interviewees spontaneously reiterated on the meaning of "local" and "foreign" categories were identified and summarized into three items.

<sup>3</sup> What the product refers to here depends on the use objective of the measure, measuring the degree of perceived category foreignness/localness on the extension category or on the parent category.



questionnaire participants were thanked and debriefed.

In total, 386 questionnaires were filled out; after deleting the invalid questionnaires (e.g. those with extensive missing values and obvious mistakes or failed in the screening questions), the final sample size was 260 with an invalid response rate of 33%. The sample covered age groups ranging from 18 to 55 (98%); 38% were male (n=100); and respondents' education levels ranged from high school to post-graduate degrees (95% held a college or university degree).

## RESULTS

Our research question is how consumers' attitudes toward product extensions of the global brand with its image of prestige versus functional brands might vary on the basis of whether the endorser's race was Asian or white and whether the extension was local- or foreign-category. To address this question, we analyzed extension attitude in a 2 (endorser's race)  $\times$  2 (extension category)  $\times$  2 (brand concept) analysis of variance, with endorser attractiveness and category attitude as covariates. Table 1 shows the means and standard deviations of extension attitude across treatment cells.

Table 1 Sample Means and SD by Brand Concept-Endorser's race-Extension Category

Brand Concept	Endorser's race	Extension Category	N	Mean	SD
M&M	Asian	Poprice	34	4.28	1.060
		Popcorn	34	4.79	1.109
	White	Poprice	31	4.69	1.188
		Popcorn	32	4.91	1.035
Godiva	Asian	Poprice	33	4.23	1.186
		Popcorn	31	4.13	1.258
	White	Poprice	32	3.87	1.164

Manipulations of brand concept, endorser's race and extension category were all successful according to the independent t-test results ( $M_{functional\ brand}=3.41$  vs.  $M_{prestige\ brand}=5.49$ ,  $p<.00$  ( $t=-17.184$ );  $M_{Asian\ endorser}=5.53$  vs.  $M_{White\ endorser}=2.26$ ,  $p<.00$  ( $t=24.786$ );  $M_{local\ category}=2.46$  vs.  $M_{foreign\ category}=4.17$ ,  $p<.00$  ( $t=-11.315$ ).

Though we did not hypothesize main effects of brand concept and endorser's race we still report the results of three independent variables. The results indicate that whereas brand concept ( $F = 8.041$ ,  $p < .01$ ; partial eta-squared = .031) and extension category ( $F = 6.346$ ,  $p < .05$ ; partial eta-squared = .025) have statistically significant main effects on extension attitude, there is no main effect of endorser's race on extension attitude ( $F = 0.023$ , n.s.). Specifically, attitude toward the foreign-category extension ( $M=4.63$ ) is significantly higher than attitude toward the local-category extension ( $M=4.27$ ), therefore, H1 was supported. It is suggested that the congruity between the parent and the extension category has impacts on consumers' attitudes toward the extension. Consumers will rate a foreign-category extension higher compared with a local-category extension when a global brand launches a new product category. The result also showed that endorser attractiveness ( $F=13.994$ ,  $p<.00$ ) and category attitude ( $F=23.794$ ,  $p<.00$ ) significantly influence extension attitude.

There were no significant two-way interactions among the three factors. However, the three-way interaction was statistically significant ( $F = 4.181$ ,  $p < .05$ ). This suggested that consumer perceptions of extension attitude vary across different combinations of the three factors. The lack of

a main effect for endorser's race coupled with the significant three-way interaction suggested that the endorser's race effect on extension attitude needs to be considered in the context of both brand concept and extension category. Table 2 summarizes, and Figure 1 depicts, the results from the ANCOVA.

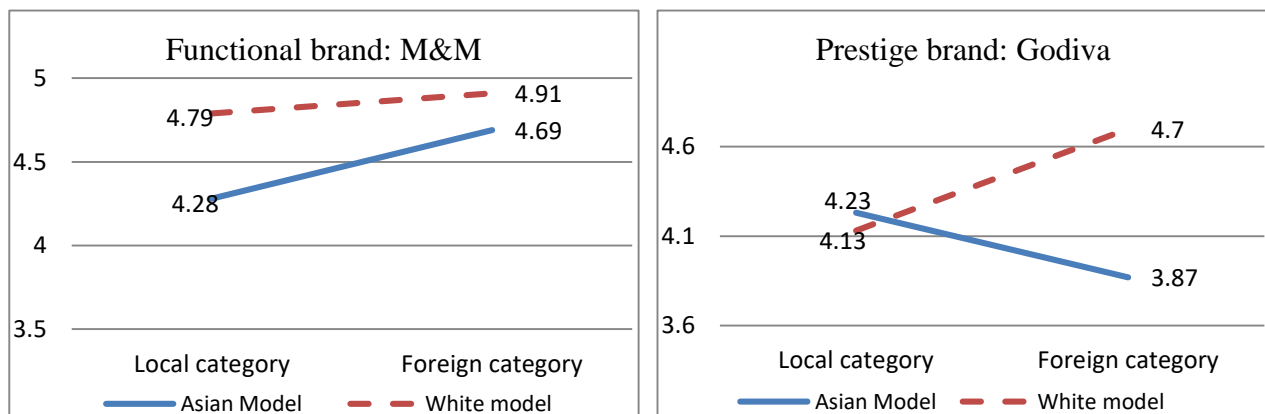
Table 2 Summary of Results from ANCOVA

	<b>F-Ratio</b>	<b>P-value</b>	<b>Partial Eta-Squared</b>
Brand Concept (BC)	8.041	0.005	0.031
Endorser's race (ER)	0.023	0.880	0.000
Extension Category(EC)	6.346	0.012	0.025
BC×ER	1.082	0.299	0.004
ER×EC	1.885	0.171	0.007
EC×BC	0.192	0.662	0.001
BC×ER×EC	4.181	0.042	0.016
Endorser Attractiveness	13.994	0.000	0.053
Category Attitude	23.974	0.000	0.088

In order to explore how endorser's race affects consumers' extension attitudes under different brand concepts, we further probed the significant three-way interaction within the treatment group data set. First, we split the data set on the basis of brand concept. Then, we examined the simple interaction effects of endorser's race at different extension categories (local and foreign) within each brand concept (functional and prestige). For the functional brand (M&M), there were no significant differences in extension attitudes at the two categories for either the local category or the foreign category ( $F=0.309$ ,  $p>0.5$ ) despite that extension evaluations seem higher for both extension categories when featuring with white endorsers. For the prestige brand (Godiva), the F test was significant only with the local-category extension (poprice) ( $M_{local\ category}=4.23$ ,  $M_{foreign\ category}=$

3.87;  $F = 3.818$ ,  $p < .1$ ) but not with the foreign-category extension (popcorn) ( $M_{local\ category} = 4.13$ ,  $M_{foreign\ category} = 4.70$ ;  $F = .682$ ,  $p > .4$ ). Therefore, to our surprise, the prestige brand, rather than the functional brand, benefits from compensating effects of endorser's race on category incongruity when a global brand launches a new local-category product.

Figure 1 Extension Attitude as a Function of Three-Way Interaction Between Brand Concept, Endorser's race and Extension Category



## DISCUSSION AND CONCLUSIONS

The marketing literature has begun to investigate how firms can successfully manage their brand extensions in an international environment (Allman et al, 2016). This research contributed to the literature stream in two ways. First, it offers a new insight on how product-category influences consumer preference for global-local brands from a perspective of cultural associations of category origin. Previous studies have shown the impact of product origin on consumer product decisions, but they focused much upon product-country (in)congruity (e.g. Roth and Romeo, 1992; Usunier and Cestre, 2007), this research extended this stream of theory by proposing a new classification of product origin in terms of consumers' foreignness-localness perceptions associated with category

origin, which offers a new explanation on what determines consumers' preferences for global vs. local brands. Therefore, this research answered the call for exploring more on how product category influences the competition between local and foreign brands (Davvetas and Dimanopoulos, 2016; Strizhakova and Coulter, 2015).

Previous studies on consumer preferences for local vs. global brands showed mixed results. Some research revealed that consumers' brand attitudes may depend on the degree of target country's economic development. For example, Batra et al. (2000) found that global brands (vs. local brands) perceived to be better quality and higher status-signaling value in emerging markets while Schuiling and Kapferer (2004) found little difference in quality and prestige perceptions between local and international brands in developed countries. Other research argued that consumer preferences for local vs. global brands will be influenced by their predispositions, such as home-country bias (Alden et al., 2006; Verlegh, 2007; Dimofte et al., 2008; Zeugner-Roth, Zabkar, and Diamantopoulos 2015) and ethnocentrism (Balabanis and Diamantopoulos, 2004). This research complements the literature stream on global-local brand preferences by highlighting the important role of cultural meanings and associations of a product category's origin.

Second, the idea of "category-origin congruity" also contributes to brand extension theories in terms of "brand-extension fit" concept (Aaker and Keller, 1990; Boush and Loken, 1991; Balabanis and Diamantopoulos 2011; Park et al. 1991; Martin and Stewart, 2001). "Category-origin congruity" suggests a new dimension of "fit" and this "fit" is particularly important in an international competition context. In sum, the concept of "local-foreign category" grounds a

theoretical guideline for global brands to draw their extension strategy in the local markets. The study showed that product category's origin-associations impacts consumers' attitude toward a brand's extension and highlighted the importance of (in)congruity between the parent category and the extension category in an brand extension context. More specifically, when a global brand intends to introduced new product in its penetrating market, the congruence between the brand's core category and the extension category influences the attitude toward the extension. It was demonstrated that consumers favor category-congruent (vs. category-incongruent) extensions when a global brand launches a new product in the local market.

Furthermore, the result revealed that endorser's race effectively attenuated the negative effect caused by category incongruence. But contrary to our prediction, the "makeup" effect of endorser's race on category incongruence appeared in the prestige brand's extension and does not appear in the functional brand's. We conjectured that Godiva enjoys a much more prestigious status and foreignness-associations than does M&M, making it relatively disadvantageous in launching local-category products. A global brand with strong image of prestige and offering typical foreign-category products widens the perceived cultural distance between the parent and the extension category. That is, a global brand with rich symbolic perceptions such as status and prestige increases the local consumer's perceived incongruity between the two categories in terms of foreignness-localness category associations. Therefore, we suggest that endorser-race effects pronounce more in the prestige global brand's local-category extensions.

Overall, endorser's race-category matchup effects found in this study contributes to the

literature on “brand-extension fit” (Aaker and Keller, 1990; Boush and Loken, 1991; Balabanis and Diamantopoulos 2011; Park et al. 1991; Martin and Stewart, 2001) by suggesting the influence of the “category-race fit (matchup)” in raising global brand extension success in local markets, therefore this research extends the brand extension theory to an international competition context (Hem and Iversen, 2009). Moreover, our finding on the category constraint of cultural meaning associations in brand extensions provides a boundary condition on the flexibility of prestige brands’ extension (Monga and Roedder John, 2010; Park, Milberg and Lawson 1991).

Managerially, this research highlighted that extension category will influence consumers’ attitudes toward global brands’ extensions across different types of brand image (functional and prestige brands). Therefore, when global brand managers are making extension decisions, the concept of local-foreign category should be taken into considerations to raise the new product’s success rate in the local market. It is suggested that if both “local-” and “foreign-category” extension are available, the “foreign-category” product would be a better choice and has a higher success rate when compared with the “local-category” product.

However, global brands are not without chance to succeed in “local-category” products. The result demonstrated that by the proper use of different-race endorsers, a strategy of matching the mode race and the category, managers can effectively increase consumers’ positive attitudes (when the parent and extension category matches) or reduce their negative attitudes (when the parent and extension category mismatches) toward the extension. Specifically, when global brands attempt to enter “local-category” products in Asian markets, adopting Asian endorsers (a category-race

matchup) in their brand advertisements can counter their negative associations of “foreignness”, and thus increases consumers’ acceptance of the new extension. Moreover, this “category-race matchup” effect particularly pronounces for those brands with high prestige perceptions. As a result, global brand managers can strategically use endorser’s race to craft their extension strategies in the local market.

## **LIMITATIOS AND FUTURE RESEARCH**

This research has several limitations that represent avenues for further research. In the present studies, we focused on the category congruity and endorser’ race effect and the brand image, some other variables may also have influence on the extension evaluation. For example, product broadness of the parent brand has been identified as an important factor. It is demonstrated that the broader product lines the parent brand has the easier to stretch to different categories (Boush and Loken 1991; Dawar 1996). Moreover, extension strategy that adopting sub-branding or pure-brand extension strategy may lead to different extension results (Milberg, Park and McCarthy, 1997). The price range of extension category compared with the parent category also impacts consumers’ acceptance of the extension (Taylor and Bearden, 2002). These variables, however, may engender mixed effects of the results of the study. Incorporating these variables in our proposed model in future research would help establish a more stable result and advance our understandings on the category-congruity effect in global brands’ extension strategy.

In addition, the result of this study is based on an emerging-country context, which left the result open to investigation across consumers with different cultural and geographical backgrounds.



In particular, to test the robustness and generalizability of the results, future researches are required to replicate our experimental studies and compare the results in the contexts of developed and undeveloped countries.

## APPENDIX A

### Scales of main variables

Variables	Scales	Source
Brand familiarity	<ol style="list-style-type: none"> <li>1. This brand is very familiar to me</li> <li>2. Everybody here has heard of this brand</li> <li>3. I'm very familiar with the products of the brand.</li> </ol>	Adapted from Steenkamp, Batra and Alden (2003).
Perceived brand image	<ol style="list-style-type: none"> <li>1. The brand is nice.</li> <li>2. I like the brand.</li> <li>3. The brand has a personality that distinguishes itself from competitors</li> </ol>	Adapted from Martin and Brown (1990); Aaker (1996).
Evaluation of extension	<ol style="list-style-type: none"> <li>1. The quality of the extension will be better than most brands.</li> <li>2. The likelihood that I buy this brand next time I need the extension category is very low/high.</li> </ol>	Adapted from Broniarczyk and Alba (1994); Keller and Aaker (1992); Taylor and Bearden (2002)
Perceived category foreignness(localness)	<ol style="list-style-type: none"> <li>1. I think the product symbolizes foreign(local) culture rather than local(foreign) culture.</li> <li>2. I feel that it's better to buy foreign(local) brand rather than local(foreign) brand in this product category.</li> <li>3. I believe foreign(local) brand is better at producing this product category than local(foreign) brand</li> </ol>	Self-developed.
Product knowledge	<ol style="list-style-type: none"> <li>1. How familiar are you with the product? (1 = unfamiliar, 7 = familiar)</li> <li>2. How well-acquainted do you consider yourself with product? (1 = not at all acquainted, 7 = very well acquainted)</li> <li>3. Compared with your friends your knowledge about the product is: (1 = very unprofessional, 7 = very professional)</li> </ol>	Adapted from Diamantopoulos et al. (2005) and Roehm and Sternthal (2001)
Category attitude	<ol style="list-style-type: none"> <li>1. Overall I am very positive towards (products). (1 = Strongly disagree, 7 = Strongly agree)</li> <li>2. I have a very positive attitude towards (products). (1 = Strongly disagree, 7 = Strongly agree)</li> <li>3. Overall I am very satisfied with various (products). (1 = Strongly disagree, 7 = Strongly agree)</li> </ol>	Aaker and Keller (1990)
Brand Concept	<ol style="list-style-type: none"> <li>1. Overall, how would you rate the Godiva [M&amp;M] brand on the following dimension: Prestige."</li> </ol>	Allman, Fenik, Hewett and Morgan (2016)

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