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Brand Extensions in the Fast Fashion Industry

Exploring Quality Attributes Leading to a Negative Evaluation

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Abstract

In an ever evolving and competitive market, fast fashion retailers introduce brand extensions to enter new markets and launch new products. Taking advantage of the already existing brand name recognition and brand image is suggested to be an effective strategy to increase market share and attract new customers. Thus, the present research focuses on studying consumers' evaluation process of an actual brand extension because qualitative studies on actual brands lack research. Besides, the competitive context in which an extension is launched is emphasised, since external factors (e.g. competition in the industry) have been rather neglected. More precisely, this research concentrates on exploring the role that quality perception plays in the consumers' evaluation process of H&M's new beauty line 'Fashion for the Face'.

The purpose of this thesis is to identify and understand certain attributes that possibly lead to a negative brand extension evaluation. Special emphasis is put on the quality perception of both the parent brand and the extension category as well as the resulting (non-)fit. Hence, this research aims at answering the following research question: *How do female consumers perceive 'Quality' in the German cosmetic industry and in this regard, what are the key factors associated with perceived quality of the parent brand that are likely to result in a negative perceived fit and evaluation of a brand extension?*

On the basis of existing literature, four focus group discussions were conducted in order to answer the research question. In general, the aim was to acquire a profound understanding on how consumers perceive 'Quality' in every step of the evaluation process and to integrate the findings in a revised conceptual model, which was based on two theoretical constructs (i.e. Aaker & Keller, 1990; and Czellar, 2003).

The empirical findings show that both quality perception of the parent brand and quality perception of the extension's category together do influence the evaluation of a brand extension. The differences between both were found to be significantly, resulting in a negative perceived fit. More specifically, the extension's category was found to be of utmost importance in terms of its quality and hence, in its impact on this fit and the overall negative evaluation.

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List of Abbreviations

DE	Deutschland (Germany)
e.g.	exempli gratia (for example)
et al.	et alia (and others)
etc.	et cetera (and so on)
EUR	Euro
FG	Focus group
H&M	Hennes & Mauritz
i.e.	id est (that is)
min.	minutes
p.	page
P	Participant
SE	Sweden
SEK	Swedish Krona
SRQ	Sub-research question
UK	United Kingdom
USD	United States Dollar
VAT	Value Added Tax
vs.	versus

1 Introduction

The introduction gives significant background information on brand extensions into the cosmetic industry launched by fast fashion brands, and why this topic is relevant to study. Moreover, after defining the problem, the purpose is stated.

1.1 Background

“Fashion is not something that exists in dresses only. Fashion is in the sky, in the street, fashion has to do with ideas, the way we live, what is happening.”

– Coco Chanel; as cited in Madsen (1991)

The globalisation of taste, power and production plays a key role especially in the fashion industry (Hauge, Malmberg & Power, 2009), which not only provides garments and apparel but also delivers social meanings and images associated with the apparel to its customers (Lee & Östberg, 2013). To live a certain lifestyle, consumers choose specific products and services to express themselves and to be ‘in’. This lifestyle is not only related to fashion but also to many other industries. Fashion retailers extend their offer to various product categories because this kind of cross-shopping behaviour impacts fashion brand extensions (Forney, Park & Brandon, 2005).

Among fashion retailers, brand extension is considered as one of the most effective strategy to enter new markets and introduce new product categories to increase sales (Liu & Choi, 2009). It is an effective and common approach by taking an advantage of the already existing brand name recognition and image in order to increase the market share and attract new customers (Aaker & Keller, 1990; Choi, Liu, Liu, Mak & To, 2010; Hennigs, Wiedmann, Behrens, Klarmann & Carduck, 2013). According to Aaker and Keller (1990), making use of a strong brand name can reduce the risk of launching a new product of a different category because consumers are familiar with the brand and have already established knowledge about it. By implementing a brand extension step-by-step, two different product categories can be successfully linked to each other so that the parent brand can enter new markets of various industries while still operating in the home industry (Keller & Aaker, 1992). Moreover, a successful brand extension is highly dependent on consumers’ perceptions of the extended product. As stated by Czellar (2003), perceived fit is identified by the amount of shared associations of attributes among the product extension category as well as the brand itself. Ideally, the new product triggers and satisfies consumers’ needs and confirms their already established brand image of the parent brand with regard to the extension so that the perceived fit of both is positive. Thus, understanding consumer behaviour, demand and latent need is essential when planning a brand extension (Choi *et al.*, 2010).

The concept of fast fashion is used by fashion brands to adopt emerging trends faster and more effectively, and to produce small amounts of products to satisfy consumer demand (Ferne & Sparks, 2014). Particularly in Europe, fast fashion retailers such as Zara, Mango, and Hennes & Mauritz AB (H&M) dominate this market (Choi *et al.*, 2010).

These firms launch independent brands or new products of different categories to extend the product range and thus, win consumers over. For example, H&M, which extended its offer by introducing brands, such as COS, Cheap Monday and & Other Stories and new product categories, such as interior and cosmetics (H&M, 2016a).

Cosmetics are an essential part of people's everyday life (Chaudhri & Jain, 2009) and closely related to fashion and beauty yet a diverging market. Consumers have many possibilities to choose from different brands and types of makeup as well as beauty products (Hunt, Fate & Dodds, 2011). In 2014, the market was dominated by a few multinational companies such as L'Oréal (USD 29.94 billion revenue), Unilever (USD 21.66 billion revenue), and Procter & Gamble Co. (USD 19.8 billion revenue) (Women's Wear Daily, 2015). Sales are expected to grow further since "many consumer feel that beauty products help in achieving social and economic goals" (Statista, 2016b). According to the European Commission (2015), the term 'Cosmetics' does not only include makeup but also hygiene products, such as deodorant, shampoo, toothpaste and soap. By means of these diverse categories, consumers' expectations and needs can more easily be satisfied (L'Oréal, 2015). In 2014, Germany had the largest market volume of cosmetics and personal care in Europe with EUR 13.01 billion (Cosmetics Europe, 2015). The German cosmetic market has acquired an excellent reputation regarding the quality of its products (iXPOS, 2015). Local and international brands compete aggressively to attract German consumers since they have a strong relationship to German brands, such as Nivea, which they have grown up with and consequently, trust. This is due to its perceived high quality (Euromonitor International, 2015a) described as the global evaluation of a "consumer's judgement about the [...] excellence of a product" (Zeithaml, 1988, p. 5).

Taking these statements into account, it seems logical and promising that many fast fashion brands extend their offer to other industries, such as the cosmetic and beauty industry, and make use of brand extensions in order to cope with the ever-evolving competition (Choi *et al.*, 2010; Hennigs *et al.*, 2013).

The present thesis focuses on H&M and its brand extension 'Fashion for the Face'. Ever since H&M opened its first store in Sweden in 1947, their mission was "fashion and quality at the best price in a sustainable way" (H&M, 2016b). Now, with the recent launch of H&M's beauty line, the Swedish retailer faced its only remaining remit. Nevertheless, the extension is rather seen as a more luxurious product range and therefore, it distinguishes itself from the Swedish fashion label. 'Fashion for the Face' incorporates a premium line, however also an organic beauty collection, to keep with H&M's eco-friendly position (H&M, 2015a).

1.2 Problem

In the past years, great quantities of research have been conducted in regard to consumers' evaluations of brand extensions and the impact on the parent brand (Aaker & Keller, 1990; Boush & Loken, 1991; Park, Milberg & Lawson, 1991; Keller & Aaker, 1992; Czellar, 2003; Chowdhury, 2007; Choi *et al.*, 2010).

According to Aaker and Keller (1990), two pioneers who initiated this matter, the influence of “perceived quality on the attitude toward the extension” (p. 29) is suggested to be unambiguously positive. However, until now studies have solely attached importance to the quality perception of the parent brand and its influence toward the extension evaluation by the consumer (Choi *et al.*, 2010). On the contrary, the quality perception of the brand extension, as well as the difference (or non-difference) in quality perception for both the parent brand and the extension itself have been neglected.

In addition, not only the attitudes of consumers influence their evaluations of brand extensions, but also external factors, such as competition in the industry (Broniarczyk & Alba, 1994; Sheinin, 1998; Czellar, 2003; DelVecchio & Smith, 2005; Milberg, Sinn & Goodstein, 2010; Iyer, Banerjee & Garber, 2011). In his paper, Sheinin (1998) discusses that positioning plays an essential role in the brand extension process, as it can potentially alter the fit with their two knowledge sources: the parent brand and the extension category. Moreover, consumers’ perceptions about a product’s country origin as a quality cue can have an influence on the beliefs about the brand and its products (Steenkamp, Batra & Alden, 2003; Schuiling & Kapferer, 2004; Iversen & Hem, 2011). In previous research, brand extensions have been seen as something existing in a competitive vacuum (Han, 1998). Hence, in this particular case, it is crucial to take the beauty industry competition into consideration. More precisely, Germany is emphasised due to its rather diverging market in comparison to the Swedish in terms of the truly sensitive beauty industry (European Commission, 2015).

What is more, most of the studies on consumers’ brand extension evaluations are of quantitative nature. Nevertheless, Ambler and Styles (1996) use a qualitative approach in order to explore the managerial process leading to a successful line and brand extension and the role brand equity plays in this process. However, this research has been conducted from a managerial perspective. From a consumer perspective, Czellar (2003) suggests that qualitative methods on brand extension evaluations may be useful. Therefore, the present thesis aims to explore consumers’ perceptions and evaluation attributes in depth by using a qualitative approach.

Lastly, as Grime, Diamantopoulos and Smith (2002) state, there is a lack of research on actual brands and their brand extensions. In order to improve the practical usefulness, it is recommended to conduct further research in this area to obtain findings close to reality. Following up on this, the present thesis emphasises on H&M as an actual brand and its recently launched beauty line ‘Fashion for the Face’.

1.3 Purpose

The purpose of this thesis is to identify and understand certain attributes that possibly lead to a negative brand extension evaluation. Special emphasis is put on the quality perception of both the parent brand and the extension category as well as the resulting (non-)fit. Related research questions are further refined in Section 2.4.

1.4 Delimitations

In order to set boundaries for our research and consequently, to provide clearer results, the focus of the present study is on the German cosmetic market and its female consumers of Generation Y. Also, according to Czellar (2003), the term 'Fit' can be defined as product category fit and brand image fit. However, throughout our research we solely focus on the product category fit and the perceived fit between the parent brand and the extension category. Further, to delimit the term brand extension, we emphasize a horizontal brand extension, more precisely on a category extension.

2 Theoretical Framework

The theoretical framework presents a thorough description of existing theories and models relevant for the purpose of the study. After an introduction into brand management in general, the topic of brand extensions is emphasised. More precisely, the process of brand extension evaluation with a strong focus on perceived quality is highlighted. Finally, we present the proposed conceptual model, which is based on the theory described, and the related research questions.

2.1 Brand Management

A brand's name is possibly the most valuable asset of a firm or an organisation as it is associated with their products and services. In today's rapidly changing world, firms have to break through the clutter and create strong brands that facilitate consumer decision-making processes, reduce risks related to competition and set expectations. To deliver on that promise and to enhance a brand's strength is a management necessity. Brand extension, which leverages the already existing brand image to introduce a new product, is the most common strategy for growth and strengthening the brand (Keller, 2008).

2.1.1 Brand Extension

In the last two decades, brand extensions have become the most common approach for companies' growth strategies (Völckner & Sattler, 2006; Milberg *et al.*, 2010). In numerous product categories, more than 80% of new introductions are brand extensions (Sheinin, 1998; Keller, 2008) where established brand names are used to launch new products in order to communicate strong brand positioning (Aaker & Keller, 1990; Völckner & Sattler, 2006; Chowdhury, 2007).

Brand extensions can generate higher market share, attract a new target group of customers, and extend the brand into new product categories (Dens & De Pelsmacker, 2015). Extending into new product categories is widely considered to be cost-effective and profitable because distribution expenditures can be reduced (Morein, 1975). Furthermore, brands that are already established and well-known in the marketplace require lower introduction costs, such as advertising or price promotions (Völckner & Sattler, 2006). The leverage of a strong brand name provides consumers with familiarity and knowledge (Aaker & Keller, 1990) since more than ever they face the challenge of breaking through the promotional clutter (Keller & Aaker, 1992; Keller, 2008). However, there is also a risk of decreasing the company's value and equity because harmful associations that can be expensive or difficult to overcome might arise (Ries & Trout, 1986). As Sheinin (1998) states, sales of the parent brand can be cannibalised, identification with another category can be reduced and consumers might be confused resulting in diminishing the parent brand. Thus, brand extensions should be carefully planned before launching new products. Taking consumers' perceptions of the extended product and its ability to satisfy them into account is crucial for successful brand extensions (Choi *et al.*, 2010).

Aaker and Keller (1990) take up this position by saying that the success of a brand extension depends on the following presumptions about consumer behaviour:

1. Positive beliefs and affirmative attitudes towards the parent brand are kept in consumers' memories
2. These connotations lead to the formation of positive beliefs and affirmative attitudes towards the brand extension
3. Negative connotations are neither shifted to nor made by the brand extension.

Brand extensions can be divided into two general categories, i.e. vertical and horizontal brand extension (Kim, Lavack & Smith, 2001). When a vertical brand extension is considered, a similar brand within the same product category, which the parent brand already serves, is introduced, often at a different price point and quality level (Keller & Aaker, 1992; Kim *et al.*, 2001). By distancing the vertical brand extension, the risk of dilution of the parent brand can be reduced since image and position of the parent (original) brand are distinguished. This distancing technique can imply a closer or more distant relationship between parent brand and extension (Kim *et al.*, 2001). For instance, H&M, which introduced independent brands under the parent brand name 'H&M', such as COS, Monki, Weekday, Cheap Monday and & Other Stories (H&M, 2016a). The horizontal brand extension comprises both line extension and category extension (Farquhar, 1989; Kim *et al.*, 2001; Choi *et al.*, 2010). When considering a line extension, a new product within the same product category, which the parent brand already serves, is introduced to attract a new target segment (Keller, 2008). For example, H&M extended its offer of women's wear by introducing men's and children's wear (H&M, 2016a). In category extension, a different product category is entered under the parent brand name (Kim *et al.*, 2001; Keller, 2008). For instance, H&M's new beauty line is an extension of the parent brand into a different product category (cosmetics) than the initial one (apparel).

2.1.2 Evaluation of Brand Extension

Historically, marketers are of the opinion that brand extensions are assessed favourably by the majority of the consumers since they transfer positive attitudes of the original brand to the brand extension (Aaker & Keller, 1990; Bhat & Reddy, 2001; Czellar, 2003). Aaker and Keller (1990) also mention that various associations or beliefs with a specific brand may potentially be linked to the extension. Thus, for several extended products the parent brand has certain associations which can be highly beneficial for the product extension (Aaker & Keller, 1990). Chowdhury (2007) affirms the statement in so far as he argues that consumers evaluate the extension based on "the perceived quality judgment of the original brand" (p. 379).

Czellar (2003) explains that once a new extended product has been launched, individuals assess it based on their point of view toward the original brand as well as the category of extension. If a consumer does not know the parent brand, one will judge the new product extension merely based on one's experiences with the type of extension (Sheinin, 1998; Czellar, 2003). Conversely, in case the extended product category is unknown to the consumer, a certain attitude will be formed solely based on one's experience toward the parent brand (Czellar, 2003).

The consumers' evaluation of the brand extension is highly depended upon the perceived fit between the parent brand category and the product extension category (Aaker & Keller, 1990; Boush & Loken, 1991; Bhat & Reddy, 2001). The more similarity there is among the parent brand and the extension,

the higher the likelihood that consumers derive the known original brand's associations to the extension (Bhat & Reddy, 2001). Nevertheless, Czellar (2003) argues that the individual's original attitude in regard to the parent brand or the brand extension category may be changed depending on the certain attitude toward the product extension. This phenomenon is referred to as "reciprocal effect of brand extension" (Czellar, 2003, p. 110) and can possibly result in dilution or enhancement of the parent brand as well as the category attitude (Romeo, 1991; Loken & John, 1993).

Broniarczyk and Alba (1994) on the other hand profess that numerous determinants play a significant role in regard to the evaluation of brand extensions beyond the parent brand influence itself and the product fit. They found out that brand-specific characteristics and associations are valued more than the parent brand affect or the product fit, as long as these particular associations are significantly desired regarding to the extension product category. Martínez and Pina (2003) affirm by arguing that there are a variety of factors (e.g. brand image), which simply identify "the greater or lesser acceptance of the brand extensions by the target market" (p. 435). Nevertheless, up to the point where consumers become more acquainted with a certain extension, they are likely to form an opinion of the "extension based on their knowledge of the more well-known parent brand" (Bhat & Reddy, 2001, p. 111).

Not in every case brand extension is a beneficial approach to introducing a new product. The influence of a brand association can also possibly be disadvantageous or damaging to the brand extension (Aaker & Keller, 1990). For example, Zeithaml (1988) argues that in tomato-based juices the thickness is assessed as high quality, whereas in "children's fruit-flavoured drinks" (p. 7) thickness is not. Hence, if a specific association has been highly valued for the parent brand, it may not be favourable in the context of its product extension (Aaker & Keller, 1990).

2.2 Perceived Fit

Historically, previous studies regarding perceived fit, pointed out various results. Martínez and Pina (2003) note that mixed results occur due to the variation of methods and measurement approaches. Despite the fact that the majority corresponds by indicating positive outcomes of the fit in various brand extensions (Aaker & Keller, 1990; Boush & Loken, 1991; Park *et al.*, 1991; Martínez & Pina, 2003; Salinas & Pérez, 2008), there are some authors, who give proof that the variable fit simply does not have any significant effect on the extension evaluation (Park & Srinivasan, 1994; Smith & Andrews, 1995, as cited in Martínez & Pina, 2003; Broniarczyk & Alba, 1994).

The perceived fit is an essential component in the brand extension assessment process, as it connects the gap between the brand associations and the new product evaluation (Salinas & Pérez, 2008). According to Czellar (2003) and Chowdhury (2007), perceived fit is distinguished by the amount of shared associations between the original brand and the extension's product category. Thus, perceived fit potentially has an intermediary impact between the image as well as the extension attitude (Bhat & Reddy, 2001; Salinas & Pérez, 2008).

Furthermore, as stated by Czellar (2003), researchers have distinguished the term 'Fit' in regard to product category fit and brand image fit (Bhat & Reddy, 2001; Chowdhury, 2007; Salinas & Pérez, 2008). The former describes the perceived fit between the categories of the existing parent brand and the extension, whereas the latter refers to the image fit of the existing brand and the product extension (Park *et al.*, 1991; Bhat & Reddy, 2001; Czellar, 2003). For example, if Marlboro launched a ball-pen, the product category fit would be composed of the attributes shared among the cigarettes and the pens, while the brand image fit would be composed of Marlboro's brand image and the image one holds regarding a simple ball-pen (Czellar, 2003).

Aaker and Keller (1990) state that an inquiry provided empirical proof that greater perceived fit between the original parent brand and the new product extension leads to a "greater transfer of positive or negative affect to the new product" (p. 29). Based on this study, Aaker and Keller (1990) investigated the significance of fit in regard to brand extension and found that if the two product categories of the parent brand and its extension fit to some extent together, the transfer of the brand's perceived quality will be strengthened. Salinas and Pérez (2008) also find that consumers, who perceive a higher fit between the parent brand and the extension, will most likely have a positive belief on the brand extension itself.

Another reason for the importance of fit to the brand extension is that if there is a lack of fit, the transfer of affirmative connections between the brand and extension could be diminished and could potentially arouse undesirable associations and beliefs (Aaker & Keller, 1990; Salinas & Pérez, 2008). Kirmani, Sood and Bridges (1999) further find that consumers consider non-related category extensions as rather untrustworthy. If the fit is inappropriate, the parent brand may lose consumers' trust and the brand extension may lack its credibility being referred to as ridiculous (Aaker & Keller, 1990).

2.3 Perceived Quality

2.3.1 Perceived Quality of the Parent Brand

In addition to the perceived fit, there are numerous other variables like perceived quality of the parent brand, which plays a highly significant role when it comes to the evaluation of parent brand (Martínez & Pina, 2003; Choi *et al.*, 2010). Zeithaml (1988) describes the term 'perceived quality' as "the consumer's judgment about a product's overall excellence or superiority" (p. 3). Farquhar (1989) argues that how consumers perceive a brand's quality, is the foundation of any strong brand as it contributes to an increase in sales as well as growth in trust.

The generalisation in terms of a product's quality has been demanding for researchers but also for managers (Zeithaml, 1988). Evidently, characteristics that indicate high quality in fruit juice are not equally of importance but rather heterogeneous for automobiles or washing machines. Therefore, Garvin (1987) suggests that the quality of a product may be embraced in eight dimensions: "performance, features, reliability, conformance, durability, serviceability, aesthetics, and perceived quality (i.e. image)" (p. 104).

According to Aaker and Keller (1990), the quality perception among consumers is the number one evaluation factor of new brand extensions. Thus, it makes it a highly crucial brand association. Categorisation theory proposes that consumers simply transfer their perceived quality of the parent brand to the brand extension (Aaker & Keller, 1990; Bhat & Reddy, 2001). Chowdhury (2007) explains that once a product is in possession of all the attributes, which are seen as essential criteria for the category, the product is classified to the referring category. As soon as the product is operated as a category, cognitive judgements will automatically be deduced. Thus, if a certain product is linked with high-perceived quality, the individual's "memory rehearsal about the new brand" (Chowdhury, 2007, p. 379) will focus on satisfying thoughts in connection with the consumer's expected value.

Völckner and Sattler (2006) argue that "consumers also tend to be much more confident about their judgments of parent brand quality if they are based on a large sample of instances (i.e., products that bear the parent brand name) [...]" (p. 23) for instance like 'Adidas tennis shoes'. In addition, strong parent brand names play a significant role also from the retailers' point of view. The retailers expect manufacturers to not harm the brand's equity by misplacing a strong brand name on a low-quality product. Völckner and Sattler (2006) claim that even for retailers perceived quality of a parent brand is crucial and believed to have a favourable effect on retailer acceptance regarding new product extensions. Further, Martínez and de Chernatony (2004) state that perceived quality of the parent brand has a positive influence on the brand and product image after the extension. Thus, companies that aim at keeping or enhancing their brand image should pursue a high-quality image in comparison to their competitors (Martínez, & de Chernatony, 2004).

Summing up, the parent brand's perceived quality is of high importance not solely for the brand itself to generate a good market share, but also for the product extension and its acceptance as well as positive associations on the marketplace and the retailer (Garvin, 1987; Aaker & Keller, 1990; Park *et al.*, 1991; Czellar, 2003; Völckner & Sattler, 2006; Chowdhury, 2007; Choi *et al.*, 2010).

2.3.2 Perceived Quality of the Brand Extension

Research shows that brand extension evaluation depends on the parent brand's quality perception (Garvin, 1987; Aaker & Keller, 1990; Park *et al.*, 1991; Forney *et al.*, 2005; Völckner & Sattler, 2006; Chowdhury, 2007; Choi *et al.*, 2010). Aaker and Keller (1990) explored the relationship between the perceived quality of the parent brand and the attitude towards the extension. It was found that a positive association with high quality of the parent brand leads to a positive evaluation of the brand extension (Aaker & Keller, 1990).

When consumers perceive a positive fit between the parent brand and the brand extension category, the quality perception of the parent brand will be transmitted to the brand extension (Aaker & Keller, 1990; Boush & Loken, 1991). As Garvin (1987) states, a brand's reputation is dependent on the fact that the quality of today's products is similar to the quality of yesterday's products, and that the quality of "a new product line is similar to the quality of a company's established products" (p. 108). When more attributes in quality perception between the parent brand and its brand extension are perceived as being similar, consumers are more likely to suppose that the quality of the brand extension is comparable to the quality of the parent brand (Keller & Aaker, 1992).

Thus, consumers preferably purchase an extension product that fits the quality perception of the parent brand because it gives more satisfaction, self-confidence and status to them (Chowdhury, 2007). When evaluating brand extensions, consumers form knowledge and judgement about it (Sheinin, 1998; Völckner, & Sattler, 2006). This knowledge increases with the increasing number of products affiliated with the brand. As a result, higher levels of parent brand quality and the involved positive effect on the extension's success increase with the rising number of previous successful brand extensions. When the brand extension is moderately unknown, the quality of the parent brand and the accompanied marketing of the brand extension have a greater influence on consumers as they rely more on external factors, such as the brand name, in order to evaluate the extension (Völckner & Sattler, 2006).

2.3.3 Perceived Quality of the Extension Category

Consumers take existing beliefs about both the parent brand as well as the extension's category into consideration when forming knowledge about a brand extension itself in order to ultimately evaluate the extension. This knowledge formation is an inference process, in which multiple sources of knowledge are combined into one conclusion (Sheinin, 1998). As Sheinin (1998) states, consumers' beliefs and attitudes about a brand extension can be changed by positioning it relative to the parent brand and the extension's category so that the existing knowledge is leveraged. Thus, the relative position of a brand in a competitive environment is important when prognosticating the success of an extension (Milberg *et al.*, 2010). As Völckner and Sattler (2006) postulate, the fit between the parent brand and the extension's category is of utmost importance when predicting brand extension success. Contrary to this statement, Meyvis, Goldsmith and Dhar (2012) found that in a consumer decision environment the quality of the parent brand is more important than the fit of the extension's evaluation. It has been shown that in a competitive environment, which allows consumers to compare different brands with each other, preferences are shifted "from extensions of better-fitting brands to extensions of higher-quality brands" (Meyvis *et al.*, 2012, p. 207).

The extension's category can have crucial performance risks (e.g. unfulfilled expectations) and consumers are more likely to negatively evaluate a brand extension if this risk is being perceived as high (DelVecchio & Smith, 2005). For instance, DelVecchio and Smith (2005) found that this negative evaluation is linked to the degree of quality variance in the product category. As the quality variance increases, consumers should be motivated to pay a price premium with the aim of enhancing the parent brand's regard and lessening the perceived risk (DelVecchio, & Smith, 2005).

For many consumers, country of origin is a cue for quality and the relationship between country of origin and perceived quality is significantly strong (Han, 1990). As Iversen and Hem (2011) state, country of origin associations, such as 'Made in Germany' as a quality cue, do have an influence on the parent brand's image as well as the attitude towards the brand extension. Nevertheless, these associations may not always be of affirmative nature (Iversen & Hem, 2011).

2.4 Proposed Conceptual Model

For the present thesis, we focused on a negative evaluation of a brand extension. Primarily, this was due to pre-defined propositions related to our own cultural background and understanding of the topic at hand, which indeed could have borne biases. However, by putting an emphasis on a German sample and context, we believe that this bias could be reduced. Moreover, the present study is of qualitative nature, so we did not investigate effects generally. This is the reason for the effects being displayed in a lighter manner. Rather, we aim at exploring and understanding the evaluation process itself and the possible effects we proposed:

- 1.) As the German cosmetic market has acquired an excellent reputation in regard to the quality of its products (iXPOS, 2015), we proposed that this quality reputation has a negative influence on the H&M beauty line extension
- 2.) Even though many Generation Y consumers purchase H&M apparel, we proposed that with H&M as a well-known brand, a moderate or even low quality perception in terms of its apparel has a negative influence on its beauty line extension
- 3.) Following from the above mentioned propositions, the influence of the differing quality perceptions (parent brand and extension category) leads to a negative perceived fit of the brand extension

As the purpose of the present study is to identify and understand certain quality attributes associated with the German cosmetic industry that might contribute to a negative evaluation of the brand extension, we formulated the following overall research question:

How do female consumers perceive 'Quality' in the German cosmetic industry and in this regard, what are the key factors associated with perceived quality of the parent brand that are likely to result in a negative perceived fit and evaluation of a brand extension?

Taking the theoretical framework into account, perceived quality of the parent brand and perceived quality of the extension category, as well as a possible interdependence have to be identified and explored in depth. Subsequently, conclusions can be drawn relating to the overall perceived fit of the brand extension. In doing so, a clearer view can be culled in terms of the overall brand extension evaluation. Therefore, we asked the following sub-research questions based on the pre-defined propositions.

SRQ 1: Which attributes do consumers associate with the quality of the extension's category?

With this research we want to understand consumer's quality perception of the German beauty industry, of cosmetic products in general, how this influences the perceived quality of the H&M beauty line. Furthermore, we want to explore those factors leading to a negatively perceived quality of the H&M beauty line.

SRQ 2: Which attributes do consumers associate with the quality of the parent brand?

As categorisation theory suggests, perceived quality of the parent brand is transferred to perceived quality of the brand extension (Aaker & Keller, 1990; Bhat & Reddy, 2001). The aim is to identify if consumers perceive H&M’s overall quality as moderate, to explore what attributes influence the perceived quality of the beauty products, and to understand how consumers transfer their quality perception of H&M to the extension.

SRQ 3: What is the difference in quality perception of the parent brand and the extension category and how does this influence perceived fit?

We aim at understanding what the difference in quality perceptions accounts for. Furthermore, we intend to explore how consumers perceive the brand extension, taking as our case study H&M as a parent brand, in the context of the German beauty industry. As Czellar (2003) states, “the higher the perceived fit, the more positive the consumer’s attitude toward the extension” (p. 105). Hence, we proposed a negative evaluation of the brand extension.

To give a better overview, we propose the following conceptual model, which serves as a foundation for our research. The model is based on Aaker and Keller’s (1990) pioneer work and Czellar (2003), who proposed an “integrative model of consumer behaviour toward brand extensions” (p. 98) including the reciprocal effect. The reciprocal effect illustrates the alteration of the original attitude towards the parent brand or the extension category after the extension’s evaluation (Czellar, 2003).

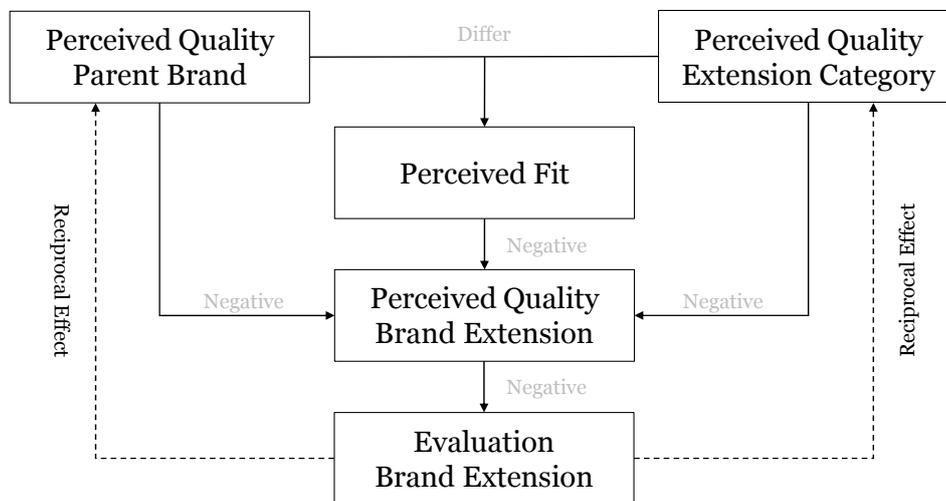


Figure 2-4 Proposed Conceptual Model

3 Methodology and Method

The distinction between ‘Method’ and ‘Methodology’ is worth to be mentioned and defined in this thesis as these terms are often used interchangeably, yet being crucial for making well-grounded choices. The term ‘Method’ refers to the techniques and procedures to acquire and analyse the data, whereas ‘Methodology’ describes the theory of how the research is conducted (Saunders, Lewis & Thornhill, 2016). In the present chapter, ‘Methodology’ includes the research approach, purpose, and method. Data collection and analysis, as well as quality assessment, account for ‘Method’.

3.1 Research Approach

The present thesis aims at identifying and understanding certain quality attributes associated with the German cosmetic industry. We want to explore which attributes are likely to result in a negative perceived fit between the extension’s category (cosmetics) and the parent brand (apparel) and therefore, contribute to a negative evaluation of the extension. Hence, an overall abductive research approach was chosen because it includes the collection of data to identify themes (quality attributes), to explore phenomena (negative brand extension evaluation), and to modify the existing theory based on Chapter 2, which we assessed through further data collection (focus group discussions). The described approach suggests a constant movement between theory and data leading to a complete understanding as presented in the following (Saunders *et al.*, 2016).

Perceived fit and perceived quality of the parent brand, brand extension and extension’s category are well-researched areas, where various models exist (Aaker & Keller, 1990; Czellar, 2003; Choi *et al.*, 2010). We drew conclusions from this existing theory and designed a research strategy that questions previously developed theory, meaning that data follows theory (Malhotra *et al.*, 2012; Saunders *et al.*, 2016). The proposed conceptual model, which is a summary and combination of the different statements of the theoretical framework described in Chapter 2, served as a basis for collecting empirical data. The conceptual model was not only analysed and developed but also used for guidance during data collection, e.g. for the outlining of the focus group discussions (Appendix 1). These statements lead towards a more deductive approach, in which a reasonable conclusion is drawn from premises, meaning that the conclusion is true when all premises are true (Malhotra, Birks & Wills, 2012; Saunders *et al.*, 2016).

In addition to using deductive research to identify quality attributes associated with the German cosmetic industry, we also *explore* and *understand* them in the context of the German beauty industry in an inductive research process. An inductive approach implies that there is a gap in the reasonable argument between the conclusion and the premises observed because the conclusion is ‘judged’ based upon certain observations (Saunders *et al.*, 2016). We aim at observing facts and exploring phenomena resulting in theory development, meaning that theory follows data. Focus groups were used in order to uncover, reveal and discuss German consumers’ perceived quality attributes and the influence on their brand extension evaluation.

Given the aim of the research to enhance the understanding of a brand extension evaluation concerning its quality perception, developing an entirely new theory was of lesser importance. Indeed, the proposed conceptual model is based on existing theory and modified. Further, the focus is on making a contribution to the already existing literature by applying it in a different context than previously researched. Even though this context may not lead to a generalisability of the findings, interesting facts may derive when combining Aaker and Keller's (1990) and Czellar's (2003) models of brand extension evaluations leading to new perspectives that can be investigated in further research.

3.2 Research Design

The research design, simply defined as a “framework or blueprint for conducting a marketing research project” (Malhotra *et al.*, 2012, p. 64), is the foundation of how the research questions described in Section 2.4 were answered throughout this thesis. A well-structured research plan guarantees an efficient as well as effective investigation and is divided into either exploratory or conclusive research. To find out which design to use in the present research, we asked the following questions: What is going on (conclusive) and why is it going on (exploratory) (Vanus, 2005)?

Since the objective is to understand consumers' opinions and their perceptions, and due to limited prior information, the data needed to be gathered through a flexible process in order to acquire an understanding and insight (Grant, Botha & Kietzmann, 2015). Therefore, to thoroughly comprehend how consumers' thoughts are formed, the exploratory research design was considered to be most suitable. Exploratory research focuses on providing insights as well as an understanding of the nature of certain phenomena, which are difficult to measure. Due to the fact that we did not test certain hypotheses or investigated relationships, the conclusive approach was not appropriate for this research matter as it is also focusing on large samples (Creswell, 2009; Malhotra *et al.*, 2012; Saunders *et al.*, 2016). For our thesis, it was rather suggested to take a smaller sample to get the best possible insights. Concluding, we want to understand and explore a certain phenomenon by studying a specific situation instead of measuring an issue (Saunders *et al.*, 2016).

3.3 Research Method

In general, there are two different types of research methods, namely quantitative and qualitative. Since our purpose is understanding quality attributes of the German cosmetic industry influencing the perceived fit of the parent brand and its extension, we proposed a qualitative research method, a notable “contributor to the marketing research industry” (Malhotra *et al.*, 2012, p. 153). This allowed us to obtain more in-depth insights rather than a high volume of answers. Thus, the qualitative research method was chosen above the quantitative one. In quantitative research, which is referred to as numerical data, researchers seek to quantify various data and subsequently, apply statistical analysis, which was not appropriate for the present study (Malhotra *et al.*, 2012; Saunders *et al.*, 2016).

We applied an unstructured qualitative research method since a complex phenomenon as well as a holistic dimension need to be identified. More precisely, a direct qualitative research approach was considered, due to the fact that the purpose of the research was communicated to the participants and subsequently, needed to be studied. Qualitative research summarises participants' experiences, feelings and behaviours, and participants are able to reflect upon, as well as, demonstrate their views. This enabled us to comprehend better the richness, complexity and depth of their motivations and thoughts and also, to simply observe their behaviour (Malhotra *et al.*, 2012). Since the participants were asked to describe their opinions and perceptions in regard to a certain matter, it was not recommended to capture these with a variety of structured questions. Furthermore, in this case, a specific interrelation was studied, which is a characteristic of qualitative research (Malhotra *et al.*, 2012). As stated by Malhotra *et al.* (2012), "focus groups [...] are the major direct techniques" (p. 181) and were decided to use for this type of qualitative research.

3.4 Data Collection

There are two types of data collection, namely primary data collection and secondary data collection. Secondary data refers to data that were collected for other purposes than the specific research problem, such as databases or books and articles. Primary data refers to the data a researcher gathers for a specific research problem at hand. These data are exclusively tailored to detailed purposes through techniques, such as surveys, focus groups, interviews or experiments (Malhotra *et al.*, 2012). The present thesis focuses on both forms of data collection.

3.4.1 Secondary Data

Collecting secondary data is a useful approach that has some benefits as it can deliver valuable insights as well as serve as a strong foundation to the primary data design and collection (Malhotra *et al.*, 2012). Due to easy accessibility, moderate cost-savings and quick obtaining (Malhotra *et al.*, 2012), for the secondary data collection of the present thesis, we mainly used the resources of Jönköping University Library and Google Scholar in paper and electronic forms. We reviewed academic articles of well-known journals (e.g. The Journal of Marketing, Journal of Business Research, Journal of Marketing Research, Journal of Brand Management, International Journal of Consumer Studies, Journal of Fashion Marketing and Management, International Journal of Management) and books dealing with, amongst others, brand management, brand extensions, and marketing.

Keeping the credibility of the sources in mind, non-academic material was also used since the aim was to apply the theory collected through academic resources to a real-life example of H&M. Furthermore, databases, such as Statista and Euromonitor International, were examined in order to retrieve valuable and practical information about the cosmetic and fashion industry. In general, secondary data were used to develop a research problem and research purpose, and to validate the results of the focus groups.

However, there are also disadvantages we took into consideration before evaluating material for the present thesis. As Malhotra *et al.* (2012) state, the suitability of secondary data may be restricted as

relevance and accuracy can be impacted. The obtained data may be incomplete or dependable and lack precision. Furthermore, the present situation may require other objectives, nature and methods (Malhotra *et al.*, 2012). Hence, we evaluated secondary data according to currency, objective, nature, dependability and the chosen research design to our best knowledge (Jacob, 1984).

3.4.2 Selection of Sample

The selection of a certain sample is a fundamental component of research (Malhotra *et al.*, 2012). Since our research focuses on H&M's beauty line extension, the target population was particularly broad. Even though there is a growing demand of male cosmetic consumers (Souiden & Diagne, 2009), the cosmetic industry is still dominated by the female target market (Lester, 2004). Malhotra *et al.* (2012) state that a "population is the aggregate of all the elements that share some common set of characteristics and that comprise the universe for the purpose of the marketing research problem" (p. 405). However, in order to find a suitable representation for the target population, it was required to choose a particular sample.

Therefore, a non-probability sampling for this type of research was selected. According to Malhotra *et al.* (2012), non-probability sampling is a sample technique which depends on the individual judgement instead of chance selection. This technique is mostly used for exploratory research, whereas probability sampling is rather used for survey-based research, where one generalises the defined population (Saunders *et al.*, 2016). Subsequently, as one of the non-probability techniques, the judgmental sampling was selected for the study at hand. Based on judgmental sampling, we appointed specific students we personally knew and whom we believed to be right to meet our objectives such as interest in cosmetics and fashion. That way we guaranteed participants with the required interest. Saunders *et al.* (2016) argue that this type of sample process is particularly used with a very little sample, e.g. for focus groups.

The empirical study is based on consumers belonging to Generation Y. Generation Y are the children of the Baby Boomer generation, who were born between the years 1978 and 1999 (Herbison & Boseman, 2009). They are highly interested in fashion and trends and willing to spend more money for high quality and taste (Grotts & Johnson, 2012). Thus, we decided to choose 'Generation Y' and 'Females' as variables for our sample as this cohort is of high significance for retailers as well as consumer product companies due to its size and crucial purchasing power (Parment, 2013). In addition, to narrow the sample even more, we chose the German market among all. The German cosmetic market is considered to be the biggest in Europe, with the largest market volume of EUR 13.01 billion in 2014 (Cosmetics Europe, 2015). In Germany, drugstores, such as dm and Rossmann, play a particularly crucial role as distribution channels for cosmetic products (IKW, 2015). Thus, we believed it to be an excellent market to identify and understand the quality attributes among the German consumers in regard to the cosmetic industry.

The ideal number of participants for a focus group is 5-10 members to ensure a good and dynamic environment for the individuals to deliver valuable and satisfying information. With too many people, there is a risk of sub-group formation and participants' lack of confidence (Krueger & Casey, 2009). In addition, it is advised to form homogeneous focus groups regarding socio-economic and

demographic characteristics (Malhotra *et al.*, 2012). Therefore, based on judgmental sampling, we chose the following sample: 24 female participants between the age of 21-27 originally from Germany (please see Table 4-2 Overview Sample Selection, Chapter 4 for detailed information for each focus group discussion). Further, we also took into consideration that half of our sample (FG 1 and FG 2) were Germans, who were not living in Germany at the time of the research, whereas the other half were Germans with their current place of residence in Germany. This situation potentially could have had an influence on the results due to a different point of view regarding the research matter, however the results were still homogeneous among all four focus groups.

3.4.3 Primary Data: Focus Groups

A focus group, also referred to as a discussion, is led by a moderator and usually takes place in a natural and non-structured atmosphere with a rather small number of participants. The main objective of a focus group is to obtain more in-depth understanding by creating a sufficiently relaxed environment. Thus, the participants can reflect on their feelings and behaviour (Malhotra *et al.*, 2012).

We decided to conduct focus groups for our research topic as the setting of it emphasises on the stimulation effect to gain in-depth information, which was particularly essential for the present research. We want to understand the quality attributes of the German cosmetic industry, which influence the perceived fit of the parent brand and its extension. Rather than conducting individual interviews, a group setting was emphasised since after a short time the participants are willing to, but also feel the urge to reveal their personal opinions and views. Further, the spontaneity of the participants is triggered during focus group settings but not for any other qualitative research method. It also creates genuine answers of participants, which was highly valued and essential for our research in order to better comprehend the perceived fit of the parent brand and its extension. Moreover, spontaneous answers may lead to serendipity, which means ideas may possibly arise unexpectedly in a group setting resulting in vital information (Malhotra *et al.*, 2012). Due to discussions, group members get inspired by others, bounce off each other in regard to their responses and thus, feel comfortable expressing their opinions and beliefs. Because of this snowballing effect focus group settings can quickly generate a high amount of information being a major benefit (Malhotra *et al.*, 2012).

Nevertheless, there are also drawbacks of focus groups. For instance, participants may feel intimidated by others due to the group scenario. It could occur that group members are self-conscious in communicating their opinions, feel ridiculed by other participants or may not feel comfortable enough to express themselves freely (Malhotra *et al.*, 2012). However, since the topic of our thesis is not a sensitive one but rather an impervious every-day matter, it was not likely to face this drawback. Another disadvantage is that focus groups can possibly lead to a misjudgement of results as the researcher is not analysing it according to a certain statistical analysis (e.g. SPSS for questionnaires) but rather subjectively. In order to ensure an appropriate quality of the study, we put much emphasis on the quality assessment and ethical behaviour as described in Sections 3.6 and 3.7.

Test-Focus Group

A test group was conducted a week prior to the first official focus group to assess all aspects of coordinating a focus group. By doing so, we aimed at minimising the potential drawbacks, such as uncertainty or misunderstandings of particular questions. Three German students from Jönköping University between the age of 24-26 were chosen to participate in a test-focus group of 20 minutes. The objective was to refine the execution of the questions in the official focus groups and to make the focus group as authentic as possible (Malhotra *et al.*, 2012).

In the course of the test group, two types of confusion occurred. First, a confusion was that during two questions (question 1 and 4, see Appendix 1), participants pointed to pictures of the various products on paper instead of verbally naming the product. When we listened to the recordings, it was difficult for us to understand which product they were talking about. We avoided such situations during the official focus group by repeating what was said by the participants and verbally naming the certain product they were talking about. Further, the respondents had difficulties in understanding a particular question (question 5, see Appendix 1) and thus, could not properly answer. After this was communicated to us, we improved the sentence structure and made it more understandable. In general, for us as the moderators it was a good way to improve ourselves. Malhotra *et al.* (2012) state the significance of the role of a moderator, as one needs to “keep the discussion flowing” (p. 186). Therefore, we practised probing the participating test group in order to obtain essential and vital skills.

Type of Questions

A highly essential component of conducting an efficient focus group discussion is the certain type of questions being asked. As Malhotra *et al.* (2012) state, the questions are the foundation for the key benefit of every focus group. To open the discussion, we started with *introductory questions* (question 1 and 2, short-survey). These helped us to make everyone feel comfortable and to ease the situation, for instance ‘Which of the following products would you (not) purchase and why?’, while showing them images of facial cleaning products. That way we encouraged an interaction among all participants. Subsequently, a *transition question* followed (question 3) to slightly move the discussion towards the main purpose of the focus group. This kind of question encouraged the participants to go more in depth regarding their opinions. Lastly, we asked *key questions* (questions 4-7) to trigger the participants’ answers concerning our thesis topic and purpose of research. We based these questions on our research questions to be sure to receive the answers we were aiming at.

Execution

As mentioned in Section 3.4.2, our sample was solely German but the focus group discussions were conducted in Jönköping (Sweden) and Frankfurt (Germany). Thus, for the execution of the focus groups, we chose conference rooms at Jönköping University and at Frankfurt University. The focus groups were held in German. In order to make the participants feel as comfortable as possible (Malhotra *et al.*, 2012), we offered refreshments and some sweets, while encouraging small talk prior to the start of the discussion. The answers given by the participants were video- and audio-recorded and subsequently transcribed. In total, we conducted four focus groups for our research: two in Jönköping and two in Frankfurt. After the first three, we took notice that the participants gave

identical answers. To make sure that our target group consistently gave homogeneous responses we continued with one more control group to verify and support the already given answers. Consequently, we reached the saturation point.

Our objective is to understand the participants' quality attributes of the German cosmetic industry to see which of these influence the perceived fit of the parent brand and its extension. To avoid getting influenced by certain brands, we asked rather general questions in the beginning and did not reveal our precise thesis topic until the second part. Malhotra *et al.* (2012) support this decision as they argue the moderator can decide to which extent "the purpose of the research is revealed at the start of a focus group" (p. 181).

In regard to the structure of the focus groups, each group had the same composition. We started the discussions by providing a brief introduction to the topic as well as each participant introducing themselves. Afterwards, pictures of ten different facial cleaning brands (i.e. Balea, Dr. Hauschka, Eucerin, ginatricot, H&M, Isana, Lavera, L'Oréal, Nivea and & Other Stories) were handed out with the purpose of asking which of these the participants were most likely to purchase and why (Appendix 4). These additional stimuli triggered the discussion and served as a comfortable and relaxing setting for the participants (Malhotra *et al.*, 2012). The brands were chosen based on personal judgement. However, we emphasised on well-known German and international brands as well as included consciously produced and organic products, private brands from two leading drugstore chains in Germany, and beauty lines from apparel brands. Furthermore, a short-survey was handed out and simply served as an indicator for us in regard to how individuals rate well-known German cosmetic brands among one another and subsequently, in an international context with other brands (also not specialised ones). In case, they were not familiar with one of the brands or lacked experience, we asked them to base their answer solely on their personal perception.

Based on these three introductory questions (question 1 and 2, short-survey) we explored the first sub-research question, which asks how consumers perceive the quality of German cosmetic brands among themselves and in an international context (see Appendix 5). With the transition question (question 3) we introduced the research topic more specifically and revealed H&M as the actual brand. This question explored the second sub-research question, which asked for the attributes consumers associate with the quality of the parent brand? Moreover, in order to help the participants to get a better insight of the H&M product range, we provided pictures of H&M's new beauty line. This was the first time that all participants were exposed to the newly introduced beauty line extension. Further, we designed a coordinate, where the x-axis represented the H&M parent brand and the y-axis the H&M brand extension. Based on that, we asked the participants to rate their quality perception of the H&M beauty line extension in regard to the parent brand. With these key questions, we aimed at understanding the third sub-research question, which asks the (non-) difference in quality perception of the parent brand and the extension category and how it influences the perceived fit (see Appendix 5). At the end of the focus group discussion each participant received a small gift, an H&M nail polish, to show our appreciation for their support.

3.5 Data Analysis

In order to analyse the data collected, a four-step-process (Fig. 3-5) suggested by Malhotra *et al.* (2012) was followed. This was because of its systematic and structured handling as well as its ability to be specifically applied to a research problem (Saunders *et al.*, 2016). After assembling, reducing and displaying the data, the last step typically involves verification of this data through seeking other explanations of the interpretations through further sources (Malhotra *et al.*, 2012). The last step in its original denotation is not discussed in this thesis. Moreover, we aim at complementing data verification with the assessment of quality (Section 3.6). It was appropriate to take 'Quality' into consideration as it is a central term in both the theoretical understanding as well as the methodology of the overall research.

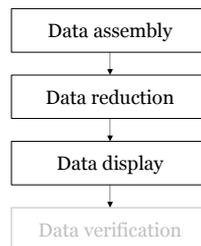


Figure 3-5 Stages of Qualitative Data Analysis (adapted from Malhotra *et al.*, 2012)

3.5.1 Data Assembly

In the course of the present research, we collected various data from different sources of secondary and primary sources and put them together (Malhotra *et al.*, 2012). Primary data sources include videotape and audiotape recordings of each focus group and the transcripts of those. Moreover, the participants were challenged with different pictures of cosmetic products, a short-survey, and a coordinate they had to complete. Notes we took before, during and after the discussions, as well as reflections, complemented the data collection process. However, we also paid attention on determining lines of enquiry developed during the process since in an exploratory research, questions and investigations are not preassigned (Malhotra *et al.*, 2012).

3.5.2 Data Reduction

After assembling the data, reducing them was the next step in the process of analysis. The aim was to transform and shorten the data by summarising, simplifying and categorising them in order to reveal the most relevant facts and details (Saunders *et al.*, 2016). It was essential to make them accurate in a way that final conclusions could be drawn and verified (Miles, Huberman & Saldaña, 2014). Given the importance of the transcripts, we put much effort in typing them up to ensure that all important aspects are integrated, well comprehensible, and accessible (Williamson, 2002). Since the focus groups were conducted in German, the translation into the English language had to be done very carefully to not falsify the meaning by using the wrong wording for the empirical findings.

To further break down and analyse the data, we used a process of coding to define the meaning of the data collected (Miles *et al.*, 2014). More precisely, we used descriptive coding which enabled us to get in-depth insights into the findings (Williamson, 2002), and to categorise the data and interpret the findings related to the research questions. By using descriptive coding, we created key concepts

and patterns resulting in one of the following categories being applied upon the analysis (i.e. quality perception of the extension's category, quality perception of the parent brand, quality perception of the brand extension, fit perception of the parent brand and the brand extension, and evaluation of the brand extension). Moreover, coding is also appropriate when indicating a person's value, its attitude and beliefs in order to explore experiences as we aimed at doing this (Miles *et al.*, 2014).

In addition, to analyse the short-survey (Appendix 2) we calculated the mean for each individual cosmetic brand per question and per focus group. For question 1 'How do you evaluate the following cosmetic brands regarding their quality?', we added the results per brand and divided it by the number of participants of each focus group. The result, displayed as a decimal number, indicated the average assessment per group and revealed the brand with the best quality evaluation. The value '5' was considered the best, whereas '1' was considered to be the worst assessment. For question 2 'How do you evaluate the following brands among each other regarding the quality of their cosmetic products?' we simply added up the rankings per cosmetic brand and divided it by the number of participants. The outcome indicated a mean value for each brand in terms of the quality assessment and was displayed in the form of a ranking, where '1' was regarded as the best and '10' the worst. Since we solely calculated the mean, the possibility could occur that not all rankings were assigned to an individual brand. The outcomes of the short-surveys can be found in Appendix 3.

3.5.3 Data Display

Displaying data means to organise and assemble the afore reduced data by summarising the findings into diagrammatic or visual displays with the purpose of simplifying means of drawing conclusions (Miles *et al.*, 2014; Saunders *et al.*, 2016). Miles *et al.* (2014) suggest spreadsheets and networks, as the most commonly used forms of data display, to antagonise the extensive and poorly organised data, which is often the case in qualitative research (Malhotra *et al.*, 2012). Accordingly, a spreadsheet (Appendix 5) was chosen as the most appropriate form of data display in the course of the present study. This spreadsheet clearly states our main research question and sub-research questions, which set the foundation for the focus group structure and questions. The other columns display the five categories, which served as a foundation for the empirical findings. However, to simplify the overview we solely included the major key themes of the findings. Lastly, to round off the table, we referred to the literature part (Chapter 2) and pointed out the authors, who dealt with these topics, and give a one-sentence conclusion statement. In addition, we integrated a coordinate in the process of the focus group discussions to visualise their view of both the quality perception of the parent brand and the brand extension. The results of the short-survey were displayed by using simple tables which facilitate a clear presentation easy to follow.

By using these forms of data display, we were able to visualise easily the whole body of data collected. The process of visualising helped us to work through the data while developing our analytical thinking (Miles *et al.*, 2014). Relationships, key themes and patterns became clearer, which provided us with the possibility to work around with and try different ideas and connections as well as compare them, resulting in drawing conclusions (Malhotra *et al.*, 2012).

As Saunders *et al.* (2016) state, data display and analysis are suitable when using an inductive approach although it is also suited to a more deductive approach (Saunders *et al.*, 2016). This applied to the present research which was deductive in the development of a conceptual model based on pre-developed theory, and inductive in the process of running focus groups with the aim of exploring phenomena resulting in theory development.

3.6 Quality Assessment

The term 'Quality' embraces many views and perspectives, and different approaches and techniques exist to ensure and operationalise it (Savin-Baden & Major, 2013). As Flick (2007) states, "quality is the result of a series of decisions starting from the formulation of a research question, continuing with finding and using the appropriate methods for working on answering this question." (p. 137). To shed light on how we aimed at ensuring quality in the course of the present research, it is crucial to communicate what we understood as quality and how we managed it during the research process in order to make it as trustworthy as possible (Flick, 2007).

Transparency and *transferability* were chosen as the overall conditions for enhancing quality in the research process (Saunders *et al.*, 2016). To assure and improve those conditions, we focused on the following criteria: *criticality*, *reflexivity* and *integrity* (Major & Savin-Baden, 2010).

Criticality: By critically reviewing a wide range of literature dealing with brand extensions and discussing the best suitable research method and approach, we aimed at analysing the findings from different points of view in order to demonstrate critical analysis and awareness throughout the whole research process (Savin-Baden & Major, 2013).

Reflexivity: We are aware of the fact that our perspectives and backgrounds shaped and affected the research process and frame. One way to keep the balance between reflexivity and subjectivity (Nutt Williams & Morrow, 2009) was to ask the participants of the focus groups to further explain ambiguous answers and to give examples, to interpret the findings more specifically (Savin-Baden & Major, 2013).

Integrity: To ensure integrity, we integrated direct quotes of statements given by the participants of the focus groups, which served as a basis for interpretations. Moreover, by thoroughly describing the theoretical framework, which also served as a basis for the focus group outlining presented in Appendix 1, and giving detailed descriptions of the research method and methodology, we provide the readers with an appropriate amount of information. Thus, we are able to make the data collected more trustworthy and replicable for other researchers.

By considering these criteria and undertaking required actions, we could minimise transparency risks and make the research process and related decisions of data collection and analysis understandable and clear (Flick, 2007). Thus, we facilitate the transparency and consequently, transferability of the study.

3.7 Ethical Considerations

Research ethics refer to a moral and responsible behaviour throughout the whole research process – from formulating a research topic to writing up the findings. In order to antagonise and minimise concerns that might arise, we put much effort in ensuring an appropriate behaviour about the participants of the study and those who have been affected by it, including ourselves (Saunders *et al.*, 2016). This research conducted at Jönköping International Business School followed the university's three guiding principles: international at heart, entrepreneurial in mind and responsible in action (Jönköping University, 2016). Applying these principles to the current research, research ethics were emphasised and paid attention to within every principle.

International at heart (Jönköping University, 2016): We are aware of the fact that our cultural backgrounds influenced and restricted us in taking a local or global perspective on what we did (Jönköping University, 2016; Saunders *et al.*, 2016). With the purpose of investigating the German cosmetic industry and choosing a German sample, we minimised the risk of misinterpretation since we, as researchers, are German. Even though a local perspective on the German market was emphasised, the conclusion applies the findings to a broader context and markets to ensure both a local and global perspective.

Entrepreneurial in mind (Jönköping University, 2016): Being passionate and action-oriented throughout the research process bore ethical concerns, such as exaggeration of empirical findings or disappointment. These were weakened by balancing an adequate teamwork between the two of us.

Responsible in action (Jönköping University, 2016): We put much emphasis on this principle as it embodies several ethical behaviours closely related to a moral and responsible research. In order to ensure the privacy of the participants, we anonymised their names according to their participant number ('Pn'). We personally explained that everything they say was treated with the utmost responsibility and confidentiality. Moreover, we assured that every participant agreed with being video- and audio-recorded. At every point in the process of the focus group discussions, the participants were able to withdraw from it. In addition, we highlighted that there was no right or wrong answer and that they had the right to decline any question they did not want to respond to. To avoid embarrassment and discomfort, we encouraged all participants to respect each other and to not cut each other short. All these aspects were made clear to all of the participants at the beginning of the focus group discussions.

4 Empirical Findings

The following part clearly states the empirical findings of the focus groups. The results will be the basis for the subsequent analysis chapter.

4.1 Background Information

On the basis of our aforementioned purpose, the following part gives a brief insight in the Swedish fashion retailer H&M as well as an understanding of the German cosmetic industry. These two topics are an essential component for our empirical findings and serve as a foundation to further identify and understand the impact between H&M as a parent brand and its new brand extension – the beauty line ‘Fashion for the Face’.

4.1.1 H&M

The H&M group has its origin in Västervås, Sweden, where the first store selling women’s clothing was opened in 1947. Today, the group consists of six different independent brands, i.e. H&M, COS, Monki, Weekday, Cheap Monday and & Other Stories, and has over 3,900 stores in 61 markets worldwide (H&M, 2016c). In 2014, H&M generated sales including VAT of SEK 176.6 billion and a profit after tax of SEK 20 billion, and the corporation is constantly growing while continuously developing new product lines (H&M, 2015b).

According to H&M (2015b), with a strong focus on quality, high profitability and sustainability, the group offers a wide range of fashion in each market with its main business in apparel targeted to women, men, teenagers and children. Accessories, footwear, home interior and cosmetics constitute further businesses the group operates in (H&M, 2015b). H&M is expanding all over the world with a growth target of 10-15 percent of additional stores located in the best commercial locations. To be flawlessly represented in those locations, the group leases store premises to stay flexible in the rapidly evolving market of fast fashion retailers (H&M, 2016d) and operates through online and catalogue sales as well as franchise in certain markets. Since H&M does not own factories, the variety of different products is manufactured through local production offices by around 850 independent suppliers, primarily in Europe and Asia, the group works closely together with on a long-term basis in order to ensure the quality of the products (H&M, 2015b). Indeed, quality is an essential topic in H&M’s business concept and philosophy as they strive for always exceeding customers’ expectations on quality while offering an “unbeatable value for money” (H&M, 2016b). H&M works hard to ensure a good quality of the products and puts much emphasis and promotion on good working conditions and less environmental impact (H&M, 2015b).

We chose H&M as the brand being researched based upon the assumption that it is a well-known and well-established brand that is globally recognised by a lot of people, especially Generation Y consumers. In the past, H&M already introduced different brand extensions vertically and horizontally, making it the ideal company to be studied with the purpose of applying existing theory to a real-life example.

4.1.2 Cosmetic Industry

The cosmetic market is worldwide booming and is showing a consistent growth at a steady pace in the recent years (L'Oréal, 2014). The beauty market is considered a stable industry not only as it is extremely resistant to various economic declines, but also due to the fact that it never lacks demand. Throughout the times of the Great Recession, the global consumer becomes particularly price conscious but never stops spending money on beauty products (Franchise Help, 2016). In general, the demand for cosmetic products has grown significantly in the past years, also due to the consumers' desire for a good appearance and feeling (iXPOS, 2015). In addition, the growth of the global cosmetic industry is partly driven by several opportunities. Organic products contribute increasingly to the continuous success. For several years, it has solely been a niche market, but with the rising demand of information regarding the global as well as personal benefits of organic products, growth can be recognised. Also, due to the large retiring population nowadays, cosmetic brands have a particular need for anti-ageing products. Also the male products are gaining more and more interest and are expected to positively affect the growth in the upcoming years (Franchise Help, 2016).

As already described in Chapter 1, the term 'Cosmetics' includes a wide range of products, from deodorant to toothpaste, with constantly new product developments (European Commission, 2015). With 35.3 percent of the global market, 'Skin Care' represents the largest of six categories (i.e. skin care, haircare, makeup, perfumes, hygiene products, and oral cosmetics) in the global cosmetics industry (Statista, 2016b). L'Oréal (2014) describes the cosmetic industry as a supply-driven market based on various innovations, efficacy as well as its quality.

With EUR 1.8 billion, Sweden had the tenth largest market volume of cosmetics and personal care in Europe in 2014 (Cosmetics Europe, 2015). In Sweden, the term 'Drugstore' is referred to as 'Pharmacy' since there are no typical drugstores existing as it is the case in many European countries, such as Germany (Euromonitor International, 2015b). Before 2009, the pharmacy system was ruled by a state-owned company, Apoteket AB. After the re-regulation in 2009, several private pharmacy companies entered the market (Hammar, Ohlson, Hanson & Petersson, 2015).

On the contrary, the main distribution channels for cosmetic products in Germany are drugstores. Drugstores account for 43.4 percent share of sales in the market of cosmetics and personal care, followed by perfumeries (18.3%) and the consumer market (15.4%) (IKW, 2015). Even the ranking of the gross revenue of the biggest European drugstore chains shows the high demand of drugstores: dm (EUR 6.9 million), Rossmann (EUR 6 million) and Müller (EUR 5.6 million) are dominating the German market, whereas solely the UK chain Alliance Boots has a higher gross revenue (LZ, 2013). Looking at the number of dm drugstores in Germany as well as abroad, a significant and solid increase can be observed within the past 20 years (dm-drogeriemarkt, 2014). This again supports the importance of drugstores in particular for the German market. The German cosmetic industry is the largest in Europe, with France close behind, followed by the UK and Italian market (iXPOS, 2015). Looking more closely, in 2014, the market for beauty and personal care accounted for EUR 14.4 billion total retail value.

4.2 Findings of Focus Group Discussions

Four focus group discussions had been conducted within three weeks in March 2016 at Jönköping University, Sweden and Frankfurt University, Germany. In total, 24 students (Bachelor and Master) participated. Further, only female participants between the age of 21-27 were invited. All focus groups lasted 58 minutes on average with a total of 232 minutes (3.87 hours).

The following table gives an overview of all four focus groups, which were conducted for our primary data collection.

Focus Group	Participants	Age	Occupation	Date	Location	Length
FG 1	7	21-27	Students	02.03.16	Jönköping, SE	59 min
FG 2	6	23-26	Students	03.03.16	Jönköping, SE	53 min
FG 3	5	21-23	Students	22.03.16	Frankfurt, DE	58min
FG 4	6	24-27	Students	22.03.16	Frankfurt, DE	62 min
Total	24	21-27	Students			232 min [3.87 hours]

Table 4-2 Overview Sample Selection

4.2.1 Focus Group 1

Quality Perception of the Extension Category

We started off the first focus group discussion by asking the participants which cleaning products they were most willing to purchase and why. Most participants mentioned Nivea, followed by Balea, L'Oréal and organic products in general. Their explanations differed partly from *"I would purchase Nivea since [...] my family has been using this brand for years"* – P4 to *"Balea due to the best value for money"* – P3 or *"I would lean towards organic products [...] since I would spend more money for facial products and thus, be on the save side to have a good quality"* – P2.

Subsequently, we continued by asking what quality means to them. The replies varied significantly. Some participants argued that packaging plays an essential role *"Packaging needs to be appealing to me"* – P2 and P4, whereas others claimed the smell to be of importance *"Definitely the smell [...] if the smell is neutral, no additional perfume is being used"* – P3 or the texture of the product *"Creams should not leave a greasy film"* – P1. However, one participant also stated that *"testing procedures and research"* – P5 play a significant role in terms of a product's quality. Moreover, P2 proclaimed that *"purchasing face cream in a pharmacy"* is for her an indicator of higher quality.

Further, Table 4-2-1 FG 1: Results Short-Survey Question 1 below shows the answers the participants gave in regard to the questions how they perceive the quality of the given six German cosmetic brands. Most people evaluated Lavera with the highest quality (mean value of 4.57/5), followed by Nivea and Dr. Hauschka. On the contrary, Isana scored the lowest with a mean of 2.86. Isana was also not positively mentioned, when we presented the facial cleaning products.

Lavera	Nivea	Dr. Hauschka	Eucerin	Balea	Isana
4.57	4.29	4.29	4.14	4	2.86

Table 4-2-1 FG 1: Results Short-Survey Question 1

In terms of the international ranking (Table 4-2-1 FG 1: Results Short-Survey Question 2) none of the brands were consistently ranked first with the best perceived quality. Therefore, the best ranked brands were Lavera, Dr. Hauschka, L'Oréal and Eucerin with a mean of the 3rd place out of 10. Nivea (4th/10) and Balea (5th/10) closely followed the brands with the perceived highest quality, whereas & Other Stories, H&M and ginatricot brought up the rear with the 8th ranking out of 10.

Lavera; Dr. Hauschka; L'Oréal; Eucerin	Nivea	Balea	Isana	& Other Stories; H&M; ginatricot
3 rd	4 th	5 th	7 th	8 th

Table 4-2-1 FG 1: Results Short-Survey Question 2

Quality Perception of the Parent Brand

When we asked how they perceived the quality of H&M, similar responses were given: *“Bad quality”* – P7, *“Not the best quality”* – P1, *“I associate it with a cheap brand, therefore it does not have the best quality”* – P6. One participant (P4) however argued that she could imagine H&M Jeans are produced in the same fabric as the Tommy Hilfiger Jeans, solely the price makes the difference. Nevertheless, despite the rather negative quality perception in regard to the Swedish fashion brand, the majority admitted to still purchase clothes there. P7 affirmed that by saying *“H&M follows the fast fashion trends and since me as a student I do not have the budget for premium-quality products, I still go to H&M even though I am aware of the lack of quality”*.

Quality Perception of the Brand Extension

The first impression, once we showed the pictures of the new H&M beauty line, were particularly positive. Some participants even compared the appearance/packaging of the H&M products with brands like Dior or luxurious French brands [P4 – *“L'Occitane”*]. *“The packaging is simple, nice and also elegant – could have been a product from Dior”* – P3. One person even said *“In general, I think the appearance of the H&M cosmetic products seems more of high-quality than the one from the clothes”* – P3. However, another participant argued that *“the H&M clothes also look much better than they actually are”* – P4, whereupon P1 said that is the reason why she would not purchase anything from the beauty line: *“With buying clothes of moderate quality you cannot do much wrong [...], but with cosmetic products, which you put in your face, you never know how you react to it”*. P2 had a more positive view towards it and said *“If I received samples, I would test it immediately, since it's appealing to me”*. In general, the conscious products received good feedback from the participants *“These products [conscious products] are particularly appealing to me; packaging-wise but also since organic ingredients were used”* – P6.

In regard to the question of cosmetic products in general and how that has an influence on the quality judgment of H&M products, numerous participants evaluated the value for money as an essential

component. Nevertheless, P7 also argued that *“experience with certain products is of high importance”*. According to P4, samples help her to decide which product to use, but also the description on the back, which states what can be improved once using this particular product – *“Thus, I prefer to have a wide range of products to choose from”*. P2 stated another aspect, by saying that *“H&M needs to increase its marketing for the beauty products, to trigger customers’ curiosity and to make them aware of it”*, since for her, marketing plays a crucial role when deciding which product to choose from.

Fit Perception of the Parent Brand and the Brand Extension

The graph below presents the evaluation of the fit perception of H&M and its beauty line according to the seven participants. Two participants explicitly said they perceive the *“cosmetic better than the parent brand”* – P2 and P3. However, the others gave similar responses such as *“For me H&M is rather medium quality and the cosmetic as well”* – P1 and P5, as well as P6 and P7, who rated the *“parent brand as medium, but the cosmetic even worse”*. Further, P4 proclaimed that she is lacking trust in the makeup *“I do not think H&M is that bad, but I am not 100% trusting the makeup”*. However, she (P4) also expressed a highly crucial comment by saying *“I believe the image of H&M is the reason why the beauty products are also perceived to be not of high quality”*.

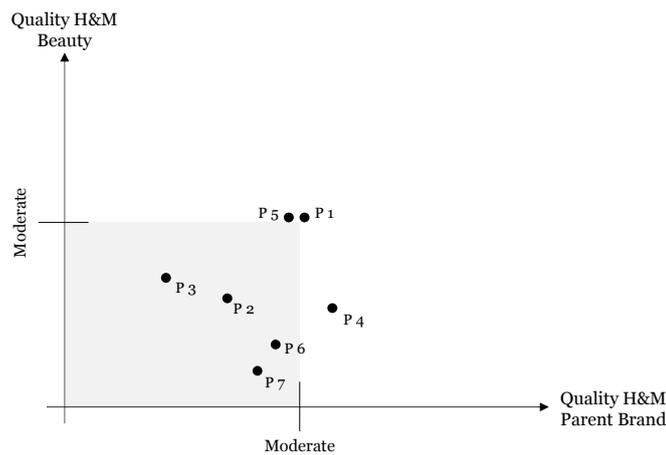


Figure 4-2-1 FG 1: Coordinate

Evaluation of the Brand Extension

Lastly, we asked about the overall assessment of the beauty products. The majority argued they believe a cosmetic company is putting more research to its products than an apparel brand such as H&M. P6 said *“I think [...] H&M is rather a follower in regard to the beauty line extension, since ginatricot launched one themselves”*. Furthermore, P7 proclaimed that she is highly influenced by drugstores, where she purchases all her cosmetic products *“I believe stores that are solely specialised in selling cosmetic products offer generally higher quality products”*. However, a few participants also stated that they would try some products. *“If the price is ok and the smell as well [not artificial], then I would buy a cream and start trying it”* – P4. P2 affirmed that by saying *“I would not try any face cream, but hand lotion, eye shadow or rouge definitely”*. One crucial argumentation occurred to the end. P5 said she finds it confusing that H&M launched its beauty line parallel to their main focus the apparel – *“H&M can never spend the same amount of money on their research, as*

companies which are specialised to do so”. P3 on the contrary contended “I believe H&M has a separate laboratory for that or rather a separate contract with a laboratory firm, thus I don’t think they are lacking research”. P1 affirmed “Especially since they are launching this beauty line worldwide, I think they are putting as much research in the products as possible. However, due to H&M’s image and the overload of the existing product variety, I still would not purchase H&M cosmetic products”.

4.2.2 Focus Group 2

Quality Perception of the Extension Category

The first question, which facial cleaning products the participants are most likely to purchase and why, revealed Lavera and Balea to be the most mentioned brand. The participants highlighted they favour organic products, such as Lavera and Dr. Hauschka but came to the conclusion that “because of monetary reasons I would purchase Lavera rather than Dr. Hauschka” – P12. Also P13 mentioned “I would prefer Dr. Hauschka [...] but because of monetary reasons I would tend to Lavera”. In addition, P8 highlighted her favour for organic products by saying “I would choose Lavera because I am very interested in companies that do not support animal testing”. P9, P10 and P11 chose Balea as their favoured brand – mainly due to the reason that it is cheap yet being of ‘good’ quality. As P11 says “I would purchase Balea [...] because I think the value for money is good” or “I would decide for Balea because I buy a lot of that brand so I know what I get, and it is low priced” – P9. For nearly all of the participants experience was also of importance “because my mother uses this” – P13 or “because I have some experience with this brand” – P8, P9, P11, P12.

When asking for the participants’ associations with quality and which product attributes they value as highly qualitative, additives in cosmetics such as “aluminium” – P10, “mineral oil” – P11 and “parabens and silicones” – P8 were considered to be indicators of bad quality. Moreover, for P9 it was important that “the brand is specialised in producing cosmetics, not like H&M or ginatricot that introduce beauty lines although their specialisation is apparel. This is what I associate with bad quality” – P9.

The results of the short-survey (Table 4-2-2 FG 2: Results Short-Survey Question 1) support these findings. Among the German cosmetic brands, Lavera was rated to be of high quality (mean value of 4.5/5), followed by Dr. Hauschka. Balea was rated more moderately, being of medium quality (mean value of 3.5/5), followed by Isana with the worst quality.

Lavera	Dr. Hauschka	Eucerin	Nivea	Balea	Isana
4.5	4.33	4	3.83	3.5	2.67

Table 4-2-2 FG 2: Results Short-Survey Question 1

In an international context, Lavera was ranked as the brand with the best quality (2nd/10) followed by Dr. Hauschka and Nivea (3rd/10). H&M (8th/10) and ginatricot and & Other Stories (9th/10) were ranked the lowest.

Lavera	Dr. Hauschka; Nivea	L'Oréal; Eucerin	Balea	Isana	H&M	ginatricot; & Other Stories
2 nd	3 rd	4 th	5 th	7 th	8 th	9 th

Table 4-2-2 FG 2: Results Short-Survey Question 2

Quality Perception of the Parent Brand

After introducing H&M as the researched brand, we asked for the participants' quality perception of H&M in general. Most of the participants agreed that they purchase H&M apparel although they consider H&M to be of lower quality. As P9 stated *"I buy H&M clothes because of the value for money but the quality is not that good disregarding the price"*. P10 affirmed this statement by saying that *"one can buy fashionable clothes for one season and then throw it away without remorse"*. Whereas P10 claimed to *"avoid buying everyday basic's"*, P13 on the contrary said *"I only buy H&M basic's while comparing H&M, Mango and Zara – everything is the same with regard to quality."* Only P8 stated not to buy any clothes of H&M: *"I quit purchasing H&M apparel because ever since I dealt with the broader term of sustainability, I decided to not support this brand anymore."* However, she also argued that *"the quality got worse since the time I used to shop at H&M and the mass-production is bothering me."* – P8.

Quality Perception of the Brand Extension

When presenting the pictures of the new H&M beauty line, nearly all participants were surprised, mentioning *"At the first impression the products/the packages look quite good"* – P11 or *"If the products had not been labelled as 'H&M' I would have wanted to know more"* – P10. In general, the products received good feedback with regard to their packaging and first impression. However, the quality perception was rather moderate, supported by statements such as *"I do not believe that the ingredients are as good as claimed"* – P11 and *"I automatically associate something bad with it even though it looks nice"* – P10 or *"With the H&M apparel I associate cheap clothes and that is what I transfer to the beauty products"* – P9. The latter was affirmed by mutual agreement and P13 saying *"That is not what H&M is for"*. Moreover, all participants agreed upon the fact that the more colourful beauty products do not appeal to them at all, also due to the fact of the lack of information (*"This one with the pink bottles does not address me at all"* and *"There is too little information on it and that bothers me"* – P10). However, among all participants, one product was found to be worth buying at H&M: *"I never bought anything else than nail polish"* – P10 or *"Nail polish is okay, but anything else not"* – P13 and *"You can never have enough nail polish"* – P10. One aspect brought to discussion was the lack of awareness: *"I did not know that H&M offers so many beauty products until I saw them here"* – P9, which was approved by all participants.

With regard to the question in what way they are influenced by the German beauty industry and their purchasing behaviour, P9 stated that *"this only influences me due to practical reasons, because I would not buy any cosmetics at H&M since dm or Rossmann offer everything at once"*. P10 affirmed this mentioning that *"those things are spontaneous purchases or when I want to buy something for carnival."*

Fit Perception of the Parent Brand and the Brand Extension

The following graph shows the participants' rating of both the quality perception of H&M and the beauty line. The majority of the participants rated the quality of the parent brand higher than the quality of the brand extension mentioning that *“the quality of the H&M apparel is slightly better than the quality of the cosmetic products”* – P9 and P13, or *“in comparison to the beauty products, I think the quality of the clothes is better”* – P8 and P11. Also P12 claimed *“that the quality of the apparel is bad [...] and also the cosmetics are not convincing”*. Being more critical, P10 mentioned that she *“would rate them [cosmetic products] even worse. Indeed, I do not have any experience but H&M should concentrate to produce proper apparel instead of innovating something new.”*

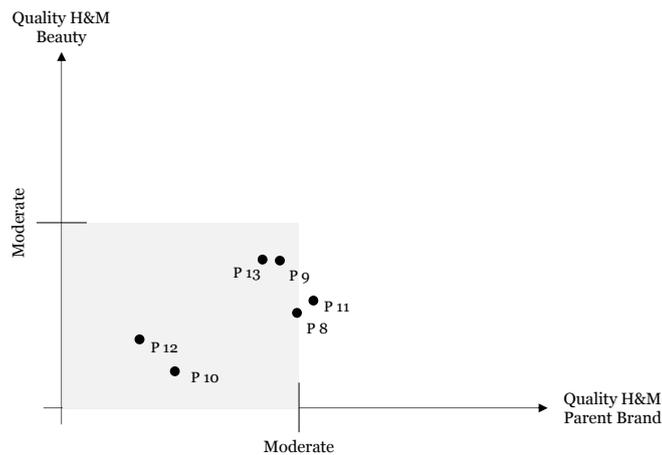


Figure 4-2-2 FG 2: Coordinate

Evaluation of the Brand Extension

The answers to the last question whether the participants would actually buy the new beauty line or try them, differed with regard to the type of beauty product. P10 mentioned that she *“would buy a lipstick but no shampoo or facial cleaning products – and only on occasion”*. P11, P12 and P13 agreed upon this and added that they *“would purchase nail polish”* but no makeup (P12). Only P9 said that she *“would not even buy H&M nail polish”* and further, that she *“would not try anything at all because I associate it with bad quality”* – P9. Even though she admitted that the products looked appealing to her. Concluding, P11 stated that *“when I think of H&M I think that they address a more younger target group. Because I think they are more spontaneous”*, which found general support from all participants.

4.2.3 Focus Group 3

Quality Perception of the Extension Category

Question 1 about the facial cleaning products was answered rather differently among the participants of the third focus group discussion. P18 argued that if she chose one, which she would not have to buy herself, she would go with *“Dr. Hauschka, since it looks like premium-quality and thus I would automatically think it is the best for my skin”*. However, she also said that *“if I had to buy it myself, Nivea would be my preference, since it is pricewise ok and I have good experience with this brand”* – P18. P16 agreed to that by stating that *“all my beauty products are from Nivea; therefore, I would choose it as well”*. Lavera was also mentioned by two participants. P14 and P15 claimed they would purchase Lavera *“since it is an organic product, which I prefer”* – P14 and it is also *“reasonably priced”*, according to P15. Nevertheless, P15 also argued that she likes the brand Balea as well, *“since it is known for not making use of any form of animal testing and it is particularly inexpensive”*. P17 said she sticks to L’Oréal: *“I am actually using this exact product”*.

When we asked the group what they relate to quality or in general, which attributes they believe to be of importance in regard to a product’s quality, two participants immediately said *“No animal testing and possibly organic products or at least little amount of additives”* – P14 and P15. P15 continued by mentioning value for money as a quality cue, but also *“for instance, makeup should last awhile and should not simply disappear from your face after a few hours”*. Also the smell was considered to be an indicator for quality. P16 stated that *“I would not purchase a product, which smells super artificially but rather prefer a neutral smell”*. P17 agreed to the aforementioned by saying *“If I put a cream on, I do not want to smell like raspberry”*. In terms of the price, the participants almost unanimously stated that they would not always buy the cheapest products as sometimes it could be an indicator for lower quality. Nevertheless, all participants distinguished between shower gel *“[...] could also cost only a few cents, I would not mind there”* – P17 and for instance creams, which one puts in their face *“I would not choose the cheapest”* – P16. For makeup, the majority of the participants unanimously said that *“the more expensive the makeup, the better it is”* – P16, P17, P18. Further, it was mentioned that quality also means that a certain product keeps its promise *“If I need an anti-frizz shampoo and after drying my hair, it looks shitty again, then the shampoo particularly lacks quality to me”* – P18.

The table below demonstrates the participants’ evaluation of the given cosmetic brands. Dr. Hauschka (5/5) and Lavera (4.8/5) were scored with the best mean result. Isana had the lowest score (3/5) and was also not considered as a product one of the participants would purchase.

Dr. Hauschka	Lavera	Eucerin	Balea	Nivea	Isana
5	4.8	4.2	4	4	3

Table 4-2-3 FG 3: Results Short-Survey Question 1

The second table reflects the identical results from Table 4-2-3 FG 3: Results Short-Survey Question 1, solely in a ranking format. Since none of the brands were consistently ranked first with the best perceived quality, the organic brands (Lavera and Dr. Hauschka) scored the best with a mean 2nd ranking (2nd/10), followed by Nivea (3rd/10). & Other Stories and H&M (8th/10) and ginatricot (10th/10) had the lowest mean value and were ranked accordingly.

Lavera; Dr. Hauschka	Nivea	Eucerin; L'Oréal	Balea	Isana	ginatricot	& Other Stories; H&M
2 nd	3 rd	4 th	5 th	7 th	8 th	10 th

Table 4-2-3 FG 3: Results Short-Survey Question 2

Quality Perception of the Parent Brand

Subsequently, we revealed H&M as our main focus during the research and asked how they perceive the quality of the Swedish brand in general. All participants agreed that the quality of H&M is not the best *“I consider the quality, in regard to the clothes, as not particularly good”* – P16. P17 affirmed that *“it is not the worst, but rather medium quality”*. As several people admitted, so did P18 *“Despite the fact of the lack of quality, I still buy clothes there”*. P14 stated that she buys a lot at H&M, due to monetary reasons, but she also says that *“since the clothes are rather cheap, I am ok if the material is not the best and rips after a certain time or whatsoever”* – P14. One participant also expressed that since the fashion trends are constantly changing, *“I do not think it is too bad that the quality is solely moderate”* – P17.

Quality Perception of the Brand Extension

After presenting the pictures of the products of the new H&M beauty line, all participants seemed surprised and described the products with adjectives like *“premium”* – P15, *“appealing”* – P16, *“pretty”* – P17. Some participants immediately drew a connection to luxurious brands, due to the appealing packaging. *“The lipstick could have been also from Dior”* – P16. One participant also stated that the makeup had a better appearance than the clothes *“If I buy a blouse at H&M it sometimes might already have little holes in it, whereas the packaging of the makeup looks much more high quality”* – P15.

However, P14 on the contrary believed that the clothes are better in terms of its quality than the makeup. *“H&M is specialised in producing clothing but not cosmetic products, I think they probably lack the research for it”* – P14. Further, a comment was made in regard to the appealing packing *“If it did not say H&M on it, I would probably buy it”* – P17, but she also said that this is exactly the issue: *“Because it says H&M, I would not purchase it, since I do not connect H&M with cosmetics”*. P15 affirmed it by saying *“I must say it almost irritates me that it says H&M on it”*. In the end, P16 gave a statement, when she said *“I would not buy any beauty products, due to the prejudice, that H&M's quality is not the best”*.

Concerning the subsequent question of cosmetic products in general and how that has an influence on the quality judgment of H&M products, the physical environment of purchase was considered of importance. The participants argued the H&M stores were not appealing to purchase beauty products. *“H&M stores are duller and darker”* – P14, whereas for instance drugstores are using

“lighter light and structuring their shelves in a more appealing way” – P16. It was also mentioned that if the cosmetic products were handled the same way like the clothes, it will quickly look messy: *“The packaging will be ripped”* – P18. Moreover, one participant proclaimed that she favours stores with a capable saleswoman to help her decide on a particular product. *“In particular, if I buy cosmetic products, I want to be aware of the ingredients and so on”* – P18.

Fit Perception of the Parent Brand and the Brand Extension

When the participants were asked to put their crosses in the graph below, the majority believed the parent brand to be better, than the beauty line (four out of five participants). *“I have never really been super enthusiastic about the clothes; however, I am absolutely not convinced about the cosmetic products”* – P16. P18 agreed with the other participants, but also argued that she would never purchase anything from the beauty line *“I would rather buy cheap brands at a drugstore, than cosmetics at H&M”*. The other two had similar opinions *“I would rate the parent brand as moderate quality and the extension worse”* P14 and P17. P15 was the only one rating H&M and the cosmetic products with similar quality.

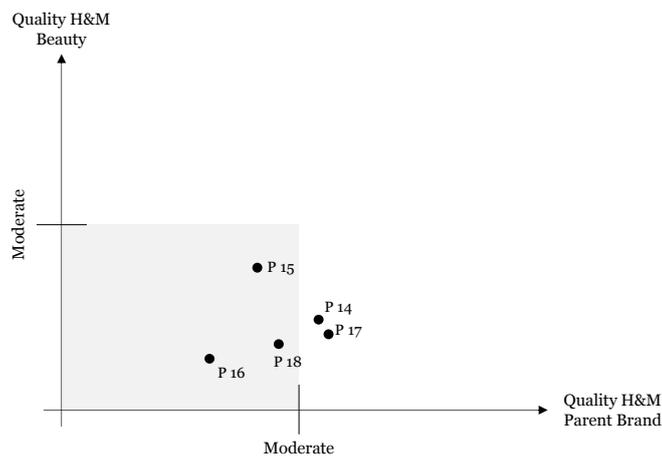


Figure 4-2-3 FG 3: Coordinate

Evaluation of the Brand Extension

The last question asked for the general evaluation of the new H&M beauty line. All five participants concordantly said they would not purchase any cosmetic products from H&M. One stated *“Maybe I would buy nail polish, but for sure nothing for the face”* – P16. Thereupon, P15 claimed that *“maybe I would smell the product first, so see if it smells super artificial, but still I do not think I would buy something”*. P17 mentioned that despite the fact that the packaging is particularly appealing, she still has in the back of her mind *“H&M and drugstores do not go well together”*. To conclude, the overall opinion concerning if they would consider buying something of the new beauty line, was rather negative.

4.2.4 Focus Group 4

Quality Perception of the Extension Category

The participants of the last focus group discussion consistently answered that they buy their cosmetic products at certain stores, such as pharmacies. P24 said *“I would tend to choose Eucerin because I have a very sensitive skin [...] and that is why all of the other products are not appealing to me”*. This statement was supported by P23 who said that she only buys *“cosmetics, which are approved by dermatologists and produced by brands that are specialised in doing so”*. Also P20 supported this by stating that *“I value products recommended by my dermatologist”*. Further, conscious and natural beauty products without any additives were highlighted (P20). Thus, most of the participants would not choose a product from the pictures presented. P19 and P23 emphasised on this matter by saying that they would not buy anything *“from H&M and ginatricot since they are brands not specialised in producing cosmetics”*.

As indicators of quality, smell was considered to be important. As P19 stated *“Little perfumed, that is what I value”*, or *“No additives [...] because this can irritate. And no perfumed cosmetics”* – P24. Price was also an issue discussed: *“I do not think that price is an indicator for high quality”* – P20 and *“I also look out for prices, because for cosmetics you can spend hundreds of Euros and at the end, you have a tiny box of cream”* – P19. In contrast, P24 argued that *“it depends on the product. For example, face cream should be high-quality. But with mascara – it is something different”*. This statement was fostered by P19 and P20 saying *“With nail polish it is the same”*. On the other hand, P22 emphasised on the purpose of the product: *“If the product serves the purpose, I buy it. Then I do not care if it is expensive or cheap or if there are any additives in it”*. Experience and seals of quality were also considered as an important factor when talking about quality. As P19 stated *“I value experience. If my mom likes it then I am more likely to buy it. And also Stiftung Warentest or Ökotest [seals of quality] show that the product is reliable”*.

The results of the short-survey (Table 4-2-4 FG 4: Results Short-Survey Question 1) support these findings. Among the German cosmetics brands, Eucerin was rated to be of high quality (4.83/5), followed by Dr. Hauschka (4/5) and Lavera (3.83/5) – two brands known for their natural products.

Eucerin	Dr. Hauschka	Lavera	Nivea	Balea	Isana
4.83	4	3.83	3.83	3.83	3.33

Table 4-2-4 FG 4: Results Short-Survey Question 1

In the international comparison, Eucerin was ranked as the brand with the best quality (3rd/10) followed by L’Oréal (4th/10). H&M and ginatricot (8th/10) as well as & Other Stories (9th/10) were ranked the lowest.

Eucerin	L’Oréal	Lavera; Dr. Hauschka; Nivea	Isana; Balea	H&M; ginatricot	& Other Stories
3 rd	4 th	5 th	6 th	8 th	9 th

Table 4-2-4 FG 4: Results Short-Survey Question 2

Quality Perception of the Parent Brand

When asking for the quality perception of H&M in general, most participants revealed that they purchase basics when shopping at H&M yet contemplating a moderate quality: *“For me, H&M is a store where I buy basics. Those are cheap and affordable”* – P24, and *“One indeed recognises the bad quality of the apparel. That is why you only buy basics there because you do not want to spend that much money”* – P22 or *“H&M’s quality is not that good. But for the basics it is okay”* – P20. Value for money was highlighted in this regard (P24 and P19). Furthermore, mass production served as an indicator for bad quality *“[...] H&M is mass production and that is why the quality goes down the drain”* – P23 and *“This cannot be good quality when producing in masse, how can you otherwise keep the prices low”* – P19. Only P21 mentioned that she discovered differences in quality of H&M apparel *“The clothes of the Conscious selection, they are more expensive, and I assume them to be of higher quality”*.

Quality Perception of the Brand Extension

After showing the pictures of the new beauty line, P21 declared *“When you do not think about the label ‘H&M’, the packaging is quite appealing to me. I like simple designed products and [...] I would have a closer look at them”*. Also P24 stated that the products give a high-quality impression particular if ‘H&M’ as a label would be removed. In addition, she mentioned that the products seem to be heavily imitated *“They look a bit like Chanel or Dior and thus, they are very appealing because you associate them with high-class products”* – P24. This statement was supported by all participants. P22 argued that she would also take a closer look at the products at first sight, but *“[...] H&M beauty products often are already opened – and this also speaks for their quality”*. P20 added that she *“would transfer the bad quality of the H&M apparel to the cosmetic products”*. This was also affirmed by P22 saying *“I think that is the problem. That one is biased based on the apparel [...] and transfers this to the new beauty line”*. P19 and P23 viewed the products more differentiated: *“These colourful bottles and nail polishes look like mass production while the makeups and lipsticks look noble”* – P19 and *“The colourful bottles perfectly match H&M’s image. However, those conscious products seem more premium because they also remind me of Bodyshop”* – P23. With regard to the conscious products P19 countered *“For me, this is fake. H&M is not sustainable and does not act sustainable even though they pretend to do so. And that is what I project onto the cosmetic products”*.

Fit Perception of the Parent Brand and the Brand Extension

When putting their cross in the coordinate, five out of six participants rated the quality of the parent brand higher than the quality of the extension: *“For me, the clothes have a better image [...] and I associate H&M with clothes and not with makeup”* – P20, *“Because H&M is not a beauty brand I suppose the quality of the cosmetics to be worse than the quality of the apparel”* – P21, *“I think H&M is better in producing apparel than in producing cosmetics”* – P23 or *“I would rate the cosmetics low because I do not have experience with it [...] and the apparel in the middle”* – P22. P24 was even more critical mentioning that she *“would never buy any H&M cosmetics even if it turned out to be the last store on earth [...] because H&M has little to do with it”*.

On the other hand, one participant stated that for her, “*there is no difference, why should the quality be different – H&M is H&M*” – P19.

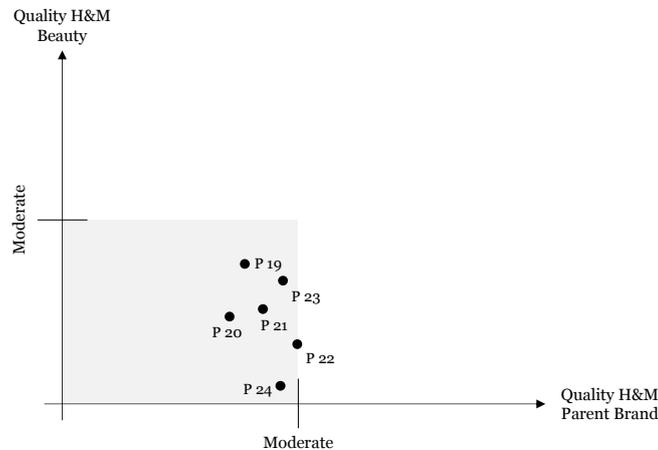


Figure 4-2-4 FG 4: Coordinate

Evaluation of the Brand Extension

The last question whether the participants would buy H&M cosmetics if someone would give them for free and how they in summary rate the products revealed differing answers. P21 revealed that she “*would probably buy some products if I was fully convinced and positively surprised*” which was also supported by P22 who added “[...] *in comparison to the products I usually use*”. P23 replied that “*it depends on the product – nail polish yes but anything else, e.g. face cream, no*”. P19 and P24 stated that they would not buy H&M cosmetics: “*It would be too much effort to go to H&M to buy cosmetics which I also get at dm where I also get anything else at once*” – P19 and “*I would even throw away the samples*” – P24.

Overall, the H&M cosmetic products were described as ‘purchases-by-accident’ (P24) and considered to address a younger target group “*I think the H&M beauty products would be suitable for younger people. First, because of the price and second, because of their eagerness to experiment*” – P24. Concluding, P21 described the fashion and beauty industry as non-transparent: “*Of course you assume that expensive brands are of higher quality. But to be honest, in the end no one can guarantee you anything*”.

4.3 Summary – Empirical Findings

Among all focus group discussions, homogeneous findings in each of the categories emerged, which can also be found in the overview spreadsheet (Appendix 5). Differences between the focus groups could only be revealed slightly. For example, focus groups 1-3 emphasised cosmetic-specialised brands, whereas focus group 4 attached most importance to products approved by dermatologists. As this research’s nature aims at drawing an overall picture, we put the main focus of the analysis on a common understanding of each category affecting each other and consequently, the overall brand extension evaluation.

The quality perception of the extension's category (German cosmetic industry) was found to be of high quality as most of the participants valued organic cosmetic products or products approved or launched by specialists. Overall, specialisation, experience and no additives were the major themes related to high quality. In contrast, the quality perception of H&M as the parent brand was rather moderate. However, almost all participants agreed to still purchase H&M apparel (mainly basic's) because of the value for money. The overall quality perception of the H&M cosmetic products was positive at first sight. After they revealed their first impressions, all participants agreed upon the fact that this is not what H&M is known for and the quality was rated low. Those findings led to a differing fit perception between H&M and the new beauty line as all participants stated that they do not associate H&M with cosmetic products. The overall evaluation of the brand extension revealed that the participants made different evaluations in different product categories (nail polish vs. makeup). Even though some participants would try certain products, the overall opinion was that those products are purchase-by-accident and targeting a younger market.

The table below summarises the major findings for each category.

Category	Findings
Quality Perception of the Extension Category	<ul style="list-style-type: none"> • In general, high quality expectations • Major themes: specialisation, experience, no additives, organic
Quality Perception of the Parent Brand	<ul style="list-style-type: none"> • H&M apparel is purchased because of the value for money • Moderate to low quality perception
Quality Perception of the Brand Extension	<ul style="list-style-type: none"> • First impression was positive • Once brought in connection with H&M, negative perception
Fit Perception of the Parent Brand and the Extension's Category	<ul style="list-style-type: none"> • Low association with each other resulting in lack of trust of the brand extension
Evaluation of the Brand Extension	<ul style="list-style-type: none"> • Differences in product categories (nail polish vs. makeup) • Purchase-by-accident

Table 4-3 Summary Empirical Findings

5 Analysis

The sections below provide an analysis of each of the categories based on the empirical findings of Chapter 4 and the theory presented in Chapter 2. In the last section (Section 5.5), we apply the analysis to the proposed conceptual model of Section 2.4 with the purpose of modifying and developing it.

5.1 Quality Attributes Associated with the German Cosmetic Industry

As discussed in the existing literature presented in Chapter 2, consumers form their knowledge about a brand extension based on their beliefs about the parent brand and the extension's category in order to come to one conclusion, also referred to as an inference process (Sheinin, 1998). The empirical findings presented in Chapter 4 indicate clearly that both H&M as the parent brand and the German cosmetic industry are sources of knowledge formation.

A broad statement of a product's quality is a crucial and particularly challenging matter (Zeithaml, 1988). We assume quality to be differential among consumers' perception but also among various product categories. This statement was also confirmed by the research as the participants' answers varied remarkably in regard to defining quality. According to Garvin's (1987) eight quality dimensions "performance, features, reliability, conformance, durability, serviceability, aesthetics, and perceived quality (i.e. image)" (p. 104), we analysed the participants' responses. A variety of attributes were mentioned during the research and endorse Garvin's point of view. In particular, the product's features (e.g. smell, texture) were considered to be of great importance for the participants. Further, the reliability, e.g. if a product serves its purpose, as well as the performance, such as seals of quality, were crucial components for the participants when they defined quality. Thus, we conclude that quality is not solely based on one feature but is rather a combination of numerous attributes.

All of the participants chose cosmetic-specialised brands (question 1 and short-survey), more specifically Lavera and Dr. Hauschka as 'natural' beauty brands. Thus, we deduce that the participants' beliefs about the new beauty line are heavily dependent on their attitude towards the German cosmetic industry. The term 'Quality' is being perceived as highly essential with regard to the German cosmetic industry as it has acquired an excellent reputation (iXPOS, 2015). Thus, we assume that there is also the potential for significant performance risks that go along with the nature of the extension's category (DelVecchio & Smith, 2005). All participants declared doubts regarding H&M as a cosmetics producing company lacking research knowledge, e.g. "[...] but with cosmetic products, which you put on your face, you never know how you react to it" – P1. This was enforced by the majority of the participants stating that they only trust cosmetics approved by dermatologists and produced by specialised brands because the risk for intolerance would be too high. However, what is most important is that different views of 'Quality' in the German cosmetic industry play a vital role in the extension's evaluation. For instance, all focus groups showed that there are great variances between cosmetics products, also in terms of perceived risks. For example, nail polish or hand lotion were rather favoured than face cream or makeup. This is in accordance to DelVecchio and Smith (2005) who take up the position that a negative evaluation is linked to the degree of quality

variance in the product category. Thus, we argue that consumers make different product evaluations across product categories according to the perceived risk of the purchase. This further leads to the presumption that the products within one category can be split into high-risk products (e.g. makeup and face cream) and low-risk products (e.g. nail polish or hand lotion).

As stated by Han (1990) and Iversen and Hem (2011), country of origin is a cue for quality which can have a significant influence on a brand's image. We do not negate this statement in general, however, in the course of the present research, it was found to be of lesser importance. Rather, the participants valued experience and the brand's specialisation as more crucial (*"I value experience. If my mum likes it then I am more likely to buy it."* – P19).

5.2 Quality Attributes Associated with H&M

As stated by Choi *et al.* (2010), the parent brand's quality perception plays a highly essential role when it comes to a brand's evaluation. Nevertheless, the perception among the participants was not always consistent with the brand's own quality perception. H&M itself attaches great importance to good quality and high profitability with a strong focus on sustainability along its broad product range. To ensure this, H&M emphasises good working conditions and less environmental impact (H&M, 2015b). However, when looking at the findings from the focus groups, we recognised a consistent poor quality assessment of H&M as a parent brand among the majority of the participants. Despite the rather negative quality perception, participants however admitted to purchasing apparel at H&M. This phenomenon is slightly contradicting with Farquhar's (1989) point of view. He argues that consumers' perception of a brand's quality is a crucial basis for any strong brand, since it contributes to growth in sales but also increases the trust among its consumers. Nevertheless, as the participants stated, the reason for still purchasing apparel at H&M, regardless of the lack of quality, is due to the value for money and the fact that they are college students (*"Since the clothes are rather cheap, I am ok if the material is not the best"* – P14). Thus, we agree, as long as the consumer is aware of a rather moderate quality, they are more willing to accept it since the value for money played an essential role in the participants' arguments. It seems like the focus group participants were aware of, and fine with, H&M's lower perceived quality, but only related to apparel; acceptance of a lower quality product was not transferred to the extension beauty products. Based on the above, a broad variety of attributes concerning the quality of H&M was mentioned. Consequently, the parent brand quality perception serves as the foundation for the extensions evaluation. This is confirmed by Aaker and Keller (1990), who explain that the perceived quality of the parent brand is simply transferred to the brand extension.

5.3 Fit Perception of H&M and its Beauty Line Extension

H&M's quality perception of apparel was rather low according to the focus group participants. According to them, the perception of low quality was also accompanied by concerns over mass production and due to the fact that the clothes are not produced in a sustainable manor. Given this perception, the participants accepted and purchased the low quality clothes because they were less

expensive. Thus, it can be concluded that in regard to the apparel, the participants were not particularly sustainable or in general, were not truly favouring organic clothes. Whereas in terms of cosmetic products, the participants unanimously agreed on high-quality products, preferably organic products or with a little amount of additives. Therefore, we draw the conclusion, the more intimate it gets (from clothes to cosmetic), the most conscious the consumer becomes.

In regard to the quality perception of the brand extension, the first impression of the participants was rather positive (e.g. *“I think the appearance of the H&M cosmetic products seems more of high-quality than the one from the clothes”* – P3). Some participants even compared the appearance and the packaging of the cosmetics with luxurious brands such as Chanel or Dior. However, in connection with H&M as the parent brand, the responses drastically changed. The majority of the focus group participants made it clear that if the products had not been labelled as ‘H&M’, they would have wanted to know more.

Perceived fit combines the gap between the brand associations and the recent product evaluation and thus, is considered to be a crucial element in the assessment process of a new brand extension (Salinas & Pérez, 2008). H&M, as a well-known brand with a well-established recognition worldwide, forms a certain image in every consumer's mind. This perception makes it particularly demanding for the extension's category to fit into their established image of apparel products. This was confirmed during our research when several participants argued that H&M does not fit with cosmetics (*“H&M is specialised in producing clothing but not cosmetic products”* – P14). Among all participants, H&M was not seen as a cosmetic-specialised brand and should therefore, concentrate to produce proper apparel. This indication was also supported by the second question of the short-survey, which asked for a quality ranking of different brands selling cosmetics. The results demonstrate that H&M was ranked the worst throughout all focus group discussions. Czellar (2003) and Chowdhury (2007) slightly affirm that by saying that perceived fit is based on the shared associations among parent brand and extension's product category. Nevertheless, if there is a lack of shared attributes like in our case, the fit is also not existing.

We deduce that the participants' beliefs about the new beauty line are heavily depending on the perceived fit between the German cosmetic industry and H&M as the parent brand, which was indeed very low. It can be assumed that this fit is of utmost importance when evaluating the brand extension. This is in line with Völckner and Sattler's (2006) point of view that a brand extension's success is determined by the perceived fit between the parent brand and the extension's category rather than on the parent brand quality alone as stated by Meyvis *et al.* (2012). Even though H&M is globally considered as a strong brand in terms of its image and degree of brand awareness, it cannot force the success of the brand extension exclusively. Thus, Meyvis' *et al.* (2012) argument that extension preferences are shifted from better-fitting brands to higher-quality brands cannot be proven within the current research.

However, due to the prejudice of the parent brand, it makes it difficult to have a neutral opinion towards the extension since opinions are always subjective. Aaker and Keller (1990), as well as Bhat and Reddy (2001), describe this phenomenon based on the categorisation theory. This theory states that the perceived quality of the parent brand is simply transferred to the brand extension (e.g. *“I*

*believe the image of H&M is the reason why the beauty products are also perceived to be not of high quality” – P4). P22 affirmed this by saying the issue is that one is biased based on the apparel and transfers this to the new beauty line. Salinas and Pérez (2008) mention this as well, by stating that a higher fit among the parent brand and the extension will most likely have a positive belief on the brand extension itself. Furthermore, if the fit is unsuitable, the brand extension may lack its credibility and may be referred to as ridiculous (Aaker & Keller, 1990). This was confirmed by our research, as one participant clearly explained she lacks trust in H&M makeup. Kirmani *et al.* (1999) explain that consumers tend to mistrust once the category extension is non-related to the parent brand, which supports our findings.*

In general, the major difference in quality perception of the parent brand and the extension category is that the parent brand was perceived to have a rather moderate quality for apparel. This lower quality of the parent brand apparel however, was accepted due to its value for money, whereas on the contrary, for the extension category of cosmetics, quality was rated as much more crucial. The participants were also more willing to spend more money on cosmetics as well as organic products. Nevertheless, despite the good first impression, once the beauty line was brought in connection with the parent brand, the lack of fit diminished the transfer of positive attributes and aroused undesirable associations (Aaker & Keller, 1990; Salinas & Pérez, 2008).

5.4 Summary – Evaluation of the Beauty Line Extension

The above analyses of the different categories (Sections 5.1-5.3) in conjunction with the existing body of literature show that in general, a brand extension is assessed favourably when it transfers positive attitudes of the original brand to the brand extension (Aaker & Keller, 1990; Bhat & Reddy, 2001; Czellar, 2003). However, vice versa it can be argued that in case negative attitudes are transferred to the brand extension, it is diluted. This is evaluated within the following paragraphs. Further, the spreadsheet in Appendix 5 serves as an additional overview of the findings brought in connection with the existing theory and as clarification/simplification for the following part.

Section 5.2 demonstrates that the perceived quality of the parent brand is an essential component when evaluating a brand extension (Chowdhury, 2007). As all of this research’s participants stated, H&M’s quality plays an important role when they think about evaluating the new beauty line because they transfer the low quality of the H&M apparel to the cosmetic products. This also serves as an indicator for a knowledge formation based upon the parent brand’s quality (Sheinin, 1998). Thus, we argue that H&M’s rather moderate quality perception is indeed a factor in evaluating the new beauty line extension negatively. The majority of the participants stated that they associate H&M with low quality and would not try any of the cosmetic products. However, this statement is truly not ultimate because an overall judgement is not only dependent on the parent brand’s quality.

As Sheinin (1998) and Czellar (2003) state, not only the parent brand’s quality is vital but also the extension’s category. Section 5.1 illustrates that a new extension is assessed based upon both the knowledge about the parent brand together with the knowledge of the extension’s category (Czellar, 2003). All participants were familiar with H&M as the parent brand and thus, had established a

certain attitude in terms of their quality perception. The prejudice of quality perception also accounts for the participants' attitude towards the German cosmetic industry. Thus, Sheinin's (1998) and Czellar's (2003) arguments for evaluation in case one of them (i.e. parent brand and category) is unknown (please refer to Section 2.1.2), could not explicitly be investigated within the current study. However, it was found that both play an essential part in the evaluation process and this implicitly indicates that the author's arguments for an unknown parent brand or category can be affirmed.

Taking German consumers' perceptions of the cosmetic industry into account, we contend that this perception negatively influences them in evaluating H&M's beauty line. A major statement throughout all focus groups was that it would be too much effort to go to H&M to buy cosmetics, which are also available at drugstores. Indeed, the German cosmetic market offers a variety of drugstores where one can buy everything at once. Moreover, the quality perception of the German cosmetic industry is on a very high level as most of the participants claimed that they associate high quality with cosmetic-specialised stores and brands. This leads to the next category, i.e. perceived fit, we have to take into account when understanding an overall extension evaluation. We believe that it was not only important to take a look at the parent brand's perceived quality and the extension's category separately. Rather, we are of the opinion that the fit between them is a crucial part of the evaluation process.

Section 5.3 analyses the perceived fit between the parent brand and the extension's category. As it was exposed, the fit between H&M as an apparel-producing brand and the extension's category (cosmetics) was found to be rather negative. Most of the participants argued that they do not associate H&M with cosmetics ("*H&M and drugstores do not go well together*" – P17). Thus, it can be argued that this lack of perceived fit has a negative influence on the overall extension's evaluation (Aaker & Keller, 1990; Boush & Loken, 1991; Bhat & Reddy, 2001).

Taking these statements into account, we conclude that the associations or beliefs with H&M, the German cosmetic industry and the fit between both are certainly linked to the overall negative evaluation of its beauty line extension (Aaker & Keller, 1990; Czellar, 2003; Choi *et al.*, 2010). However, as Broniarczyk and Alba (1994) state, not only parent brand affect and perceived fit play a significant role in an extension's evaluation, rather brand-specific characteristics and associations are valued more as long as they are also desired for the brand extension. Applying this statement to the empirical findings of Chapter 4, it can be reasoned that there occurred controversial associations with H&M and its new beauty line. As the findings clearly indicate, associations with H&M as being of low quality yet offering a good value for money in terms of its basic products are not favourable for its beauty products. Certainly, due to the fact that the sample consisted of students, most of them also mentioned value for money in a cosmetic industry context. Nevertheless, the major conclusion is that high quality of cosmetics was greatly preferred. Thus, in the course of the present research, associations with H&M as the parent brand are not favoured for its beauty line. This is also in line with Aaker and Keller (1990) who state that a specific association that has been highly valued for the parent brand may not be favourable in the context of its extension.

Lastly, we want to pay attention to the “reciprocal effect of brand extension” (Czellar, 2003, p. 110). As Czellar (2003) argues, the original attitude towards the parent brand or the extension’s category can change depending on the attitude towards the extension. As a consequence, dilution or enhancement of the parent brand or the extension’s category can result. Applying this theory to our findings reveals that the negative perception of the beauty line does not imply a negative attitude towards H&M. One can argue that this might be because of H&M’s strong brand image, which can be supported by statements, such as “*Despite the fact of the lack of quality, I still buy clothes there*” – P18. Consumers are indeed aware of the fact that H&M sells apparel of rather moderate quality yet purchasing it frequently. Therefore, we assume that in this particular industry, consumers are more likely to accept a modest quality than in the cosmetic industry, which is considerably evaluated in terms of its quality. Therefore, we assume that the negatively perceived beauty line leads neither to a dilution of the parent brand nor to an enhancement. Taking a look at the German cosmetic industry, we found that all participants heavily valued a high quality of cosmetic products in general and consequently, evaluated the beauty line negatively. Thus, we contend that consumers may feel strengthened and confirmed in their original attitude towards the German cosmetic industry leading to an even stronger sensitivity towards it.

5.5 Revised Conceptual Model

Relating back to the proposed conceptual model in Section 2.4, where two theoretical constructs (i.e. Aaker & Keller, 1990 and Czellar, 2003) are combined, we applied this model in conjunction with the theoretical framework to the empirical findings of Chapter 4. As the analysis shows, there were some modifications to be made.

Overall, the propositions made in Section 2.4 can be supported and the related descriptions displayed in a black manner. Both perceived quality of H&M, as well as perceived quality of the German cosmetic industry, differed heavily resulting in a lack of perceived fit between the parent brand and the extension’s category. Whereas H&M’s apparel quality was perceived as being moderate, high quality of cosmetic products, in general, was greatly valued. This contradictory fit negatively influenced the perceived quality of the brand extension. Due to the fact that H&M was rated low in terms of its quality, this perception was also transferred to the beauty line extension. Thus, we added ‘Similar’ when looking at the influence of the parent brand’s quality perception because there was no difference in quality perceptions notable. On the other hand, the highly perceived quality of the German cosmetic industry led to a negative quality perception of H&M’s beauty products. This effect was found to be very strong in the course of the present research as all of the participants had a strong relationship to their experience with and viewpoints of high-quality cosmetics. Therefore, the related arrow is highlighted thicker representing the extension’s category as a whole construct that has a significant and overall influence. However, what was most surprising and interesting with this influence is that the extension’s category cannot not be generalised. All participants made differences in cosmetic product types and evaluated the perceived quality of the H&M cosmetic products differently (e.g. nail polish vs. face cream). Thus, we modified the proposed conceptual model by making use of a distinction between low-risk products and high-risk products.

Nevertheless, it cannot be assumed that the extension's category only consists of either high-risk products or low-risk products. Rather, we make this distinction to demonstrate that there are differences in the influences on the perceived quality of the brand extension. That is also the reason why there are three different arrows leading from 'Perceived Quality Extension Category' to 'Perceived Quality Brand Extension'. The negative perceived fit together with a negative perceived quality of the brand extension finally leads to an overall negative evaluation of the brand extension.

Looking at the reciprocal effect, it can be stated that it accounts mainly for the extension's category and slightly for the parent brand. With regard to the present case of H&M's beauty line, we exclude that the negative perception implies a negative attitude towards H&M due to its strong brand image. However, if H&M launched more negatively perceived extensions, we assume that this would result in a lack of H&M's overall credibility. Relating to the extension's category, consumers might feel affirmed in their original attitude resulting in higher sensitivity. What has to be conceded in the presentation of the revised conceptual model is that the dashed arrow only points into one direction, namely from 'Evaluation Brand Extension' to 'Perceived Quality Parent Brand' or to 'Perceived Quality Brand Extension'. However, as 'reciprocal' implies that there is a two-way relationship, we rather see this arrow as a part of a whole process representing a cycle relationship. Nonetheless, this statement is of interpretive nature and further research in this area is suggested. That is also the reason why the arrow representing the reciprocal effect is dashed.

When speaking of interpretation, we have to acknowledge that the aim of this research is not to create an entirely new theory. Rather, we aim at gaining and enhancing a deeper understanding of the connection between the two theoretical models. In addition, the focus is on the consumers' point of view while exploring how they are influenced in their brand extension evaluation process.

The revised conceptual model, with a strong focus on the quality perception, can be valuable for various studies as it contributes to a deeper understanding of the connection of two theoretical constructs (i.e. Aaker & Keller, 1990 and Czellar, 2003). Based on Aaker and Keller's (1990) work, as one of three conditions for a successful brand extension (i.e. quality, difficult, fit), 'Quality' was chosen to be emphasised and integrated into Czellar's (2003) "integrative model of consumer behaviour toward brand extensions" (p. 98). This model also includes 'Extension Category' as a crucial component in the process-based extension evaluation. Combining these theoretical models adds new perspectives to the existing literature. Moreover, quality perception is gaining increasingly more significance for brands as consumers tend, more than ever, to sustainable produced products with organic ingredients (Choi & Lee, 2015). Further, previous studies had only focused on the parent brand's quality perception and the consequent effect on the extension (Choi *et al.*, 2010). On the contrary, we slightly shifted the focus and included the difference (or non-difference) in quality perception for both the parent brand and the extension. That way, our research can serve as a further source in terms of this topic.

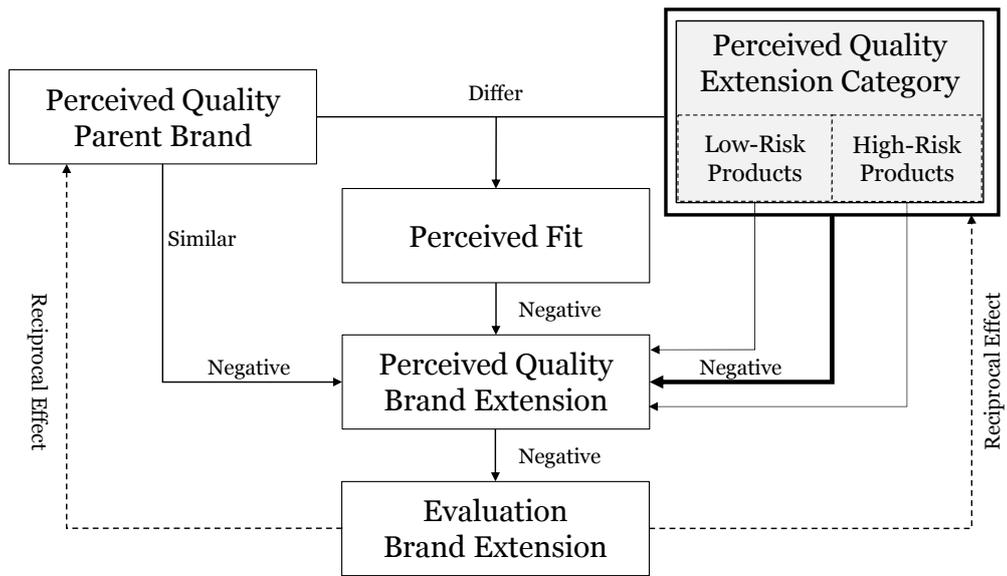


Figure 5-5 Revised Conceptual Model

6 Conclusion

The following part concludes the main findings and puts them in relation with the purpose stated in the beginning, as well as the research questions. Given these points, a critical conclusion is provided leading to implications and further research while taking the limitations into consideration. To get a full overview of our research, the spreadsheet in Appendix 5 serves as a summary.

6.1 General Conclusion

Referring to the quotation from Chapter 1 and the ever evolving fashion industry, nowadays, several marketers put emphasis toward brand extensions with the goal of enhancing the brand image. Nevertheless, the brand extension can also be assessed negatively, once negative attitudes are being transferred from the original brand to the extension. Thus, we aim with our purpose to identify and understand certain attributes that possibly lead to a negative brand extension evaluation. Special emphasis is put on the quality perception of both the parent brand and the extension category as well as the resulting (non-)fit. In order to determine if the purpose is fulfilled, we critically assessed our research question: *How do female consumers perceive 'Quality' in the German cosmetic industry and in this regard, what are the key factors associated with perceived quality of the parent brand that are likely to result in a negative perceived fit and evaluation of a brand extension?* The following statements summarise the key aspects of our conclusion.

The more intimate it gets (from clothes to cosmetics), the most conscious one becomes in terms of certain brands.

We strived for the differences between H&M and the German cosmetic industry in terms of the consumers' quality perception. Despite the fact of H&M's moderate quality perception, people still purchase the apparel due to the value for money. Thus, we conclude as long as one is aware of the lack of quality, it is being accepted. Nevertheless, H&M's perceived quality differed drastically from the German cosmetics industry. The lack of quality was partly accepted with apparel, however not for cosmetic products, in particular as Germans attach high importance to cosmetic products.

A lack of credibility and trust occurs due to the forced connection between the parent brand and its extension, as well as the transfer of associations from H&M to the new beauty line.

In addition, the lack of fit between parent brand and category extension has an immense influence towards the brand extension in general. This was proven, as the first impression of the beauty line was extremely positive, but once brought in connection with H&M, it was argued that one cannot imagine high-quality cosmetic products of H&M.

Brand extension category cannot be generalised in terms of its quality perception.

The analysis also reveals that the perceived quality of the extension category differs in terms of low- and high-risk products. The participants clearly differentiated between nail polish or hand lotion (low-risk product), which were rather favoured, than on the contrary face cream or makeup (high-risk product).

Reciprocal effect accounts mainly for the extension's category and slightly for the parent brand.

H&M already has a particularly strong image and therefore, the negative perception of the beauty line does not significantly alter the original attitude towards H&M. This may solely be the case when H&M launched several extensions being perceived as negative. In terms of the category attitude we conclude that consumers might feel affirmed in their original attitude resulting in even higher sensitivity.

Taking these statements into account, we conclude that the associations with H&M, the German cosmetic industry and the fit between both are certainly linked to the overall negative evaluation of its beauty line extension.

6.2 Implications

After shedding light upon the interrelation between parent brand, the extension's category and the brand extension itself, we became conscious of interesting aspects, which we consider essential for managerial recommendations.

The majority of the participants were clearly not aware of the immense range of the beauty line products claiming an insufficient promotion. In order to trigger the consumers' curiosity and to increase the potential sales, we suggest improving the marketing concerning the H&M cosmetic products. Moreover, one participant proclaimed the lack of transparency in the fashion and beauty industry as an issue. It was clearly stated that one is assuming expensive brands are of higher quality, but in the end no one can guarantee it. Hence, we would advise H&M to increase the transparency in terms of where the material is coming from, how it has been produced, what ingredients were used. Also, to win over consumers' trust and to make the fashion and beauty industry more tangible and comprehensible.

Lastly, we recommend H&M to put much emphasis on the positioning of its brand extension to establish a profound image of the beauty products, which would result in an increase of sales (Milberg *et al.*, 2010). This was also confirmed by Sheinin (1998), who said consumers' beliefs and attitudes about a brand extension can be changed by positioning it relative to the parent brand and the extension's category. Hence, the existing knowledge is leveraged.

6.3 Limitations and Suggestions for Future Research

Throughout the research, we focused the primary data collection on Generation Y as the main target population. Thus, we consider the limited composition of the population and the narrow focus on particular the German market a limitation. Also, the sample choice does not enable a direct generalisation for a certain target population since they are subjective and solely based on our judgment (Malhotra *et al.*, 2012). Therefore, we suggest taking other generations and target groups into consideration to get a broader viewpoint. The difference between various generations and their quality perception may be particularly interesting to investigate in regard to the research topic.

Further, instead of solely focusing on the German market and the German cosmetic market, other countries and industries should be researched as well in regard to the quality perception of specific brands to gain a broader understanding of this subject. Moreover, the study at hand only touched the surface of the reciprocal effect, which can be considered as a limitation. Thus, there is further research necessary to analyse this type of effect more extensively. In addition, we focused on 'Quality' and 'Fit', however according to Aaker and Keller (1990) there is also a third factor 'Difficult' which we did not take into consideration. Thus, further research should be conducted in this matter. Besides, our research was case related, since it focused on an actual brand (H&M) and its brand extension ('Fashion for the Face'). To improve the practical effectiveness, we believe it to be of importance to conduct further research in this area by acquiring findings close to reality. Lastly, further qualitative research could be conducted in regard to brand extension evaluation since a great number of studies on this matter are of quantitative nature.

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Appendix 1: Outlining Execution Focus Group Discussions

Welcome and First Information

- Who are we and why do we conduct these focus groups? → do not mention H&M!
- Focus on the German market; What is included in Cosmetics? → European Commission

Introductory Questions

Pre-Question: Who are you? Please introduce yourself (Name, Age, Occupation, Country of Origin)

Question 1

Which of the following products would you (not) buy and why? → *Pictures of ten different facial cleaning products are shown*

Short Survey (approx. 5 minutes)

Asks for the quality perception of German cosmetic brands and for a ranking of those in an international comparison.

Question 2

What do you associate with quality? Which product attributes and stores?

Transition Question

Question 3

H&M is introduced → What is your quality perception of H&M in general?

Key Questions

Question 4

Do you think the quality of these products (H&M Cosmetics) is comparable to the quality of the apparel? How does your opinion about H&M in general influence you in terms of how you perceive the quality of the cosmetic products? → *Pictures of the newly launched H&M beauty line are shown*

Question 5

When you think of the German beauty industry in general and what you value as highly qualitative (product attributes as well as stores) – how does this influence you in your quality judgement about the H&M cosmetic products?

Question 6

How does your quality perception of the parent brand (H&M) match your quality perception of the extension (beauty line)? → *Coordinate on the whiteboard; x=parent brand; y=extension*

Question 7

Concluding, how would you rate those beauty products? Would you try/buy them if someone would give them you for free?

End and Thank You

Goody bags (nail polish)

Appendix 2: Outlining Short-Survey

The following short-survey is an additional part of the focus group and asks your perception of cosmetic products.

According to the European Commission (2016) the term 'cosmetics' includes the following products:

„Cosmetics range from everyday hygiene products such as soap, shampoo, deodorant, and toothpaste to luxury beauty items including perfumes and makeup.”

Question1: How do you evaluate the following cosmetic brands regarding their quality?

	Excellent	Good	Average	Fair	Poor
Rossmann/ISANA 					
Nivea 					
Lavera 					
DM/Balea 					
Dr. Hauschka 					
Eucerin 					

Question 2: How do you evaluate the following brands among each other regarding the quality of their COSMETIC PRODUCTS? Please rank each of the following brands. (1st: best quality ----- 10th: worst quality)

	Place
& Other Stories 	
Rossmann/ISANA 	
Lavera 	
H&M 	
Dr. Hauschka 	
Gina Tricot 	
DM/Balea 	
Loreal 	
Nivea 	
Eucerin 	

Appendix 3: Outcomes of Short-Surveys of Focus Group Discussions

Summary (Focus Group 1-4)

Question 1

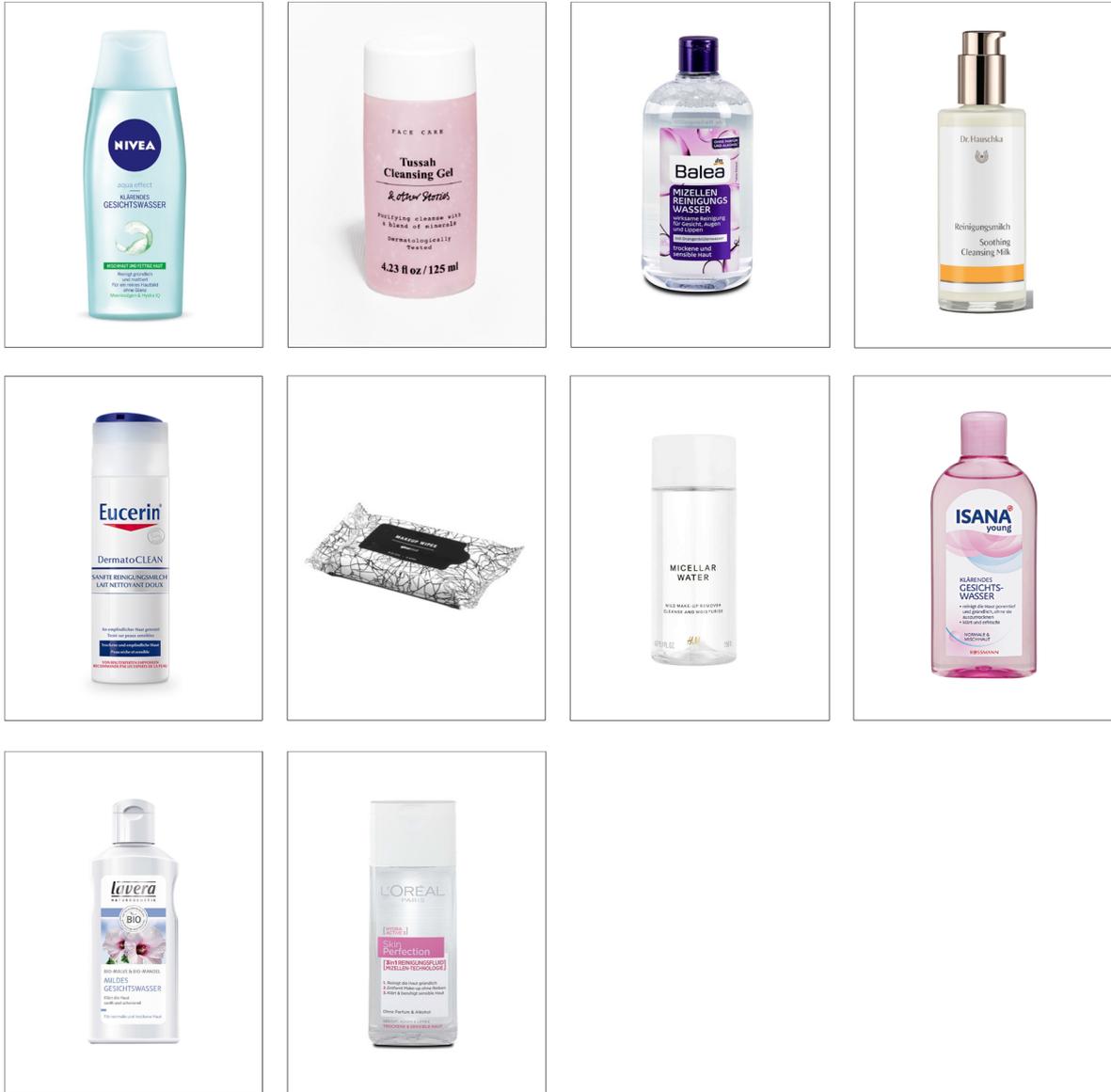
Focus Group	Isana	Nivea	Lavera	Balea	Dr. Hauschka	Eucerin
FG 1	2.86	4.29	4.57	4.00	4.29	4.14
FG 2	2.67	3.83	4.50	3.50	4.33	4.00
FG 3	3.00	3.00	5.00	4.00	4.00	5.00
FG 4	3.00	3.00	3.00	3.00	3.00	3.00
	11.52	14.12	17.07	14.50	15.62	16.14
	2.88	3.53	4.27	3.63	3.90	4.04

Question 2

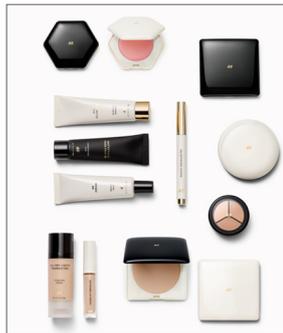
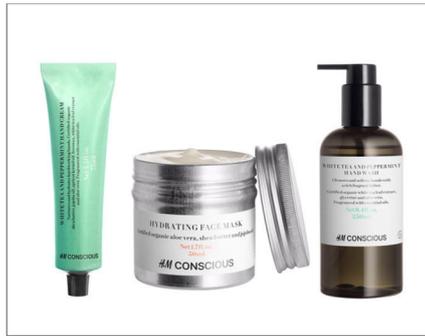
Focus Group	& Other Stories	Isana	Lavera	H&M	Dr. Hauschka	ginatricot	Balea	L'Oréal	Nivea	Eucerin
FG 1	7.86	6.57	2.57	8.14	3.43	8.14	5.00	2.57	3.71	3.43
FG 2	8.83	6.50	2.17	7.83	3.00	9.17	4.67	3.67	3.17	4.00
FG 3	8.40	7.00	2.20	8.40	2.40	9.60	5.20	4.40	3.20	4.20
FG 4	8.67	6.33	4.67	8.17	4.83	7.83	5.50	3.83	4.50	2.83
	33.76	26.40	11.60	32.54	13.66	34.74	20.37	14.47	14.58	14.46
	8	7	3	8	3	9	5	4	4	4

Appendix 4: Pictures presented in Focus Group Discussions

Pictures of Facial Cleaning Products for Question 1



Pictures of the H&M Beauty Line for Question 4



Appendix 5: Spreadsheet of Analysis

Research Questions	Category	Type of Question	Focus Group Question	Empirical Findings	Theory	Conclusion
Which attributes do consumers associate with the quality of the extension's category?	Quality perception of the extension's category	Introductory Questions	Q1: Which of the following products would you (not) buy and why?	In general, high quality expectations Major themes: specialisation, experience, no additives	Quality dimensions: performance, reliability, features, conformance, durability, serviceability, aesthetics, perceived quality (Garvin, 1987) Potential for significant performance risks that go along with the nature of the extension's category (DelVecchio & Smith, 2005) Negative evaluation is linked to the degree of quality variance in the product category (DelVecchio & Smith, 2005) Country of origin (Han, 1990; Iversen & Hem, 2011)	The more intimate it gets (from clothes to cosmetics), the most conscious one becomes in terms of certain brands
			Short-Survey: asks for the quality perception of German cosmetic brands and for a ranking of those in an international comparison			
			Q2: What do you associate with quality? Which product attributes and stores?			
Which attributes do consumers associate with the quality of the parent brand?	Quality perception of the parent brand	Transition Question	Q3: What is your quality perception of H&M in general?	H&M apparel is purchased because of the value for money Moderate quality perception	Parent brand's quality perception plays a highly essential role when it comes to a brand's evaluation (Choi, Liu, Liu, Mak, To, 2010) Consumers' perception of a brand's quality is a crucial basis for any strong brand (Farquhar, 1989) Perceived quality of the parent brand is simply transferred to the brand extension (Aaker & Keller, 1990)	As long as one is aware of the lack of quality, it is being accepted
What is the difference in quality perception of the parent brand and the extension category and how does this influence perceived fit?	Quality perception of the brand extension	Key Questions	Q4: Do you think the quality of these products (H&M cosmetics) is comparable to the quality of the apparel? How does your opinion about H&M in general influence you in terms of how you perceive the quality of the cosmetic products?	First impression was positive Once brought in connection with H&M, negative perception	Perceived fit is considered to be a crucial element in the assessment process of a new brand extension (Salinas & Pérez, 2008) Perceived fit is based on the shared associations among parent brand and extension's product category (Czellar, 2003; Chowdhury, 2007) Fit is of utmost importance when evaluating the brand extension (Völckner & Sattler, 2006) Categorisation theory: perceived quality of the parent brand is simply transferred to the brand extension (Aaker & Keller, 1990; Bhat & Reddy, 2001) Higher fit among parent brand and extension will most likely have a positive belief on the brand extension itself (Salinas & Pérez, 2008) If the fit is unsuitable, the brand extension may lack its credibility and may be referred to as ridiculous (Aaker & Keller, 1990)	A lack of credibility and trust occurred due to the forced connection between the parent brand and its extension, as well as the transfer of associations from H&M to the new beauty line
	Fit perception of the parent brand and the brand extension		Q5: When you think of the German beauty industry in general and what you value as highly qualitative - how does this influence you in your quality judgment about the H&M cosmetic products?			
How do female consumers perceive 'quality' in the German cosmetic industry and in this regard, what are the key factors associated with perceived quality of the parent brand that are likely to result in a negative perceived fit and evaluation of a brand extension?	Evaluation of the brand extension		Q7: Concluding, how would you rate those beauty products? Would you try/buy them if someone gave them to you?	Differences in product categories (nail polish vs. makeup) Purchase-by-accident	Perceived quality of the parent brand is an essential component when evaluating a brand extension (Chowdhury, 2007) Parent brand's quality and extension category are vital for the evaluation (Sheinin, 1998; Czellar, 2003) A negative perceived fit has a negative influence on the overall extension's evaluation (Aaker & Keller, 1990; Boush & Louken, 1991; Bhat & Reddy, 2001) Associations with the parent brand, the extension's category and the fit between both are linked to an overall evaluation (Aaker & Keller, 1990; Czellar, 2003; Choi, Liu, Liu, Mak & To, 2010) Not only parent brand affect and perceived fit play a significant role in the evaluation, but also brand-specific characteristics and associations as long as they are also desired for the brand extension (Broniarczyk & Alba, 1994) Specific association that has been highly valued for the parent brand may not be favourable in the context of its extension (Aaker & Keller, 1990) Reciprocal effect of brand extensions (Czellar, 2003)	Brand extension category cannot be generalised in terms of its quality perception The associations or beliefs with H&M, the German cosmetic industry and the fit between both are certainly linked to the overall negative evaluation of its beauty line extension