Consumer Responses to Vertical Service Line Extensions

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Abstract

Vertical line extensions extend an established brand to products at different price/quality points. In this study, we examine consumer evaluations of vertical service line extensions and the feedback effects of these extensions on the parent brand. Findings of two empirical studies in the hotel industry indicate that consumers perceive higher risks in step-up extensions than in step-down extensions, which consequently influences their evaluations of the extensions. This effect of extension direction is also found to be moderated by risk relievers such as service guarantee and consumers’ prior knowledge in the service category. Furthermore, we found that a parent brand receives more positive evaluations after the introduction of a step-up extension than that of a step-down extension.

Keywords: Consumer brand evaluation; Vertical service line extension; Feedback effect

As competition intensifies in the marketplace, vertical line extensions have become an increasingly important strategy for firms to gain growth in booming premium or value markets (Aaker 1997). For instance, Marriott extended its hotel chains to “Courtyard Inn by Marriott” (step-down extension) for economical travelers; and American Express introduced “American Express Platinum” (step-up extension) to give important customers exclusive privilege. These extensions allow firms to leverage the equity of an established brand when they expand to different markets (Kirmani, Sood, and Bridges 1999). However, a critical question to ask is whether these vertical line extensions, offered under the same brand name but at different price/quality points, will be well received by consumers, and what effects they might have on the parent brand.

Current research on brand/line extensions, however, offers little guidance. Many studies examined the effect of brand extensions that extend a parent brand into different product categories (e.g., Aaker and Keller 1990; Broniarczyk and Alba 1994), but little attention has been paid to line extensions. Among the existing studies on line extensions, the focus has been on horizontal extensions of tangible goods that extend a parent brand to different varieties in the same product category (e.g., Diet Pepsi or Liquid Tide) (Lee, Lee, and Kamakura 1996). Little is known about vertical service line extensions. Yet such extensions have been widely used in industries such as hotels and financial services. This research aims to provide an understanding of the emerging but limited body of research on vertical service line extensions by addressing two critical issues.

First, previous studies suggest that perceived “fit” (between the extension and the parent product category) is a key factor in extension evaluations, as it captures the variation of an extension compared to the parent brand (e.g., Aaker and Keller 1990). Vertical line extensions are in the same product category as the parent brand, and it is the extension direction that explains the changes of an extension compared to the parent brand. Also, previous research has largely ignored the role of perceived risk in extension evaluations. Yet perceived risk is considered to be central to consumer evaluations, especially in a service setting (Mitchell and Greatorex 1993). We propose that consumers associate different levels of performance and financial risks with step-up and step-down extensions, and therefore evaluate these extensions differently. This effect of extension direction would be further moderated by risk relievers such as service guarantee and consumers’ prior knowledge in the service category.

Second, although prevalent in the marketplace, vertical line extensions are considered as risky moves for a brand (Aaker 1997).
This is because brand equity is built in large part on image and perceived worth, and a vertical line extension stretching the brand to different markets may dilute or distort these qualities. Previous studies also indicate that the feedback effect of an extension on its parent brand is influenced by the degree to which the extension is (in)consistent with the parent brand (Loken and Roedder John 1993). In vertical line extensions, the perceived (in)consistency between an extension and the parent brand is influenced by the distance between them in the price/quality spectrum. We propose that vertical line extensions that extend a parent brand up to the premium or down to the value market would have different feedback effects on the parent brand, and this effect is moderated by the distance of extensions (i.e., far/close extensions).

We begin this paper with the theoretical background of vertical service line extensions. We then develop hypotheses pertaining to consumer evaluations of vertical service line extensions (Experiment 1) and the feedback effect of these extensions on the parent brand (Experiment 2). Finally, we conclude the paper by discussing our findings and their implications.

**Consumer responses to vertical service line extensions**

The proposed model investigating the impact of extension direction, service guarantee, and prior knowledge on consumers’ reactions to vertical service line extensions (perceived risk, extension evaluation, perceived value, and purchase intention) is presented in Fig. 1.

**Vertical service line extensions**

Vertical line extensions extend a parent brand name to different variants in the same product category, but usually at different price/quality points (Kirmani, Sood, and Bridges 1999). The main attribute to categorize vertical line extensions is the extension direction that can be either step-down or step-up from the parent brand (Kim, Lavack, and Smith 2001). Note that step-down/up extensions do not infer “inferior” or “superior” quality compared to other services in the same segment, but services with lower/higher prices, fewer/more features, and lower/higher level of service sophistication compared to the parent brand.

One primary advantage of vertical line extensions is to leverage the brand equity built up among its current customers to enter different market segments (Aaker 1996, 1997). For example, “TUI”, the largest European travel agency, introduced “1–2-fly by TUI” to economical travelers. Also, Internet service provider “@Home” introduced “@Home Budge”, and hotel chain “Hilton” introduced “Hilton Garden Inn” to serve low-end customers. The rational for stepping down is to attract customers who cannot afford the brand’s current offerings in the hope that these customers will eventually trade up to the brand’s more expensive offerings (Kirmani, Sood, and Bridges 1999). Similarly, stepping up may access potential or current customers who are looking for more features/services or prestige (Kirmani, Sood, and Bridges 1999). For example, American Express Credit Card introduced “American Express Platinum”, and Deutsche Bahn introduced a luxury train “Metropolitan” with on-place services to serve the upscale market segment.

**Perceived risks in vertical service line extensions**

Consumer research defines perceived risk as a two-dimensional construct comprising uncertainties and consequences (e.g., Bettman 1973). It increases with higher level of uncertainties and/or the chance of greater losses associated with negative consequences. Perceived risk can cause anxiety and therefore lead to negative product evaluations, especially in a service setting (Mitchell and Greatorex 1993). However, prior studies have largely ignored the role of perceived risk in extension evaluations. There are different forms of perceived risk, including performance, financial, physical, social, and psychological risk (Kaplan, Szybillo, and Jacoby 1974). In this study, we focus on financial and performance risk because these two types of risk are more commonly associated with the purchase decisions of new products (Campbell and Goodstein 2001; Shimp and Bearden 1982).

Given services’ special characteristics, the information about service quality is normally unknown to consumers prior to purchase (e.g., Kirmani and Rao 2000). Signalling theory suggests that consumers often rely on extrinsic cues or signals to overcome this information asymmetry between service providers and buyers (e.g., Boulding and Kirmani 1993). Quality signals can be conveyed in various forms, and brand name is one of the most commonly used cues (e.g., Agarwal and Teas 2001). In the context of brand or line extensions, the parent brand name serves as such a signal for consumers to reduce their perceived performance and financial risk associated with the purchase of new
products. However, the efficiency of such signals transmitting quality information depends on the firm’s previous investments in a certain market and consumers’ previous experience (Dawar 1998). Therefore, when a service provider promotes itself as a certain price/quality level company in the market, its brand name will be associated with the corresponding image. These associations serve as a bond for future uses of this brand signal, and consumers will infer the service quality of future offerings based on these associations (Dawar 1998; Wernerfelt 1988).

Performance risk increases with the uncertainty of service performance and the losses if the service fails to meet consumers’ expectations (Bearden and Shimp 1982). Such losses include reduced utility and physical or emotional harm resulting from substandard performance (DelVecchio and Smith 2005). Due to the diversity of consumer demands and consumer involvement in the process of service delivery, services with a high level of sophistication require firms to obtain high competence and service handling capabilities (Larsson and Bowen 1989; Lovelock 1991). Meanwhile, such services also require employees to be more flexible and adaptable in performing service activities and solving problems interactively (De Bandt 1999). Therefore, when a step-up extension is introduced, based on their associations with the parent brand image, consumers may question whether a formerly mainstream brand will have the knowledge and capabilities to deliver the functional and emotional benefits expected in an upscale market (Aaker 1997).

This increases the perceived performance risk, regardless of whether a firm actually has the required competencies or not. In contrast, when a step-down extension is introduced, the parent brand associations can enhance consumers’ confidence in the firm’s capability to meet their service expectations, which in turn reduces performance risk. We hypothesize that:

**H1a.** Consumers will have higher performance risk in step-up extensions than in step-down extensions.

Financial risk is positively related to the uncertainty of economic-related losses if a product does not perform as expected (Agarwal and Teas 2001). Compared to step-down extensions, step-up extensions are usually positioned at a higher-price range (Kirmani, Sood, and Bridges 1999). Since higher prices imply higher monetary sacrifices physically and emotionally, such sacrifices increase the potential loss if a product does not perform as intended (Shimp and Bearden 1982). We hypothesize that:

**H1b.** Consumers will have higher financial risk in step-up extensions than in step-down extensions.

### The effect of prior knowledge on performance risk

Previous research indicates that prior knowledge facilitates the acquisition of new information as well as the use of existing information (e.g., Sujan 1985). Rao and Monroe (1988) suggest that consumers with different levels of prior knowledge have differentially developed “schema” about the attributes of a product, and thus will use different information in product evaluations. Also, consumers’ knowledge of a product category increases the complexity of their cognitive structure, analytical capabilities, and ability to make elaborate inferences. Therefore, compared to more knowledgeable consumers (referred to as experts), less knowledgeable consumers (referred to as novices) are more likely to use extrinsic cues to evaluate a product. In contrast, experts are capable of using both extrinsic and intrinsic cues, and their usage of intrinsic cues will depend on the diagnosticity of extrinsic cues (Rao and Monroe 1988). Similarly, in the context of brand extensions, Muthukrishnan and Weitz (1991) found that novices tend to relate the parent brand to the extension on the basis of extrinsic surface cues, such as color, shape, or the perception of two products being in similar product categories. However, experts evaluate extensions based on deeper intrinsic cues, including similarity in technology and competences required in the manufacturing and delivery process.

In vertical service line extensions, extensions are in the same category as the parent brand but at different price/quality points. Based on the discussion above, novices (vs. experts) are more likely to rely on the surface factor of category similarity and perceive the extension to be similar to the parent brand, and therefore have more confidence in the quality of extensions (Aaker and Keller 1990). However, experts may not perceive such a similarity diagnostic and hence may not use it as a positive signal to infer the quality of extensions (Muthukrishnan and Weitz 1991). Instead, experts (vs. novices) are more likely to infer the performance of extensions based on elaborate inferences and analytical processes by looking into deeper cues such as service features, level of service complexity, and competence requirements for extensions. These processes may make experts (vs. novices) more easily notice the differences in the competence required for the extensions and that for the parent brand.

That said, compared to novices, experts may be more likely to doubt the firm’s ability to deliver a step-up extension with expected performance, but may have more confidence in the performance of step-down extensions. In other words, the difference in performance risk between step-up and step-down extensions proposed in H1a may be greater for experts than for novices.

Therefore, we hypothesize that:

**H2.** Consumers’ prior knowledge moderates the impact of extension direction on performance risk. Specifically, for knowledgeable consumers there will be a greater difference in performance risk between step-up and step-down extensions than for less knowledgeable consumers.

### The effect of service guarantees on financial and performance risk

Previous research suggests that the use of service guarantees has become an important strategy for firms to reduce perceived risk in services (e.g., Ostrom and Iacobucci 1998; Shimp and Bearden 1982). It also suggests that guarantees affect consumers’ attitude indirectly through risk perception (e.g., Boshoff 2002). Service guarantees reduce performance risk by serving as a positive quality signal, as consumers feel it would be too costly for a firm to offer guarantees to low-quality products. Service guarantees also mitigate financial risk by offering sub-
stantial compensation (usually monetary) to minimize adverse consequences if the product fails. Similarly, in the context of vertical line extensions, we expect service guarantees to reduce the perceived performance and financial risk.

Aside from the main effect of service guarantee, prior research also suggests an interaction effect between service guarantee and the level of risks involved. For example, Ostrom and Iacobucci (1998) found that the effect of service guarantee is more significant when consumers associate a considerable amount of risk with the purchase. As we discussed earlier, consumers may perceive more performance risk in step-up than in step-down extensions, as the parent brand name serves as a negative quality signal in the former but a positive quality signal in the latter. Therefore we expect a more significant impact of service guarantees on performance risk in step-up than in step-down extensions. Similarly, as consumers perceive more financial risk in step-up than in step-down extensions, we expect a more significant impact of service guarantee on financial risk in the former than in the latter.

**H3a.** Service guarantee reduces consumers’ perceived performance and financial risk.

**H3b.** Extension direction moderates the impact of service guarantee on performance and financial risk. Specifically, for step-up extensions there will be a greater difference in performance and financial risk when service guarantee is offered (vs. not offered) than for step-down extensions.

**Extension evaluation, perceived value, and purchase intention**

Consumers’ risk perception is considered to be central to their evaluations, choices, and behaviours (Dowling 1999). It is an even more useful construct in explaining consumers’ behaviour for services than for goods (Mitchell and Greatorex 1993). Both performance risk and financial risk cause anxiety and lead to negative evaluations of a product, and thus:

**H4.** Performance and financial risk have a negative influence on the evaluations of both step-up and step-down extensions.

Although extension evaluation is commonly measured in previous extension studies, it may not sufficiently “voice” consumers’ responses to extensions. Previous research suggests that perceived value is another essential factor that influences consumers’ purchase intention (Kleijnen, Ruyter, and Wetzels 2007; Woodruff 1997). Perceived value is defined as the trade-off between the expenses and sacrifices that consumers need to bear and the expected returns that they are supposed to get (Zeithaml 1988). Based on this definition, performance risk and financial risk are potential sacrifices for consumers (Sweeney, Soutar, and Johnson 1999). This is because performance risk reminds consumers of the possible negative performance-related consequences, and financial risk indicates the potential costs contingent upon the failure of the product to meet expectations. The higher the perceived risk, the more consumers “must gamble in buying” the service, and the lower the perceived value (Sweeney, Soutar, and Johnson 1999, p. 78). Therefore, we hypothesize that:

**H5.** Both performance and financial risk have a negative influence on the perceived value of both step-up and step-down extensions.

Consumer evaluation of an extension summarizes the overall benefits that consumers expect to receive from a product, including serviceability, features, performance, as well as affect that is not reflected in measurable attributes (Aaker and Keller 1990). These benefits positively contribute to consumers’ perceived value of a product. This is because perceived value represents a trade-off of the expected benefits and the potential expenses of the product (Zeithaml 1988). In other words, the perceived value of a product increases as the expected benefits increase, and decreases as the potential expenses increase. Therefore, the higher the evaluation (expected benefits) of an extension, the perceived value of the extension will be higher. We hypothesize that:

**H6.** Extension evaluation has a positive influence on the perceived value of both step-up and step-down extensions.

Purchase intention is widely used as a significant predictor of consumers’ subsequent purchase behaviour (e.g., Fishbein and Ajzen 1975). Past research has found that purchase intention is positively associated with perceived value (e.g., Grewal, Monroe, and Krishnan 1998; Sweeney, Soutar, and Johnson 1999) and consumer evaluations of products/services (e.g., Laroche, Kim, and Zhou 1996; Zeithaml, Berry, and Parasuraman 1996). Therefore, we hypothesize that:

**H7a.** Extension evaluation has a positive influence on the purchase intentions of both step-up and step-down extensions.

**H7b.** Perceived value has a positive influence on the purchase intentions of both step-up and step-down extensions.

**Experiment 1**

**Experiment design**

A 2 × 2 between-subjects factorial design was employed to test consumers’ responses to vertical service line extensions. The first factor, extension direction, was manipulated at two levels: the step-up direction and step-down direction. The second factor, service guarantees, was manipulated at two levels: the presence of a service guarantee and no mention of a service guarantee. The third explanatory factor, prior knowledge, was measured among respondents.

**Stimulus development**

We choose the hotel industry as the focal service category in this study because: (1) the prevalence of vertical line extensions in the hotel industry allows us to develop realistic hypothetical extension scenarios; (2) the use of service guarantees is a common and important strategy in the hotel industry; and (3) we assume that most respondents have more direct experiences with hotel services compared to other services.
A focus group with ten subjects was hired to choose the parent brand stimulus. These subjects were presented with a few hotel brands and asked whether they knew and ever stayed in these hotels, and how they would classify them (budget, mid-priced, or luxury). Given the hypotheses to be tested, we need to choose a mid-priced hotel to avoid possible floor or ceiling effect when developing step-up/down extension scenarios. Based on the results, we chose Holiday Inn as the parent brand in Experiment 1. We also asked the subjects to evaluate a number of potential brand names for the extensions (e.g., Empire, Eco, Lodge, and Palace). Although there were no significant differences, subjects have a slightly preference for the names of “Empire” and “Eco” compared to other names.

Questionnaire development

The scenarios of step-up and step-down extensions were developed by conducting desk research and in-depth telephone interviews with hotel (e.g., Radisson SAS) managers. We used fictitious extensions by adding descriptors to the parent brand name (i.e., Holiday Inn Eco & Holiday Inn Empire). Fictitious extensions can avoid confounding effects and the use of descriptors is considered a common and safe way to introduce step-up/down extensions (Aaker 1997; Keller and Aaker 1992). In each extension scenario, respondents were asked to “role-play” a travel situation in which they had to book a luxury or a budget hotel in order to prevent the influence of their personal preferences for a certain hotel category on their responses.

The direction of extension was manipulated by describing different price ranges and levels of service amenities in the extension. The room rates of the parent brand Holiday Inn range from €128 to €193. Using the referent brands such as Hilton and Microtel Inn, the step-up extension was priced from €280 to €425, and the step-down extension from €55 to €85. Similar to the study of Kirmani, Sood, and Bridges (1999), the distance of extensions was approximately the same for the step-up extension (50 percent higher than the parent brand) and the step-down extension (50 percent lower than the parent brand). As for service amenities, we used three aspects of hotel services including room services, business services, and leisure services to describe the parent brand and the extensions3 (see Appendix A for example scenarios).

In line with Ostrom and Iacobucci (1998), we used two levels of service guarantees to simplify the research design and make the effect more salient and detectable from a methodological standpoint.4 The service guarantee was designed based on five properties that constitute a successful guarantee: unconditional, easy to understand, meaningful, easy to invoke, and easy to collect (e.g., Hart 1988). Service guarantee availability was manipulated by having the hotel either offer a guarantee or there was no mention of it.

Pre-test

A pre-test was conducted to (1) assess the manipulation of step-up/down extensions; (2) check measurement reliability and validity; and (3) confirm the accuracy of the back-translated questionnaires (from English to Dutch and back to English). The results from 60 Dutch consumers show that the perceived market position of the parent brand is significantly higher than that of the step-down extensions (4.2 vs. 2.9, p < .001) and significantly lower than that of the step-up extensions (4.2 vs. 5.8, p < .001). Furthermore, the preliminary analysis shows that the measurement scales in terms of Cronbach’s α are reliable.

Experiment procedure and sampling

One hundred and sixty consumers were randomly assigned to one of the four experimental scenarios. Respondents were told that the purpose of the study was to learn about their preferences for hotels in certain choice situations. In each experimental scenario, respondents were first asked to answer a number of questions about the parent brand including their familiarity with and overall opinion about the parent brand. Then they were presented with a page of description about the extension with respect to prices and service features. After reading the description, respondents were asked to answer questions about the extension and their personal profile, and then debriefed. In the sample, 53.1 percent of the respondents were male, 46.9 percent were female. With respect to age, 38.1 percent of the participants were younger than 25, 16.3 percent between 25 and 35, 21.9 percent between 36 and 45, 16.3 percent between 46 and 55, and 7.5 percent were older than 55. Concerning yearly income (after tax), 29.4 percent respondents have an income of less than €12,000, 21.8 percent between €12,001 and €24,000, 15.7 percent between €24,001 and €36,000, 16.9 percent between €36,001 and €48,000 and 13.1 percent of more than €48,000. Five participants (3.1 percent) preferred to keep this information to themselves.

Measurement

Two prior knowledge constructs have been commonly conceptualized: subjective and objective knowledge (Brucks 1985). Consumers’ subjective knowledge was measured through two items measuring self-assessed knowledge (e.g., Flynn and Goldsmith 1999). In previous studies, this measurement of subjective knowledge was found to be highly correlated with objective knowledge (Muthukrishnan and Weitz 1991). Furthermore, subjective knowledge has been shown to be a stronger motivation for purchase-related behaviour than objective knowl-

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3 The step-up and step-down extensions were designed based on the referent hotels in the associated price tiers of the two types of extensions. The results of a post-test (n = 60) show that consumers have similar perceptions of value for the step-down extensions as they do for the step-up extensions when each is evaluated in isolation (not related back to the parent brand). We are grateful to the anonymous reviewer who suggested this post-test.

4 Some studies on service guarantees employed three levels of service guarantees in their research: unconditional, specific, and no guarantee (e.g., Boshoff 2002). Shimp and Bearden (1982) found that high warranty quality led to less risk perceptions, but moderate warranty quality was not different from a poor or nonexistent warranty.
edge (Gronhaug, Hem, and Lines 2002). Thus we focus on subjective knowledge in this study. Risk perception was measured by performance risks (four items) and financial risks (three items) based on the study of Ostrom and Iacobucci (1998). Extension evaluations were measured by three items ranging from very unfavourable to very favourable, very negative to very positive, and very unattractive to very attractive (e.g., Milberg, Park, and McCarthy 1997). A three-item measurement for perceived value was adapted from the scale used in Sweeney and Soutar (2001) and Petrick (2002). Purchase intention was measured by a four-item measurement based on existing scales (Bloemer, de Ruyter, and Wetzels 1999). Furthermore, previous research on brand extensions indicates that parent brand evaluations may affect consumer reactions to extensions (e.g., Aaker and Keller 1990). Therefore, we use parent brand evaluations as a covariate (see Appendix B for all measurement items).

We assessed convergent validity by examining the factor loadings of construct indicators. The results show that all factor loadings were higher than 0.50 (Hulland 1999). Construct reliability was evaluated by using composite scale reliability (Fornell and Larcker 1981). Composite reliability ranged from 0.84 to 0.93 and exceeded the suggested cut-off value of 0.7 (Nunnally and Bernstein 1994). Furthermore, all average variances extracted are above the recommended cut-off value of 0.50 (Fornell and Larcker 1981), ranging from 0.59 to 0.85. We assessed discriminant validity by checking (1) whether the square root of the average variance extracted exceeded the correlations of the construct with other constructs; (2) whether each correlation was less than 1 by an amount greater than twice its respective standard error (Bagozzi and Warshaw 1990); (3) whether all items loaded highest on their associated construct and not on another construct (White, Varadarajan, and Dacin 2003). All constructs showed discriminant validity. Table 1 shows composite reliabilities, average variances extracted, and the inter-correlations between constructs.

### Manipulation checks

The manipulations have the intended effect. Respondents in each extension condition were asked to evaluate the market position of the parent brand and the extension on two items (budget/luxury, functional/prestige, Cronbach’s ρ = 0.94) of 7-point scales. The perceived market position of the parent brand (Meanparentbrand = 4.62) is significantly lower than that of extensions in the step-up conditions (Meanstep-up with service guarantee = 6.18, Meanstep-up without service guarantee = 6.24; p < .001 for all comparisons), but it is significantly higher than that of extensions in the step-down conditions (Meanstep-down with service guarantee = 2.73, Meanstep-down without service guarantee = 2.63; p < .001 for all comparisons). Respondents in the “with service guarantee” group were asked to evaluate whether the guarantee was sufficient on a 7-point scale. The results show that respondents consider the offered service guarantee to be sufficient and there is no significant difference between the two “with service guarantee” conditions (Meanstep-up = 6.11, Meanstep-down = 5.82; p > .10).

### Data analysis

The measurement properties were estimated using partial least squares (PLS), specifically PLS-GRAPH v 3.00. In contrast to ANOVA, the use of partial least squares is more appropriate as it allows us to examine the proposed multiple causal relationships. Also, unlike the structural equation modelling such as LISREL, PLS path modelling is component based and therefore does not require multivariate normal data, has minimum requirements on measurement levels, and is more suitable for small samples (Chin 1998; Tenenhaus, Vinzi, and Chatelin 2005).

For the interaction analysis, we standardized the indicators of all constructs to lower the correlation between the interaction and the original indicators (Chin, Marcolin, and Newsted 2003). We then used the calculated products between each indicator of the predictor and the moderator as indicators for the interaction construct. Furthermore, we investigated the added variance explained by the interaction term in the endogenous construct through a comparison between the partial model and the full model. We used the bootstrapping method to test the beta coefficients and the corresponding t-values.

### Results

#### Partial model with only direct effects

We first test the partial model in which only the direct effects of extension direction, prior knowledge, and service guarantee are included in the model. The results for the direct effect model are provided in Table 2, along with the $R^2$ for each endogenous construct.

#### Full model with moderating effects

We then test the full model with both the direct and the moderating effects. The results of the full model are provided in Table 3, along with the $R^2$ for each endogenous construct.

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### Table 1

<table>
<thead>
<tr>
<th>Construct</th>
<th>CR</th>
<th>AVE</th>
<th>PK</th>
<th>PR</th>
<th>FR</th>
<th>EV</th>
<th>PV</th>
<th>PI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior knowledge (PK)</td>
<td>0.92</td>
<td>0.85</td>
<td>0.92</td>
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<tr>
<td>Performance risk (PR)</td>
<td>0.85</td>
<td>0.59</td>
<td>−0.086</td>
<td>0.77</td>
<td></td>
<td></td>
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<tr>
<td>Financial risk (FR)</td>
<td>0.84</td>
<td>0.64</td>
<td>−0.125</td>
<td>0.558</td>
<td>0.80</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extension evaluation (EV)</td>
<td>0.89</td>
<td>0.73</td>
<td>−0.022</td>
<td>0.474</td>
<td>0.363</td>
<td>0.86</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Perceived value (PV)</td>
<td>0.93</td>
<td>0.81</td>
<td>0.051</td>
<td>0.557</td>
<td>0.506</td>
<td>0.476</td>
<td>0.90</td>
<td></td>
</tr>
<tr>
<td>Purchase intention (PI)</td>
<td>0.92</td>
<td>0.75</td>
<td>−0.068</td>
<td>0.628</td>
<td>0.592</td>
<td>0.554</td>
<td>0.681</td>
<td>0.87</td>
</tr>
</tbody>
</table>

CR: composite reliability; AVE: average variance extracted. Numbers shown in bold on the diagonal denote the square root of the average variance extracted.
First of all, our results show that the three-way interaction construct (extension direction × prior knowledge × service guarantee) does not have a significant influence on either performance risk ($b = -0.034, t = 0.21$) or financial risk ($b = 0.132, t = 1.00$). Next, our results show that the moderating constructs of extension direction × prior knowledge and extension direction × service guarantee add to the amount of variance explained in the endogenous constructs, namely, performance and financial risk. The $R^2$ change of performance risk is 0.026 and the $R^2$ change of financial risk is 0.018. The $F$-test shows that the $R^2$ change on performance risk is marginally significant ($F = 2.95, p = .056$) and it is significant on financial risk ($F = 3.10, p < .05$).

$H1$ predicts that consumers experience higher performance risk and financial risk in step-up extensions than in step-down extensions. Our results confirm both $H1a$ and $H1b$ by showing that both performance risk ($b = 0.169, t = 1.87$) and financial risk ($b = 0.592, t = 8.30$) are positively influenced by extension direction (1 = low risk, 7 = high risk; 1 = step-up extension, 0 = step-down extension). $H2$ proposes that the effect of extension direction on performance risk is positively moderated by consumers’ prior knowledge. Our results confirm this hypothesis by showing a positive interaction term ($b = 0.241, t = 2.21$) of extension direction × prior knowledge on performance risk. $H3$ predicts that the effect of service guarantee on risk perception is moderated by extension direction. Our results show that the impact of service guarantee is greater in step-up extensions than that in step-down extensions on financial risk ($b = -0.244, t = 2.59$), but the interaction term of extension direction × service guarantee has no significant influence on performance risk ($b = -0.002, t = 0.02$). Hence, $H3$ is partially supported. Nevertheless, we find that the main effect of service guarantee on performance risk is significant ($b = -0.152, t = 1.97$). Furthermore, $H4$ is supported that both performance risk ($b = -0.271, t = 2.47$) and financial risk ($b = -0.174, t = 1.85$) negatively influence consumers’ extension evaluations. Next, our results also support $H5$ that both performance risk ($b = -0.233, t = 2.27$) and financial risk ($b = -0.277, t = 3.48$) have negative impacts on perceived value. Also, $H6$ is supported that extension evaluations have a positive influence on perceived value ($b = 0.209, t = 2.24$). Finally, both extension evaluation ($b = 0.297, t = 5.06$) and perceived value ($b = 0.540, t = 9.98$) positively influence consumers’ purchase intentions. Thus, hypothesis $7a/b$ is supported. Furthermore, we also conducted a post-hoc analysis to test if the risk perceptions mediate

<table>
<thead>
<tr>
<th>Construct</th>
<th>Performance risk</th>
<th>Financial risk</th>
<th>Extension evaluation</th>
<th>Perceived value</th>
<th>Purchase intention</th>
</tr>
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<tbody>
<tr>
<td>Extension direction</td>
<td>0.164 (2.52)**</td>
<td>0.447 (9.02)***</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Prior knowledge</td>
<td>0.175 (2.18)*</td>
<td>0.044 (0.63)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service guarantee</td>
<td>-0.167 (2.56)**</td>
<td>-0.107 (1.92)*</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Performance risk</td>
<td>0.490 (7.09)***</td>
<td>-0.269 (2.46)**</td>
<td>-0.230 (2.43)***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial risk</td>
<td>-0.177 (1.82)</td>
<td>-0.280 (3.48)***</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extension evaluation</td>
<td>0.208 (2.15)*</td>
<td></td>
<td></td>
<td>0.297 (5.33)***</td>
<td></td>
</tr>
<tr>
<td>Perceived value</td>
<td>0.540 (10.07)***</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construct $R^2$</td>
<td>0.299</td>
<td>0.541</td>
<td>0.275</td>
<td>0.428</td>
<td>0.532</td>
</tr>
</tbody>
</table>

All $R^2$s were tested with an $F$-test and were all significant (one-tailed).

* $p < .05$.

** $p < .01$.

*** $p < .001$. 

Table 3
Full model with moderating effects: beta coefficients
the effect of extension direction and service guarantee on extension evaluation and perceived value. The significant results of the mediation tests (p < .05 for all SOBEL tests) further demonstrate the central role of risk perceptions in consumers’ cognitive reactions to vertical service line extensions.

Discussion

In Experiment 1, we experimentally manipulated the direction of service line extensions and found that consumers perceive higher performance and financial risks in step-up extensions than in step-down extensions, which leads to consumers’ more positive reactions (e.g., evaluation, perceived value, and purchase intention) to the latter than to the former. However, the direction of a line extension may influence not only how consumers react to the extension but also their post-evaluations of the parent brand. This is because, as part of the parent brand portfolio, different forms of line extensions may have different impacts on consumers’ cognitive representation of the parent brand. Also, from a managerial perspective, the (positive or negative) feedback effect of an extension on the parent brand would influence the overall success of the extension strategy. Therefore, Experiment 2 is conducted to examine these theoretical and managerial issues.

Experiment 2

The effect of extension direction on the parent brand

Prior research suggests that consumers’ existing beliefs about a parent brand can be changed when extensions are inconsistent with the parent brand. In vertical line extensions, extensions are introduced at distinctively different price/quality points, which may be perceived as inconsistent with the parent brand (Kim, Lavack, and Smith 2001). This inconsistency may influence consumers’ parent brand evaluations. In prior studies (e.g., Milberg, Park, and McCarthy 1997; Romeo 1991), the inconsistent information examined was often negatively valenced (e.g., poor “quality” and “ease of use” ratings) and therefore had a negative feedback effect on the parent brand. However, it is important to realize that not all inconsistent information brought by extensions will be perceived as negative. In particular, in the context of vertical line extensions, the introduction of step-up and step-down extensions may be perceived as inconsistent but differently valenced information. As we discussed in H1, the introduction of a step-up extension may be perceived as an accomplishment of the firm and therefore may have a positive effect on the parent brand. However, a step-down extension offering plain services at lower prices makes the brand more “downstream” and “commonplace”. It may induce the feeling that the brand is stepping down from its original “class” and therefore may influence the parent brand negatively. We hypothesize that:

H8. Consumers will have more positive parent brand evaluations when a step-up extension is introduced than when a step-down extension is introduced.

The effect of extension distance on the parent brand

Previous research indicates that consumers’ attitude toward a parent brand may, in part, depend on consumers’ trust in the firm and their perception of the firm’s motives in terms of its effort to satisfy consumers’ needs (Keller and Aaker 1992). If an extension is too inconsistent with the parent brand, consumers may feel that the firm is unfairly/unreasonably attempting to capitalize on its reputation, leading to unfavourable brand evaluations. Perceived (in)consistency between an extension and the parent brand has been previously measured by the degree of category fit between them in brand extension studies (e.g., Loken and Roedder John 1993). Vertical line extensions are in the same product/service category as the parent brand, but at different price/quality points. Therefore perceived (in)consistency between the parent brand and the extensions would be influenced by how far the parent brand is extended upward or downward along the price/quality spectrum (referred to as extension distance) by the extensions. Based on the discussion above, we hypothesize that:

H9a. Consumers will perceive far extensions to be more inconsistent with the parent brand than close extensions.

H9b. Consumers will evaluate the parent brand more positively when close extensions are introduced than when far extensions are introduced, and this effect is mediated by the perceived inconsistency between the parent brand and the extensions.

The moderating effect of extension distance

Keller and Aaker (1992) suggest that when an extension is too far and unexpectedly inconsistent with the parent brand’s current offering, consumers may not only question the firm’s motive but also feel that the firm is attempting something beyond its competence and capability. This will negatively affect a firm’s credibility and weakens consumers’ confidence or trust in the firm (Aaker 1997). Therefore, although a step-up extension can induce more positive parent brand evaluations than a step-down extension (as hypothesized in H8), this brand enhancement effect may be reduced in a far extension compared to a close extension. Thus, we hypothesize that:

H10. Extension distance moderates the influence of extension direction on parent brand evaluations. Specifically, for close extensions there will be a greater difference in parent brand evaluations between step-up and step-down extensions than for far extensions.

Finally, based on the discussion earlier, we also hypothesize that consumers’ parent brand evaluations influence their perceived value of the parent brand.

H11. Consumers’ parent brand evaluations have a positive influence on their perceived value of the parent brand.
Experiment design

A 2 × 2 between-subjects factorial design was used to test the feedback effects on the parent brand. One factor is extension direction (step-up vs. step-down) and the other factor is extension distance (far vs. close).

Stimulus development

We chose Van der Valk, a well-known mid-priced hotel brand in the Netherlands, as the parent brand in Experiment 2. This is because Holiday Inn is an upper-level mid-priced hotel, which may cause ceiling effects in the far step-up extension condition. Similar to Experiment 1, extension direction and distance were manipulated by different price ranges and levels of service amenities in Experiment 2. The room rates in Van der Valk hotel range from €70 to €130. The close and far step-up extension (Van der Valk Grand, Van der Valk Palace) were priced from €140 to €365 and from €395 to €1090, respectively, whereas the close and far step-down extension (Van der Valk Lodge, Van der Valk Budget) were priced from €45 to €70 and from €15 to €30, respectively. The service amenities were manipulated by describing different levels of room services, business services, and leisure services.5

Experiment procedure and sampling

One hundred and ninety-five consumers were randomly assigned to one of the four experimental scenarios and one control group. In the experimental groups, respondents were first asked questions about their familiarity with the parent brand. Then they were presented with a page of description about the extension with respect to prices and service amenities. After reading the description, respondents were asked to evaluate the parent brand and then debriefed. In the control group, respondents were only asked to evaluate the parent brand without seeing the information of extensions. In the sample, 58.8 percent of the respondents were male, 41.2 percent were female. With respect to age, 16.9 percent of the participants were younger than 25, 26.3 percent were aged between 25 and 35, 26.9 percent between 36 and 45, 18.8 percent between 46 and 55, and 11.3 percent were older than 55. Concerning yearly income (after tax), 21.3 percent were aged between 25 and 35, 18.8 percent between 46 and 55, and 11.3 percent were older than 55. Concerning yearly income (after tax), 21.3 percent were between €12,000 and €24,000, 19.4 percent between €24,001 and €36,000, 14.4 percent between €36,001 and €48,000 and 18.1 percent of more than €48,000.

Measurement

Perceived inconsistency was measured by three items adapted from Milberg, Park, and McCarthy (1997). Specifically, subjects were asked to rate how similar the extension is to the parent brand (very similar—not at all similar), how well the extension fits the parent brand (very well—very poorly), and how similar the competence required to operate the extension compared to that for the parent brand (very similar—not at all similar). The loadings of each item on perceived inconsistency were higher than 0.50. The composite scale reliability and the average variances extracted are 0.95 and 0.86, respectively. Other constructs were measured the same way as Experiment 1.

Results

The manipulations checks showed that there was a significant difference between the manipulations for extension direction (F(1,158) = 61.79, p < .001) and the manipulations for extension distance (F(1,158) = 22.58, p < .001). The model was estimated using partial least squares (PLS-GRAPH v 3.00). H8 predicts that consumers will have higher parent brand evaluations when a step-up (vs. step-down) extension is introduced. Our results confirm H8 by showing a positive influence of extension direction on parent brand evaluations (b = 0.481, t = 8.92) (1 = low evaluation, 7 = high evaluation; 1 = step-up extension, −1 = step-down extension). In particular, our results show that, compared to the control group, the parent brand is evaluated more favourably in the step-up extension scenario and less favourably in the step-down extension scenario (Meancontrol = 3.80; Meanstep-up = 4.49, Meanstep-down = 2.90).

Next, our results also show that far extensions are perceived to be more inconsistent with the parent brand than close extensions (b = −0.222, t = 3.73; 1 = low inconsistency, 7 = high inconsistency; 1 = close extension, −1 = far extension). Also, the parent brand evaluations were lower when the extension is perceived to be more inconsistent with the parent brand (b = −0.346, t = 5.61).

The mediation test shows that the effect of extension distance on parent brand evaluation is mediated by perceived inconsistency (SOBEL test z = 3.034, p < .01). These results support both H9a and H9b. Next, our results show a positive interaction term (b = 0.118, t = 2.27) of extension direction × extension distance on parent brand evaluation. This confirms H10 that the effect of extension direction on parent brand evaluations is stronger for close extensions than for far extensions. Finally, our results also support H11 by showing a positive influence of parent brand evaluation on its perceived value (b = 0.616, t = 9.14).

Discussion and implications

Implications for theory and research

In contrast to the popularity of brand extension studies, the research on line extensions is very limited. The few studies on line extensions (Nijssen 1999; Reddy, Holak, and Bhat 1994) examined the market responses to horizontal line extensions using aggregated profitability data as the dependent variable. Also, prior studies mainly focused on the extension of tangible goods. Our study examines consumers’ cognitive responses to a different form of line extensions, vertical line extensions in the service sector by investigating the impact of more
service relevant factors such as perceived risk and service guarantee.

We examined the impact of two specific risk elements, performance and financial risk, on the effect of vertical service line extensions. We found that consumers perceive higher performance and financial risk in step-up extensions than in step-down extensions. We also found that this difference of risk perception is moderated by consumers’ prior knowledge in the service category. Specifically, experts (vs. novices) perceive a greater difference in performance risk between step-up and step-down extensions. This result corroborates the previous finding that experts use more performance-related “deep” cues when evaluating products, whereas novices rely on surface cues that usually do not directly relate to product performance.

Prior research suggests that service guarantee is one of the most important risk relievers in service evaluations. We found that service guarantee is not uniformly effective in reducing consumers’ risk perceptions in vertical line extensions. For example, we found that the impact of service guarantee is greater in step-up extensions than in step-down extensions. Furthermore, we found that service guarantee can effectively reduce both financial and performance risk in vertical line extensions. This is different from Shimp and Bearden’s (1982) finding that guarantee only reduces consumers’ financial risk but has no influence on performance risk. They explained that guarantee can compensate consumers financially if the product fails but it may not increase consumers’ confidence in product quality. Our findings, however, corroborate the view of a few other studies (e.g., Ostrom and Iacobucci 1998; Wirtz, Kum, and Doreen 2000) that service guarantee reduces perceived risk by serving as both a positive quality signal and a compensation for potential losses.

Furthermore, we measured both extension evaluations and perceived value to reflect consumers’ responses to vertical line extensions. We found that perceived value is positively influenced by extension evaluations but negatively influenced by perceived risk, illustrating the trade-off between the expected returns such as service quality and the potential expenses such as uncertainties. We also found that perceived value has a greater influence on consumers’ purchase intention than extension evaluation. Therefore, compared to extension evaluation that is usually measured in previous studies, perceived value is a more comprehensive and accurate predictor for consumers’ behavioural intentions toward extensions. This finding also corroborates the insight of a number of recent studies that emphasize the critical role of service value for firms to gain competitive advantage (Bolton, Grewal, and Levy 2007; Kleijnen, Ruyter, and Wetzel 2007; Parasuraman 1997).

We also examined the feedback effects of vertical line extensions on the parent brand. Previous research suggests that inconsistent information of extensions tends to dilute the parent brand beliefs (e.g., Loken and Roedder John 1993; Milberg, Park, and McCarthy 1997). Our results indicate that inconsistent information may not always have a negative impact on the parent brand. For example a step-up line extension, although inconsistent, may be perceived as positive information that enhances the parent brand beliefs. In addition, we found that the impact of extension direction on the parent brand is stronger in close extensions than in far extensions. This finding may also be explained by the sub-typing model (e.g., Sujan and Bettman 1989). In particular, if new extensions are highly inconsistent, they are likely to be placed in a sub-category that is separate from, but linked to the parent brand category. This sub-categorization process may lead consumers to perceive an extension as being less related to the parent brand, which in turn reduces the positive or negative feedback effect of this extension on the parent brand.

**Implications for brand management**

Our results also have implications for marketing practitioners. We found that consumers have lower risk perceptions and more positive evaluations in step-down (vs. step-up) extensions. This result can help us understand the phenomenon that step-down extensions are much more prevalent in the marketplace than step-up extensions. Aaker (1996) also pointed out that consumers’ increasing value orientation may make step-down extensions a competitive necessity. Therefore, step-down extensions seem to be a more effective strategy if brand managers aim to leverage the existing brand equity and extend the brand profitability into different market segments. However, step-up extensions, although may be less valued by consumers, are sometimes not only justified but also essential for firms (Aaker 1997). This is because, these extensions are often introduced not for gaining profits, but for reinforcing the parent brand image and therefore attracting more customers in the current market segment. For example, a step-up extension of Gallo (a value brand for wine), Ernest and Julio Gallo, was introduced not to target the high-end consumers, but to elevate the perception of the core Gallo brand in the highly competitive value market (Aaker 1997). Therefore, as shown in our findings, step-down (vs. step-up) extensions are more valued by consumers, but step-up (vs. step-down) extensions are more helpful in enhancing the parent brand image. Thus, the benefits and risks of introducing step-up/down extensions need to be weighted against the benefits and risks of these extensions on the parent brand. Our study investigates the effects of different vertical line extensions, in which we hope to help managers develop appropriate extension strategies for different managerial purposes.

Next, different strategies may be needed to facilitate the acceptance of step-up/down extensions. For example, for step-up extensions, firms should communicate the message that the parent brand has the required capability and competency when promoting such extensions to, especially knowledgeable, consumers. Also, firms may need to differentiate these extensions from the parent brand and establish the unique identity of these extensions using other cues in packaging, advertising and distribution. However, for step-down extensions, firms may use graphically or linguistically closely linked brand names to aid the transfer of brand identity from the parent brand to these extensions, and therefore facilitate their acceptance (Kim, Lavack, and Smith 2001).

Finally, we found that close extensions are better evaluated than far extensions. Nevertheless, this finding does not suggest that far extensions cannot be introduced. Keller and Aaker (1992) indicate that the brand image established in consumers’
mind through previous marketing activities influences extension evaluations. They found that the introduction of intervening close extensions can increase a firm’s credibility and therefore facilitates the acceptance of its subsequent far brand extensions. Therefore, in the context of vertical line extensions, firms may take incremental steps in extending their brands into different markets. This is because close extensions are easier to be accepted by consumers, and the success of these extensions may help bridge the perceptual distance between far extensions and the parent brand.

Limitations and future research

We identified several limitations in this study and we take them as points of direction for future research. First, our results might be limited to the specific characteristics of hotel services and the specific profile (e.g., income, consumption habits) of Dutch consumers used in the study. Furthermore, although the manipulation check reveals successful manipulations, the hypothetical line extensions may hinder respondents from expressing their true reactions to extensions. Further research may go beyond an experiment work and use market data to validate findings of this study in other service categories using consumers from other countries. Finally, this study examined performance/financial risk associated with vertical line extensions and the role of service guarantee in reducing such risks. Roselius (1971) and Settle and Alreck (1989) argued that different risk relievers may influence different types of risks in different purchase situations, such as time loss risk and psychosocial loss. Greatorex and Mitchell (1994) also suggest that the effect of risk relievers is not generalizable across product groups. Further research may consider including different dimensions of risks in investigating the issues introduced in this study in a different service setting.

Appendix A

Description of step-up extension (Experiment 1)

Holiday Inn Empire is a luxury hotel. Here is some brief information about the services and the price range of this hotel.

In this hotel, every room is equipped with basic room facilities/services such as bed, television, telephone, cold and hot water, en-suite or shared bathrooms.

It has a common meeting room for guests and provides some free flyers about sightseeing tour at the reception. No business facilities/services are available in the hotel.

The room rates in this hotel range from €55 to €85.

Appendix B

<table>
<thead>
<tr>
<th>Items</th>
<th>Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior knowledge about hotel services (CR = 0.92) (adapted from Flynn and Goldsmith 1999)</td>
<td></td>
</tr>
<tr>
<td>I feel quite knowledgeable about hotel services</td>
<td>0.91</td>
</tr>
<tr>
<td>Among my circle of friends, I think I know a lot about hotel services</td>
<td>0.94</td>
</tr>
<tr>
<td>Performance risk (CR = 0.85) (adapted from Ostrom and Iacobucci 1998)</td>
<td></td>
</tr>
<tr>
<td>Considering the possible problems with the hotel’s performance, how much risk would be involved with choosing to stay at this hotel?</td>
<td>0.61</td>
</tr>
<tr>
<td>How sure are you about the hotel’s ability to perform?</td>
<td>0.84</td>
</tr>
<tr>
<td>In your opinion, how certain are you that this hotel would perform as well as similar hotels that you could go to?</td>
<td>0.78</td>
</tr>
<tr>
<td>How confident are you of the hotel’s ability to perform as expected?</td>
<td>0.81</td>
</tr>
<tr>
<td>Financial risk (CR = 0.84) (adapted from Ostrom and Iacobucci 1998)</td>
<td></td>
</tr>
<tr>
<td>Given the expense involved, how much risk would be involved in staying at this hotel?</td>
<td>0.77</td>
</tr>
<tr>
<td>How financially risky do you feel it would be to choose the hotel for staying?</td>
<td>0.87</td>
</tr>
<tr>
<td>How confident are you that the hotel is worth the money you would have to pay for staying there?</td>
<td>0.75</td>
</tr>
<tr>
<td>Extension evaluation (CR = 0.89) (Boshoff 2002; Milberg, Park, and McCarthy 1997)</td>
<td></td>
</tr>
<tr>
<td>I feel that the described hotel is:</td>
<td></td>
</tr>
<tr>
<td>Very unattractive–very favourable</td>
<td>0.89</td>
</tr>
<tr>
<td>Very negative–very positive</td>
<td>0.78</td>
</tr>
<tr>
<td>Very unattractive–very attractive</td>
<td>0.90</td>
</tr>
<tr>
<td>Perceived value (CR = 0.93) (adapted from Sweeney and Soutar 2001 and Petrick 2002)</td>
<td></td>
</tr>
<tr>
<td>Overall I believe I will receive a good value for money, compared to similar hotels</td>
<td>0.89</td>
</tr>
<tr>
<td>I think this hotel will be a good buy, compared to similar hotels</td>
<td>0.91</td>
</tr>
<tr>
<td>I think I would value the hotel’s service a lot, compared to similar hotels</td>
<td>0.91</td>
</tr>
<tr>
<td>Purchase intension (CR = 0.92) (Bloemer, de Ruyter, and Wetzels 1999)</td>
<td></td>
</tr>
<tr>
<td>Considering the situation, the hotel is an appropriate choice</td>
<td>0.86</td>
</tr>
<tr>
<td>I would recommend this hotel to other people</td>
<td>0.90</td>
</tr>
<tr>
<td>I would say positive things about this hotel to others</td>
<td>0.85</td>
</tr>
<tr>
<td>I would like to choose this hotel for this trip</td>
<td>0.86</td>
</tr>
<tr>
<td>Parent brand evaluation (CR = 0.92) (Boshoff 2002; Milberg, Park, and McCarthy 1997)</td>
<td></td>
</tr>
<tr>
<td>I think the hotel is:</td>
<td></td>
</tr>
<tr>
<td>Very unattractive–very favourable</td>
<td>0.87</td>
</tr>
<tr>
<td>Very negative–very positive</td>
<td>0.90</td>
</tr>
<tr>
<td>Very unattractive–very attractive</td>
<td>0.89</td>
</tr>
</tbody>
</table>

References